

Sample Bank

Anywhere, USA

Capital ConnectionsSM

Capital Analysis & Assessment Systems

Capital Adequacy

Analysis

&

Assessment

Directors' Summary

Hybarger & Associates

2020 - 2022

As of September 30, 2020

Directors' Summary

	2020				2021				2022			
	I <i>Actual</i>	II <i>Actual</i>	III <i>Actual</i>	IV <i>Forecast</i>	I <i>Forecast</i>	II <i>Forecast</i>	III <i>Forecast</i>	IV <i>Forecast</i>	I <i>Forecast</i>	II <i>Forecast</i>	III <i>Forecast</i>	IV <i>Forecast</i>
Community Bank Leverage Ratio												
Community Bank Leverage Ratio (<i>Quarterly Average</i>)	11.46	11.38	11.36	12.21	11.83	12.02	12.25	12.21	12.42	12.59	12.67	12.64
Regulatory Capital Compliance Rating	1	1	1	1	1	1	1	1	1	1	1	1
Quarterly Basel III Compliance Summary												
Tangible Equity Capital (Leverage Ratio)	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary
Common Equity Tier 1 Risk-Based Capital Ratio	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary
Tier 1 Risk-Based Capital Ratio	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary
Total Risk-Based Capital Ratio	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary	Primary
Basel III Capital Compliance Assessment	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant
Capital Enhanced Quarters	-	-	-	-	-	-	-	-	-	-	-	-
Basel III Capital Compliance Monitor												
Basel III Capital Compliance Rating	1	1	1	1	1	1	1	1	1	1	1	1
Capital Enhanced Quarters Rating	1	1	1	1	1	1	1	1	1	1	1	1
Secondary Capital Compliance Rating (<i>Degree of Mitigation</i>)	1	1	1	1	1	1	1	1	1	1	1	1
Basel III Capital Compliance Assessment Summary												
Tangible Equity Capital (Leverage Ratio) ~ Compliance Margin												
Primary Capital	1.724	2.026	1.855	2.267	2.569	2.621	2.676	2.770	3.077	3.069	3.138	3.080
Secondary Capital	2.812	3.274	2.949	4.398	4.941	5.144	5.415	5.837	6.407	6.523	6.817	7.043
Tertiary Capital	3.582	3.399	2.972	6.555	6.804	7.239	9.220	9.781	10.436	10.460	10.863	11.174
Basel III Capital Compliance Assessment	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant
Common Equity Tier 1 Risk-Based Capital Ratio ~ Compliance Margin												
Primary Capital	10.057	11.757	12.130	11.404	11.816	11.396	11.199	10.816	11.191	10.930	10.803	10.497
Secondary Capital	12.079	14.177	14.324	15.394	16.215	15.962	16.101	16.182	16.960	16.838	17.033	17.138
Tertiary Capital	13.510	14.419	14.369	19.432	19.670	19.754	22.912	23.083	23.940	23.572	23.885	24.062
Basel III Capital Compliance Assessment	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant
Tier 1 Risk-Based Capital Ratio ~ Compliance Margin												
Primary Capital	8.557	10.257	10.630	9.904	10.316	9.896	9.699	9.316	9.691	9.430	9.303	8.997
Secondary Capital	10.579	12.677	12.824	13.894	14.715	14.462	14.601	14.682	15.460	15.338	15.533	15.638
Tertiary Capital	12.010	12.919	12.869	17.932	18.170	18.254	21.412	21.583	22.440	22.072	22.385	22.562
Basel III Capital Compliance Assessment	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant
Total Risk-Based Capital Ratio ~ Compliance Margin												
Primary Capital	7.857	9.567	9.940	9.214	9.626	9.206	9.009	8.626	9.001	8.740	8.613	8.307
Secondary Capital	9.879	11.987	12.134	13.204	14.025	13.772	13.911	13.992	14.770	14.648	14.843	14.948
Tertiary Capital	11.310	12.229	12.179	17.242	17.480	17.564	20.722	20.893	21.750	21.382	21.695	21.872
Basel III Capital Compliance Assessment	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant	Fully Compliant

Directors' Summary

	2020				2021				2022			
	I <i>Actual</i>	II <i>Actual</i>	III <i>Actual</i>	IV <i>Forecast</i>	I <i>Forecast</i>	II <i>Forecast</i>	III <i>Forecast</i>	IV <i>Forecast</i>	I <i>Forecast</i>	II <i>Forecast</i>	III <i>Forecast</i>	IV <i>Forecast</i>

Dividend Restriction Analysis

Resulting Dividend Restrictions	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations	No Limitations
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Basel III Capital Conservation Buffer Analysis

Dividend Payout Restriction Analysis

Common Equity Tier 1 Risk-Based Capital Ratio	21.560	23.210	23.600	22.940	23.290	22.870	22.690	22.320	22.720	22.410	22.320	21.990
"Adequately" Capitalized	4.500	4.500	4.500	4.500	4.500	4.500	4.500	4.500	4.500	4.500	4.500	4.500
Common Equity Tier 1 Risk-Based Capital	17.060	18.710	19.100	18.440	18.790	18.370	18.190	17.820	18.220	17.910	17.820	17.490
Tier 1 Risk-Based Capital Ratio	21.560	23.210	23.600	22.940	23.290	22.870	22.690	22.320	22.720	22.410	22.320	21.990
"Adequately" Capitalized	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000	6.000
Tier 1 Risk-Based Capital Conservation Buffer	15.560	17.210	17.600	16.940	17.290	16.870	16.690	16.320	16.720	16.410	16.320	15.990
Total Risk-Based Capital Ratio	22.860	24.520	24.910	24.250	24.600	24.180	24.000	23.630	24.030	23.720	23.630	23.300
"Adequately" Capitalized	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000	8.000
Total Risk-Based Capital Conservation Buffer	14.860	16.520	16.910	16.250	16.600	16.180	16.000	15.630	16.030	15.720	15.630	15.300
<i>Minimum</i> Capital Conservation Buffer	14.860	16.520	16.910	16.250	16.600	16.180	16.000	15.630	16.030	15.720	15.630	15.300
<i>Required</i> Capital Conservation Buffer	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500	2.500
Compliance Margin	12.360	14.020	14.410	13.750	14.100	13.680	13.500	13.130	13.530	13.220	13.130	12.800

Interim Rule ~ Eligible Retained Income

Total Quarterly Net Retained Earnings (1)	463,026	476,130	285,575	1,582,177	45,402	(252,727)	(751,834)	(1,096,148)	(177,987)	(134,860)	(44,960)	20,168
Average Quarterly Net Income (2)	576,757	559,783	564,394	574,044	584,850	606,568	579,042	558,463	530,503	511,035	509,510	508,542
Interim Dividend Capacity	576,757	559,783	564,394	1,582,177	584,850	606,568	579,042	558,463	530,503	511,035	509,510	508,542

FIL-21-2020: To better allow a banking organization to continue lending during times of stress, the agencies are issuing the **interim final rule** to revise the definition of eligible retained income to the greater of:

- (1) a banking organization's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and
- (2) average of a banking organization's net income over the preceding four quarters.

Net Retained Earnings Analysis

(Whole Dollars)

Quarterly Net Income	509,753	593,078	631,659	604,912	596,624	482,972	549,345	493,073	518,751	476,872	545,473	490,668
Quarterly Dividends	(194,000)	(209,000)	(311,000)	(1,580,000)	(579,000)	(598,000)	(573,000)	(550,000)	(458,000)	(502,000)	(504,000)	(505,000)
Quarterly Net Retained Earnings	315,753	384,078	320,659	(975,088)	17,624	(115,028)	(23,655)	(56,927)	60,751	(25,128)	41,473	(14,332)
Quarterly Dividends / Quarterly Net Income (%)	38.058	35.240	49.235	261.195	97.046	123.817	104.306	111.545	88.289	105.269	92.397	102.921
Statutory Dividend Capacity	2,060,563	2,444,641	2,765,300	1,790,212	526,052	411,023	387,368	330,441	(71,834)	(96,962)	(55,490)	(69,821)

*Basel III Capital Adequacy
Compliance Matrix*

Capital Compliance Monitor	Capital Compliance Escalation Schedule	Actual Capital	Capital Compliance Level	Capital Compliance Assessment	Mitigating Capital	Contingency Capital	Capital Enhanced Quarters
1	All Capital Assessment Measures <i>Compliant</i>	Sufficient	Primary	Fully Compliant	None Required	None Required	None
2	Any <i>Non-Fully Compliant Status</i> , or Issues, must be reported to the Board of Directors and recorded in the Minutes	Insufficient	Secondary	Only Mitigated Compliance	0.00% - 0.50%	None Allowed	1 - 2
3	Management Must Present a "<i>Plan of Action</i>" to Restore Capital to Full Compliance	Insufficient	Secondary or Tertiary	Mitigated or Contingency Compliance	0.50% - 0.75%	Possible Supplement to Mitigating Capital	3 - 4
4	Management Must Present an "<i>Accelerated Plan of Action</i>" to Restore Capital to Full Compliance within Two Quarters	Insufficient	Secondary or Tertiary	Mitigated or Contingency Compliance	0.75% - 1.00%	Possible Supplement to Mitigating Capital	5 - 6
5	Management Must Present a "<i>Detailed Plan of Restoration</i>" to bring Capital into Full Compliance within 90 Days	Insufficient	Secondary or Tertiary	Mitigated or Contingency Compliance	> 1.00%	Possible Supplement to Mitigating Capital	7 - 8
6	Management's "<i>Detailed Plan of Restoration</i>" must be expanded to include a Capital Injection from "outside of" the Existing Resources of the Bank and restore Bank to Full Capital Compliance within 90 Days.	Unacceptably Insufficient	Requires Outside Resources	Internal Resources Incapable of Capital Restoration	No Longer Relevant	No Longer Relevant	> 8