
Banking industry benchmarks

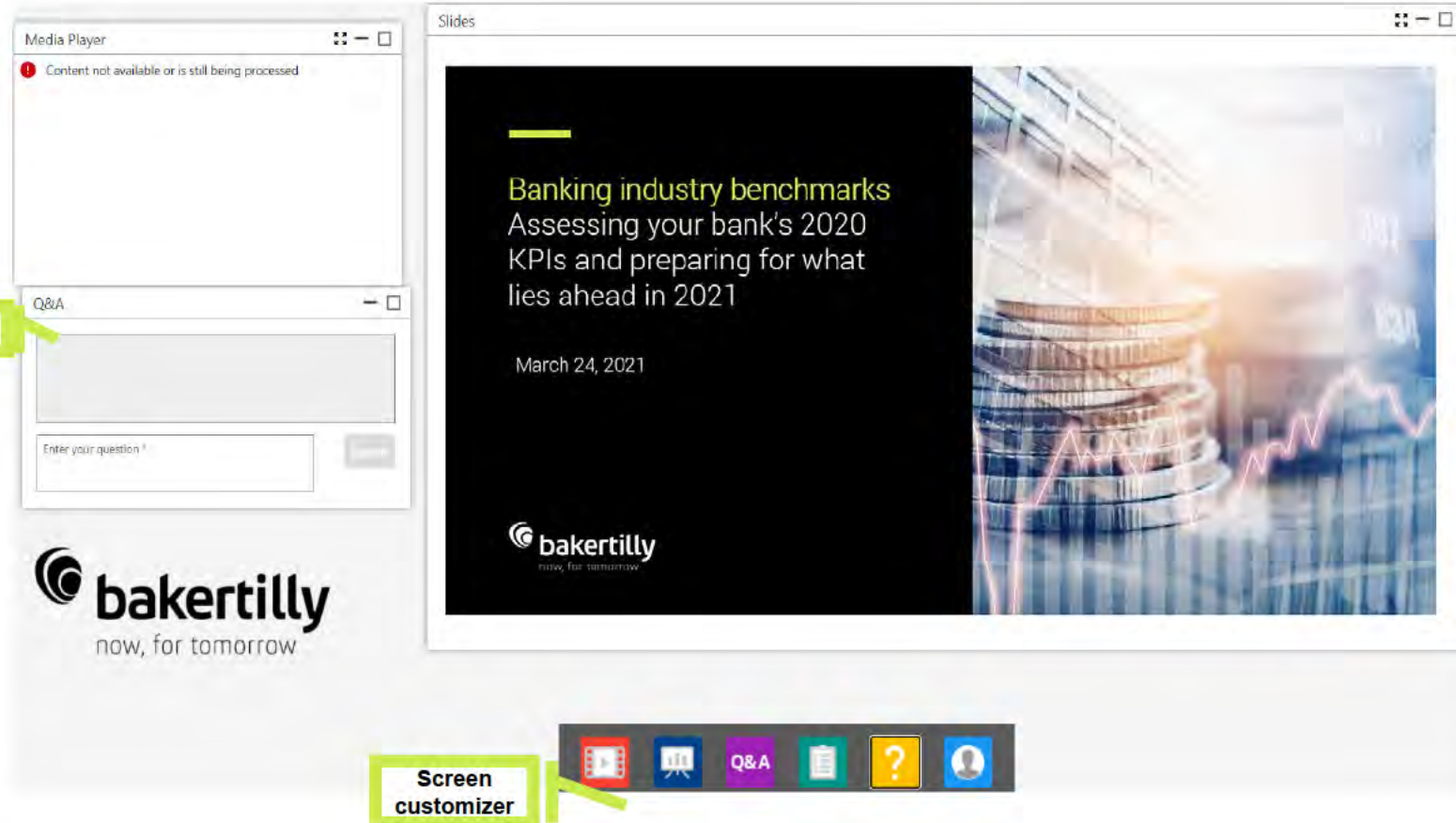
Assessing your bank's 2020 KPIs and preparing for what lies ahead in 2021

March 24, 2021



Housekeeping

- Everyone is muted to avoid background noise. Please use the Q&A panel if you need to communicate with the host.
- **Customizing your personal screen:** In the bottom panel, you can select what components you'd like to be visible. Options include media player, slides, Q&A, survey, help and speaker bios.
- **Asking questions:** In the Q&A panel, ask questions by choosing "All Panelists" in "Send to" field. Type your message in the Q&A panel and hit "send."
- **If disconnected:** Refer to your email and reconnect. If audio is disconnected, dial back in using the orange icon at the top of the screen.
- We will be recording today's presentation.
- This webinar qualifies for one hour of Continuing Professional Education (CPE). To qualify for the CPE credit, you must be in attendance for the entire webinar, answer all three polls and complete the evaluation form at the end of the webinar. Qualified attendees will receive CPE certificate in four to six weeks.



The screenshot displays the webinar interface. At the top left, there is a "Media Player" window with a red error message: "Content not available or is still being processed". Below it is a "Q&A" panel with a text input field labeled "Enter your question" and a "send" button. A green callout box labeled "Q&A" points to the input field. To the right is a "Slides" window showing a slide titled "Banking industry benchmarks" with the subtitle "Assessing your bank's 2020 KPIs and preparing for what lies ahead in 2021" and the date "March 24, 2021". The slide features a background image of a stack of coins and a line graph. The "bakertilly" logo is visible in the bottom left of the slide. At the bottom of the interface is a "Screen customizer" bar with icons for video, chat, Q&A, survey, help, and profile. A green callout box labeled "Screen customizer" points to this bar. The "bakertilly" logo is also present at the bottom center of the interface.

BANKING INDUSTRY BENCHMARKS

Meet your presenters



Tim Kosiek, CPA

Partner

+1 (612) 876 4901

tim.kosiek@bakertilly.com



Kevin Schalk, CPA

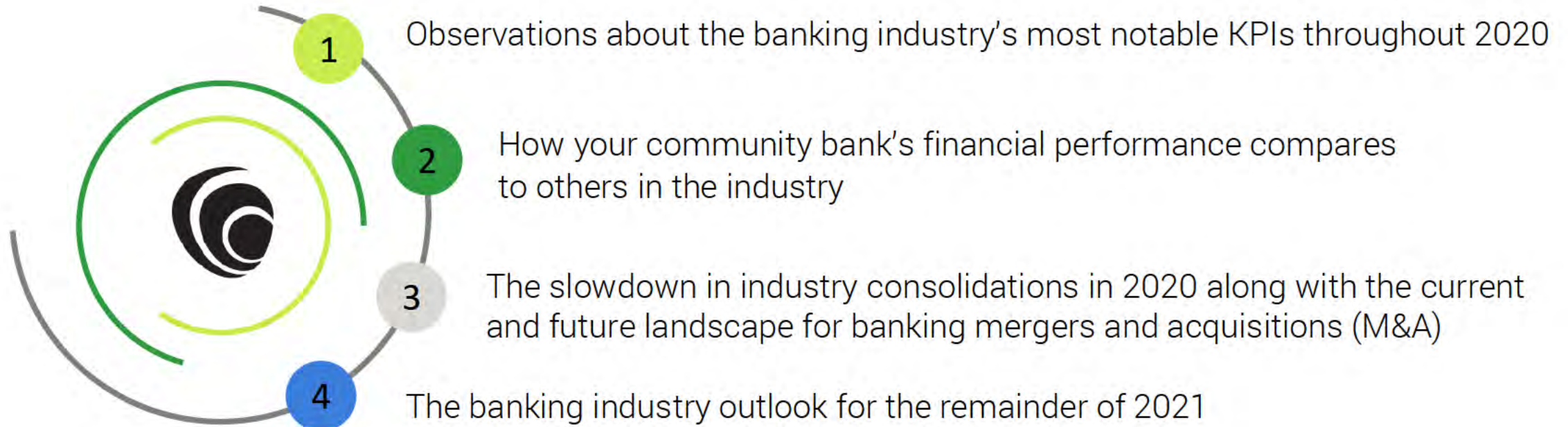
Partner

+1 (414) 777 5428

kevin.schalk@bakertilly.com

BANKING INDUSTRY BENCHMARKS

Today's agenda



BANKING INDUSTRY BENCHMARKS

Data sources

- Gathered from S&P Global Market Intelligence
- Database includes all commercial and savings banks with less than \$15 billion in total assets
- Represents approximately 4,600 banks across the nation



S&P Global

BANKING INDUSTRY BENCHMARKS

Data aggregation

- Analyze call report data quarterly and aggregate the data by size, region, type of bank
- The following metrics are medians of the population of banks analyzed
 - Using the median (versus an average) excludes any outliers within each KPI
- Asset size groupings:

Group 1 (3,826)
<\$1B in total assets

Group 2 (637)
\$1B-\$5B in total assets

Group 3 (126)
\$5B-\$15B in total assets

KPI 12/31/2020

Tier 1 capital 14.73%	Return on average equity 8.90%	Non-interest income to total income 13.17%
Net loans and leases to assets 63.27%	Yield on earning assets 3.81%	Efficiency ratio 66.82%
Loans to deposits 74.15%	Cost of funds 0.45%	ALL to total loans and leases 1.30%
Non-performing loans to total assets 0.53%	Net interest margin 3.35%	Dividend payout 23.26%

10%+ Improvement YoY

10% Decline YoY

KPI 12/31/2019

Tier 1 capital 15.37%	Return on average equity 8.96%	Non-interest income to total income 11.17%
Net loans and leases to assets 69.07%	Yield on earning assets 4.56%	Efficiency ratio 63.35%
Loans to deposits 82.08%	Cost of funds 0.86%	ALL to total loans and leases 1.20%
NPAs + 90 days past due/assets 0.64%	Net interest margin 3.72%	Dividend payout 31.06%

Polling question one

How does your institution's performance compare to the industry peers?

- A. We perform above the industry averages
- B. We perform about the same as the industry
- C. We perform below the industry
- D. Not applicable

BANKING INDUSTRY BENCHMARKS

Earnings capacity – return on average equity (ROAE)

12/31/2020	12/31/2019
ROAE 8.90%	ROAE 8.97%

- Low interest rates, limited loan demand (ex-PPP), excess liquidity
- Stabilized cost reduction benefits
- **Caution** – Continued lower credit loss provisions

Assets <\$1B
8.31%

Assets \$1B-\$5B
11.12%

Assets \$5B-\$15B
11.13%

BANKING INDUSTRY BENCHMARKS

Shifting revenue – non-interest income to net income

12/31/2020	12/31/2019
NII to net income 13.17%	NII to net income 11.60%

- Flat net interest margin -- Remained at 3.35%
- Fed expected to keep rates low throughout 2021
- Continuing efforts to expand fee-based services
- **Caution** – Fee for service pricing is becoming more competitive

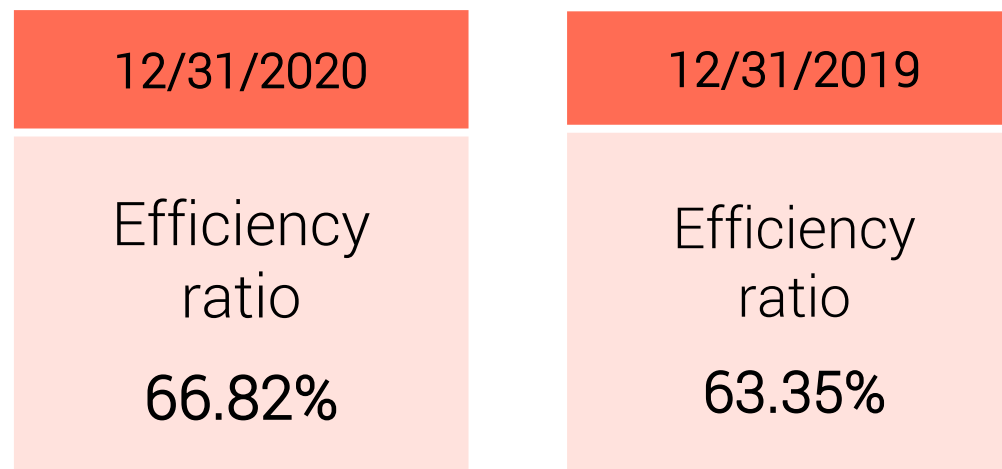
Assets <\$1B
12.34%

Assets \$1B-\$5B
18.53%

Assets \$5B-\$15B
19.80%

BANKING INDUSTRY BENCHMARKS

Getting less for more – efficiency ratio



- Technology and compliance efficiencies have subsided
- Branch inefficiencies become more prominent in the virtual environment
- Digital solutions become more critical to managing costs
- **Caution** – Fintech owns the most efficient technology

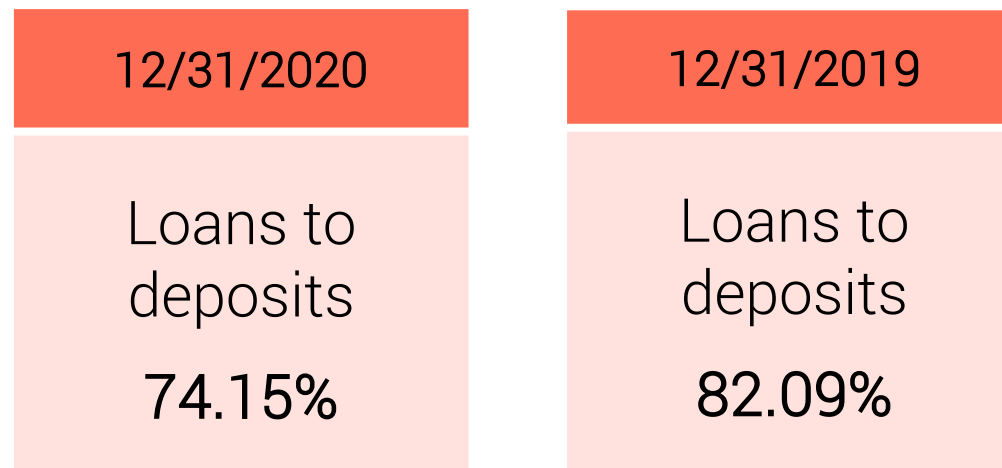
Assets <\$1B
68.61%

Assets \$1B-\$5B
59.96%

Assets \$5B-\$15B
57.22%

BANKING INDUSTRY BENCHMARKS

No credit demand – loans to deposits



- Economic uncertainty stalls loan demand
- PPP dominates loan originations
- **Caution** -- Stimulus funds parked at banks further increase the challenge

Assets <\$1B
72.16%

Assets \$1B-\$5B
82.80%

Assets \$5B-\$15B
85.16%

BANKING INDUSTRY BENCHMARKS

What's next – credit quality

12/31/2020	12/31/2019
Non-performing Loans to total assets	Non-performing Loans to total assets
0.53%	0.64%

- Government stimulus and accommodations minimize delinquencies
- Consumer entered the pandemic in sound financial condition
- Little or no change in ALLL levels
- **Caution** – Post-COVID-19 sustainability is uncertain at best

Assets <\$1B
0.53%

Assets \$1B-\$5B
0.53%

Assets \$5B-\$15B
0.59%

Polling question two

How well did your institution perform in 2020 compared to expectations?

- A. We performed above expectations
- B. We performed at expectations
- C. We performed below expectations
- D. Not applicable

BANKING INDUSTRY BENCHMARKS

M&A outlook

- The pace of deals is expected to accelerate throughout 2021.
- The average price point will likely be between 1.60X and 1.75X tangible book equity of the target
- Inefficiencies in technology and operations will be exposed and detriment to pricing
- Non-interest income platforms could attract premium pricing
- Fintechs will be a notable participant in the M&A landscape



Polling question three

Does your institution plan to buy or sell over the next 12 months?

- A. Yes, we are looking to acquire another institution
- B. Yes, we are looking to sell to another institution
- C. No, our focus is on organic growth
- D. It is not part of our current strategy, but we would be open to merger discussions if the right opportunity presented itself
- E. Not applicable

BANKING INDUSTRY BENCHMARKS

Thank you!



Tim Kosiek, CPA

Partner

+1 (612) 876 4901

tim.kosiek@bakertilly.com




Kevin Schalk, CPA

Partner

+1 (414) 777 5428

kevin.schalk@bakertilly.com



Disclosure

The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought.

Baker Tilly US, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2021 Baker Tilly US, LLP.