Finance 460

California State University, Long Beach

Bank is a commercial bank located in , Alabama. They have fourteen branches, which hold $1,229,547,000 in total assets. Their regulatory agency that governs them is the Federal Deposit Insurance Corporation (FDIC). The purpose of the FDIC is to ensure the publics confidence in the financial system of the United States.

The focus of this bank is personal banking. This includes personal credit cards, deposits, loans, etc Bank stresses their easy accessibility to their bankers through not only coming into their branches but by phone and online. They want to create friendships with their clients and make them feel as though they are "not just another number". They also get involved in their local community by helping in disaster relief, visiting schools, and teaming up with nonprofit organizations. This community-oriented teamwork along with their "one on one" type of banking is what Bank is using to set themselves apart from competitors.

	Formula	Bank Statement #1	Statement #2	Statement #3	Statement #4
ROE	$\frac{\textit{net income}}{\textit{total equity capital}}$	$\frac{6{,}260}{112{,}287} = 5.57\%$	$\frac{6{,}137}{125{,}119} = 4.90\%$	$\frac{4{,}520}{103{,}045} = 4.39\%$	$\frac{8{,}588}{100{,}439} = 8.55\%$
ROA	$\frac{\textit{net income}}{\textit{total assets}}$	$\frac{6{,}260}{1{,}229{,}547} = .51\%$	$\frac{6{,}137}{1{,}193{,}906} = .51\%$	$\frac{4{,}520}{1{,}250{,}296} = .36\%$	$\frac{8{,}588}{1{,}246{,}562} = .69\%$
Net Interest Margin	$\frac{(\textit{interest income} - \textit{interest expense})}{\textit{total assets}}$	$\frac{21{,}066 - 1{,}798}{1{,}229{,}547} = 1.57\%$	$\frac{19{,}665 - 4{,}552}{1{,}193{,}906} = 1.27\%$	$\frac{18{,}772 - 886}{1{,}250{,}296} = 1.43\%$	$\frac{17{,}151 - 468}{1{,}246{,}562} = 1.34\%$
Net Operating Margin	$\frac{(\textit{operating income})}{\textit{total assets}}$	$\frac{6{,}260}{1{,}229{,}547} = .51\%$	$\frac{6{,}124}{1{,}193{,}906} = .51\%$	$\frac{4{,}398}{1{,}250{,}296} = .35\%$	$\frac{8{,}577}{1{,}246{,}562} = .69\%$
Net Non Interest Margin	$\frac{\left(\textit{noninterest revenues} - \textit{provision for loan lease losses} - \textit{noninterest expenses}\right)}{\textit{total assets}}$	$\frac{1{,}781 - 850 - 13{,}939}{1{,}229{,}547} = -1.06\%$	$\frac{625 - 700 - 8{,}914}{1{,}193{,}906} = -.75\%$	$\frac{15{,}488 - 0 - 28{,}976}{1{,}250{,}296} = -1.08\%$	$\frac{127{,}034 - 132{,}586 - 2{,}554}{1{,}246{,}562} = -.65\%$

Answers in dark blue

Return on equity is calculated to measure the rate of return going to the shareholders. It gives us an idea of the net benefit that shareholders get from their investment in the bank. This is calculated by taking net income and dividing it into total equity capital. Looking at the table above we see that t Bank is not the best nor the worst of the three other competitors. It does fall behind Bank by 2.98% but is ahead of Bank. To get ahead of competitors they need to increase their net income by increasing total revenue and lowering total expenses.

Return on assets lets us see how efficient the banks management is. It gives us an idea of how capable they are in turning assets into net earnings. This is calculated by dividing net income into total assets. According to our calculations bank is tied with k. The two institutions are between

Again to get ahead we would want to increase their net income by increasing total revenue and lowering total expenses.

Net interest margin is used to measure the gap between interest revenues and interest costs that management is creating. They do this by closely monitoring earning assets and attempting to find less costly sources of funding. This is calculated by subtracting interest income from interest expense then dividing that by total assets. By looking at the table we see that Bank has the highest net interest margin. This is probably due to making better investment decisions compared to the other competing banks.

Net operating margin is used to measure the profitability of the bank. It is calculated by dividing operating income into total assets. The higher the margin the more profitable the bank is. Looking at the table we see that Bank is in the middle of , and is tied with Bank k. To get ahead of its competitors it needs to generate more operating revenue and reduce its operating expenses.

Net noninterest margin is used to measure the amount of noninterest revenues generated by fees the firm has collected compared to the cost of noninterest expenses like banker wages, expenses used to keep the bank running and loan and lease losses. This is calculated by subtracting noninterest revenues and provision for loan and lease losses from noninterest expenses, then dividing that by total assets. All four of the banks above have negative net noninterest margins. This means that these banks are most likely spending too much on banker salaries and wages, bank maintenance or are losing to much on their loans and leases. To fix this they could possibly cut back on wages or lay off bankers and become more strict on loans and leases they create.

Comparing the four banks it looks as though ank is very close with its competitors. It does fall behind few areas but overall it is a very close competitor.

Definition *Dollar figures in thousands*

	30-Jun-14	[illegible]
All Summary Information		
Assets and Liabilities		
1 Total employees (full-time equivalent)	200	179
2 **Total assets**	**1,229,547**	**1,165,777**
3 Cash and due from depository institutions	89,081	90,028
4 Interest-bearing balances	58,018	72,917
5 Securities	378,391	398,076
6 Federal funds sold & reverse repurchase agreements	6,181	9,611
7 Net loans & leases	703,332	603,307
8 Loan loss allowance	7,796	7,136
9 Trading account assets	1,992	0
10 Bank premises and fixed assets	31,620	33,104
11 Other real estate owned	3,683	9,154
12 Goodwill and other intangibles	0	0
13 All other assets	15,267	22,497
14 **Total liabilities and capital**	1,229,547	1,165,777
15 **Total liabilities**	**1,117,260**	**1,062,393**
16 Total deposits	1,034,229	987,078
17 Interest-bearing deposits	761,841	775,933
18 Deposits held in domestic offices	1,034,229	987,078
19 % insured	49.04%	60.29%
20 Federal funds purchased & repurchase agreements	78,128	69,406
21 Trading liabilities	1,992	0
22 Other borrowed funds	0	0
23 Subordinated debt	0	0
24 All other liabilities	2,911	5,909
25 **Total equity capital**	**112,287**	**103,384**
26 Total bank equity capital	111,922	102,969
27 Perpetual preferred stock	0	0
28 Common stock	200	200
29 Surplus	86,962	86,962
30 Undivided profits	24,760	15,807
31 Noncontrolling interests in consolidated subsidiaries	365	415
Memoranda:		
32 Noncurrent loans and leases	4,352	7,432
33 Noncurrent loans that are wholly or partially guaranteed by the U.S. government	0	0
34 Income earned, not collected on loans	4,446	4,282
35 Earning assets	1,145,922	1,083,911
36 Long-term assets (5+ years)	359,903	356,636
37 Average Assets, year-to-date	1,245,770	1,147,420
38 Average Assets, quarterly	1,227,203	1,153,029
39 Total risk weighted assets	846,404	772,058
40 Adjusted average assets for leverage capital purposes	1,218,158	1,162,037
41 Life insurance assets	7,901	0
42 General account life insurance assets	7,901	0
43 Separate account life insurance assets	0	0
44 Hybrid life insurance assets	0	0
45 Volatile liabilities	224,286	201,612
46 Insider loans	891	430
47 FHLB advances	0	0
48 Loans and leases held for sale	2,784	0
49 Unused loan commitments	165,934	134,620
50 Tier 1 (core) risk-based capital	112,281	104,338
51 Tier 2 risk-based capital	7,796	7,136
52 Total unused commitments	165,934	134,620
53 Derivatives	66,338	95,564
Restructured Loans and leases		
Past due and nonaccrual assets		
Fiduciary and related services		
Income and Expense	*(Year-to-date)*	*(Year-to-date)*
54 Number of institutions reporting	1	1
55 Total interest income	21,066	19,004
56 Total interest expense	1,798	2,112
57 Net interest income	19,268	16,892
58 Provision for loan and lease losses	850	449
59 Total noninterest income	1,781	1,899
60 Fiduciary activities	0	0
61 Service charges on deposit accounts	803	646
62 Trading account gains & fees	0	0
63 Additional noninterest income	978	1,253
64 Total noninterest expense	13,939	13,921
65 Salaries and employee benefits	7,562	6,542
66 Premises and equipment expense	2,361	2,388
67 Additional noninterest expense	4,016	4,991
68 Pre-tax net operating income	6260	4421
69 Securities gains (losses)	0	83
70 Applicable income taxes	0	0
71 Income before extraordinary items	6,260	4,504
72 Extraordinary gains - net	0	0
73 **Net income attributable to bank**	**6,260**	**4,504**
74 Net income attributable to noncontrolling interests	0	0
75 Net income attributable to bank and noncontrolling interests	6,260	4,504
76 Net charge-offs	649	1,549
77 Cash dividends	2,850	0
78 Sale, conversion, retirement of capital stock, net	0	0
79 Net operating income	6,260	4,421
Memo:		
Gross fiduciary and related services income		

1855 First Street

Definition *Dollar figures in thousands*

	30-Jun-14	30-Jun-13
All Summary Information		
Assets and Liabilities		
1 Total employees (full-time equivalent)	91	82
2 **Total assets**	**1,193,906**	**1,033,476**
3 Cash and due from depository institutions	42,394	99,874
4 Interest-bearing balances	25,620	43,159
5 Securities	113,866	115,861
6 Federal funds sold & reverse repurchase agreements	0	0
7 Net loans & leases	1,023,133	804,664
8 Loan loss allowance	9,444	9,254
9 Trading account assets	0	0
10 Bank premises and fixed assets	2,099	1,917
11 Other real estate owned	918	4,462
12 Goodwill and other intangibles	0	0
13 All other assets	11,496	6,698
14 **Total liabilities and capital**	1,193,906	1,033,476
15 **Total liabilities**	**1,068,787**	**911,866**
16 Total deposits	840,732	877,959
17 Interest-bearing deposits	762,588	801,278
18 Deposits held in domestic offices	840,732	877,959
19 % insured	75.11%	72.01%
20 Federal funds purchased & repurchase agreements	44,125	11,708
21 Trading liabilities	0	0
22 Other borrowed funds	179,000	16,500
23 Subordinated debt	0	0
24 All other liabilities	4,930	5,699
25 **Total equity capital**	**125,119**	**121,610**
26 Total bank equity capital	125,119	121,610
27 Perpetual preferred stock	0	0
28 Common stock	1,750	1,750
29 Surplus	46,905	46,905
30 Undivided profits	76,464	72,955
31 Noncontrolling interests in consolidated subsidiaries	0	0
Memoranda:		
32 Noncurrent loans and leases	2,915	6,782
33 Noncurrent loans that are wholly or partially guaranteed by the U.S. government	0	0
34 Income earned, not collected on loans	3,523	3,377
35 Earning assets	1,162,619	963,684
36 Long-term assets (5+ years)	204,909	131,143
37 Average Assets, year-to-date	1,169,241	1,051,443
38 Average Assets, quarterly	1,182,756	1,045,719
39 Total risk weighted assets	1,149,829	948,489
40 Adjusted average assets for leverage capital purposes	1,169,641	1,037,946
41 Life insurance assets	0	0
42 General account life insurance assets	0	0
43 Separate account life insurance assets	0	0
44 Hybrid life insurance assets	0	0
45 Volatile liabilities	201,898	124,689
46 Insider loans	8,385	18,285
47 FHLB advances	179,000	16,500
48 Loans and leases held for sale	0	0
49 Unused loan commitments	265,394	209,808
50 Tier 1 (core) risk-based capital	125,321	120,628
51 Tier 2 risk-based capital	9,544	9,354
52 Total unused commitments	265,394	209,808
53 Derivatives	0	0
Restructured Loans and leases		
Past due and nonaccrual assets		
Fiduciary and related services		
Income and Expense	*(Year-to-date)*	*(Year-to-date)*
54 Number of institutions reporting	1	1
55 Total interest income	19,665	17,947
56 Total interest expense	4,552	4,892
57 Net interest income	15,113	13,055
58 Provision for loan and lease losses	700	400
59 Total noninterest income	625	371
60 Fiduciary activities	0	0
61 Service charges on deposit accounts	63	77
62 Trading account gains & fees	0	0
63 Additional noninterest income	562	294
64 Total noninterest expense	8,914	8,201
65 Salaries and employee benefits	5,672	5,182
66 Premises and equipment expense	925	778
67 Additional noninterest expense	2,317	2,241
68 Pre-tax net operating income	6124	4825
69 Securities gains (losses)	13	279
70 Applicable income taxes	0	0
71 Income before extraordinary items	6,137	5,104
72 Extraordinary gains - net	0	0
73 **Net income attributable to bank**	**6,137**	**5,104**
74 Net income attributable to noncontrolling interests	0	0
75 Net income attributable to bank and noncontrolling interests	6,137	5,104
76 Net charge-offs	-514	1,222
77 Cash dividends	3,430	3,465
78 Sale, conversion, retirement of capital stock, net	0	0
79 Net operating income	6,124	4,825
Memo:		
Gross fiduciary and related services income		

One Ward Parkway

Country Club Bank

Definition	*Dollar figures in thousands*	[illegible]	30-Jun-13
All Summary Information			
Assets and Liabilities			
1 Total employees (full-time equivalent)		355	353
2 **Total assets**		**1,250,269**	**1,193,650**
3 Cash and due from depository institutions		30,041	37,745
4 Interest-bearing balances		4,404	10,377
5 Securities		508,840	515,652
6 Federal funds sold & reverse repurchase agreements		620	2,905
7 Net loans & leases		639,075	572,197
8 Loan loss allowance		11,604	12,033
9 Trading account assets		14,642	12,214
10 Bank premises and fixed assets		41,036	34,343
11 Other real estate owned		3,490	4,346
12 Goodwill and other intangibles		2,803	2,878
13 All other assets		9,722	11,370
14 **Total liabilities and capital**		1,250,269	1,193,650
15 **Total liabilities**		**1,147,224**	**1,094,292**
16 Total deposits		1,045,567	994,516
17 Interest-bearing deposits		710,259	666,800
18 Deposits held in domestic offices		1,045,567	994,516
19 % insured		73.21%	74.33%
20 Federal funds purchased & repurchase agreements		90,330	87,096
21 Trading liabilities		0	0
22 Other borrowed funds		0	0
23 Subordinated debt		0	0
24 All other liabilities		11,327	12,680
25 **Total equity capital**		**103,045**	**99,358**
26 Total bank equity capital		103,045	99,358
27 Perpetual preferred stock		0	0
28 Common stock		200	200
29 Surplus		29,800	29,800
30 Undivided profits		73,045	69,358
31 Noncontrolling interests in consolidated subsidiaries		0	0
Memoranda:			
32 Noncurrent loans and leases		6,325	5,570
33 Noncurrent loans that are wholly or partially guaranteed by the U.S. government		0	0
34 Income earned, not collected on loans		4,600	5,166
35 Earning assets		1,167,581	1,113,345
36 Long-term assets (5+ years)		251,900	207,780
37 Average Assets, year-to-date		1,243,164	1,186,780
38 Average Assets, quarterly		1,250,253	1,182,167
39 Total risk weighted assets		738,095	666,775
40 Adjusted average assets for leverage capital purposes		1,255,586	1,180,956
41 Life insurance assets		0	0
42 General account life insurance assets		0	0
43 Separate account life insurance assets		0	0
44 Hybrid life insurance assets		0	0
45 Volatile liabilities		126,774	124,946
46 Insider loans		9,439	8,286
47 FHLB advances		0	0
48 Loans and leases held for sale		566	90
49 Unused loan commitments		213,625	192,915
50 Tier 1 (core) risk-based capital		97,258	93,480
51 Tier 2 risk-based capital		9,256	8,380
52 Total unused commitments		213,625	192,915
53 Derivatives		46,200	20,000
Restructured Loans and leases			
Past due and nonaccrual assets			
Fiduciary and related services			
Income and Expense		*(Year-to-date)*	*(Year-to-date)*
54 Number of institutions reporting		1	1
55 Total interest income		18,772	18,417
56 Total interest expense		886	1,030
57 Net interest income		17,886	17,387
58 Provision for loan and lease losses		0	200
59 Total noninterest income		15,488	17,582
60 Fiduciary activities		4,827	4,388
61 Service charges on deposit accounts		1,159	1,174
62 Trading account gains & fees		4,701	7,366
63 Additional noninterest income		4,801	4,654
64 Total noninterest expense		28,976	29,177
65 Salaries and employee benefits		18,897	19,326
66 Premises and equipment expense		3,632	3,392
67 Additional noninterest expense		6,447	6,459
68 Pre-tax net operating income		4398	5592
69 Securities gains (losses)		292	0
70 Applicable income taxes		170	201
71 Income before extraordinary items		4,520	5,391
72 Extraordinary gains - net		0	0
73 **Net income attributable to bank**		**4,520**	**5,391**
74 Net income attributable to noncontrolling interests		0	0
75 Net income attributable to bank and noncontrolling interests		4,520	5,391
76 Net charge-offs		289	196
77 Cash dividends		2,000	3,000
78 Sale, conversion, retirement of capital stock, net		0	0
79 Net operating income		4,240	5,391
Memo:			
Gross fiduciary and related services income			

507 North Gray Street

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Definition *Dollar figures in thousands*	30-Jun-14	30-Jun-13
All Summary Information		
Assets and Liabilities		
1 Total employees (full-time equivalent)	2,875	2,886
2 **Total assets**	**1,246,562**	**1,180,680**
3 Cash and due from depository institutions	205,762	176,214
4 Interest-bearing balances	48,227	11,122
5 Securities	619,115	646,980
6 Federal funds sold & reverse repurchase agreements	0	0
7 Net loans & leases	366,510	304,901
8 Loan loss allowance	9,829	4,040
9 Trading account assets	0	0
10 Bank premises and fixed assets	23,871	24,619
11 Other real estate owned	0	97
12 Goodwill and other intangibles	0	0
13 All other assets	31,304	27,869
14 **Total liabilities and capital**	1,246,562	1,180,680
15 **Total liabilities**	**1,146,123**	**1,092,618**
16 Total deposits	1,099,793	1,054,479
17 Interest-bearing deposits	414,760	400,711
18 Deposits held in domestic offices	1,099,793	1,054,479
19 % insured	91.07%	88.94%
20 Federal funds purchased & repurchase agreements	23,444	19,981
21 Trading liabilities	0	0
22 Other borrowed funds	0	0
23 Subordinated debt	0	0
24 All other liabilities	22,886	18,158
25 **Total equity capital**	**100,439**	**88,062**
26 Total bank equity capital	100,439	88,062
27 Perpetual preferred stock	0	0
28 Common stock	1,464	1,464
29 Surplus	2,273	2,273
30 Undivided profits	96,702	84,325
31 Noncontrolling interests in consolidated subsidiaries	0	0
Memoranda:		
32 Noncurrent loans and leases	11,563	8,645
33 Noncurrent loans that are wholly or partially guaranteed by the U.S. government	7,671	3,197
34 Income earned, not collected on loans	2,331	1,659
35 Earning assets	1,033,852	963,003
36 Long-term assets (5+ years)	504,032	430,340
37 Average Assets, year-to-date	1,221,964	1,143,930
38 Average Assets, quarterly	1,263,814	1,200,685
39 Total risk weighted assets	393,050	354,323
40 Adjusted average assets for leverage capital purposes	1,294,626	1,179,359
41 Life insurance assets	19,179	13,718
42 General account life insurance assets	19,179	13,718
43 Separate account life insurance assets	0	0
44 Hybrid life insurance assets	0	0
45 Volatile liabilities	44,152	44,974
46 Insider loans	2,583	3,523
47 FHLB advances	0	0
48 Loans and leases held for sale	9,333	10,970
49 Unused loan commitments	22,151	18,107
50 Tier 1 (core) risk-based capital	95,282	83,680
51 Tier 2 risk-based capital	4,974	4,040
52 Total unused commitments	22,151	18,107
53 Derivatives	0	0
Restructured Loans and leases		
Past due and nonaccrual assets		
Fiduciary and related services		
Income and Expense	*(Year-to-date)*	*(Year-to-date)*
54 Number of institutions reporting	1	1
55 Total interest income	17,151	15,568
56 Total interest expense	468	524
57 Net interest income	16,683	15,044
58 Provision for loan and lease losses	2,554	2,637
59 Total noninterest income	127,034	120,649
60 Fiduciary activities	0	0
61 Service charges on deposit accounts	74,825	79,654
62 Trading account gains & fees	0	0
63 Additional noninterest income	52,209	40,995
64 Total noninterest expense	132,586	125,924
65 Salaries and employee benefits	62,929	61,716
66 Premises and equipment expense	17,995	17,422
67 Additional noninterest expense	51,662	46,786
68 Pre-tax net operating income	8577	7132
69 Securities gains (losses)	11	301
70 Applicable income taxes	0	0
71 Income before extraordinary items	8,588	7,433
72 Extraordinary gains - net	0	0
73 **Net income attributable to bank**	**8,588**	**7,433**
74 Net income attributable to noncontrolling interests	0	0
75 Net income attributable to bank and noncontrolling interests	8,588	7,433
76 Net charge-offs	3,478	2,489
77 Cash dividends	0	0
78 Sale, conversion, retirement of capital stock, net	0	0
79 Net operating income	8,577	7,132
Memo:		
Gross fiduciary and related services income		

Sources

Hudgins, Silvia C., and Rose, Peter S. Bank Management & Financial Services. New York:McGraw-Hill, 2013. Print.

http://research.fdic.gov/bankfind