Steve H. Powell & Company

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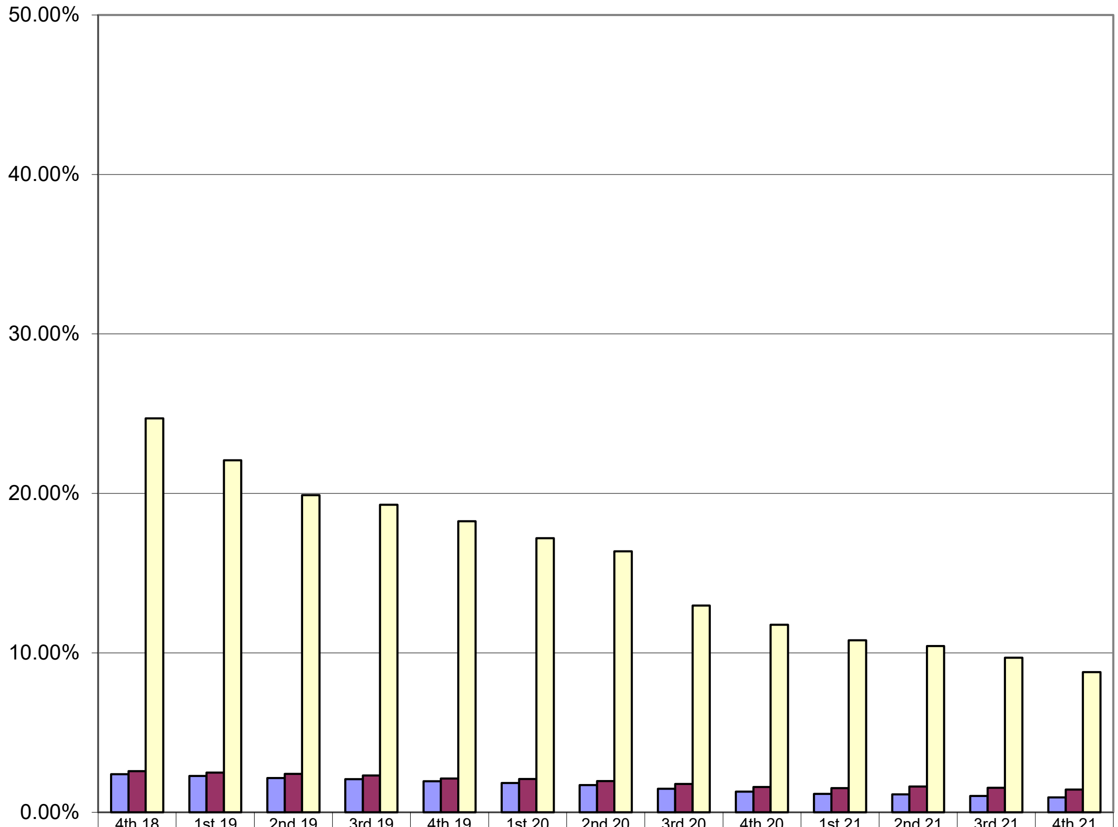
Asset Quality Update – Q4 2021 Edition

Trends in Asset Quality – Average Levels

Based on Steve H. Powell & Company client data, during the Fourth Quarter 2021, the average level of adversely graded assets decreased as a percentage of total assets and capital. The average level of adversely graded loans decreased as a percentage of total loans. Problem assets averaged 0.93% of total assets and 8.79% of tier-one capital plus loan loss reserve as compared to 1.03% of total assets and 9.69% of tier-one capital plus loan loss reserve while problem loans averaged 1.42% of total loans as compared to 1.54% of total loans during the Third Quarter 2021.

TRENDS IN ASSET QUALITY
AVERAGE LEVEL OF ADVERSELY GRADED ASSETS

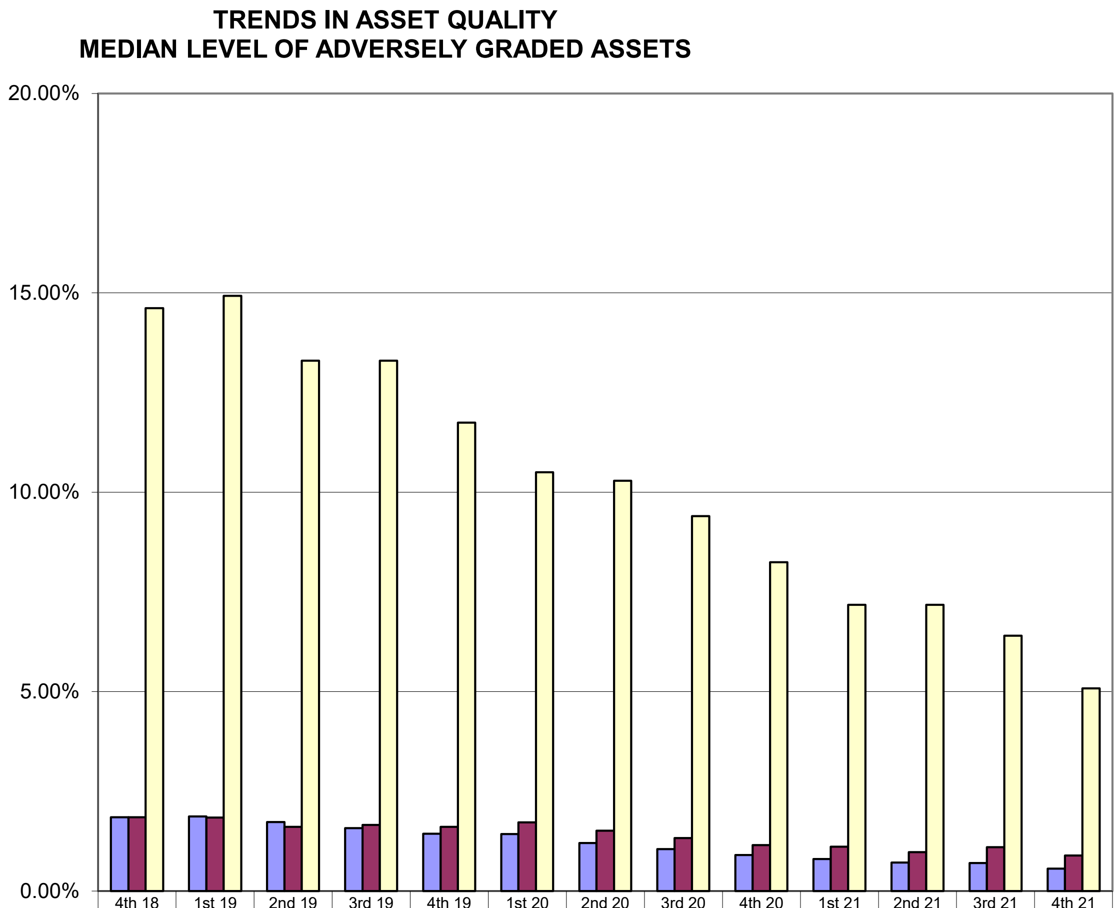


	4th 18	1st 19	2nd 19	3rd 19	4th 19	1st 20	2nd 20	3rd 20	4th 20	1st 21	2nd 21	3rd 21	4th 21
- Adversely Graded Assets / Total Assets	2.39%	2.27%	2.15%	2.07%	1.95%	1.83%	1.71%	1.46%	1.30%	1.15%	1.12%	1.03%	0.93%
- Adversely Graded Loans / Total Loans	2.57%	2.48%	2.41%	2.31%	2.12%	2.08%	1.96%	1.78%	1.59%	1.52%	1.61%	1.54%	1.42%
- Adversely Graded Assets / Tier 1 Cap' + LLR	24.70%	22.07%	19.88%	19.29%	18.25%	17.19%	16.37%	12.96%	11.76%	10.79%	10.42%	9.69%	8.79%

Steve H. Powell & Company was founded in August of 1993 by former banker and regulator, Steve H. Powell. With the goal of providing unparalleled asset quality monitoring and regulatory compliance services, the company's clientele base has grown and now exceeds 100 different financial institutions. We also provide our clients with bank charter consulting, due diligence support, regulatory applications, financial analysis, and strategic planning. The staff of Steve H. Powell & Company is comprised of former bankers & regulators who understand the complexities of today's regulatory environment. The unique skill sets possessed by our specialists are derived from extensive review experience in institutions of various sizes and charter types.

Trends in Asset Quality – Median Levels

The median level of problem assets as of Q4 2021 has decreased to 5.08% of tier-one capital plus loan loss reserve as compared to 6.40% during Q3 2021. Note the downward trend as overall asset quality continues to improve.



	4th 18	1st 19	2nd 19	3rd 19	4th 19	1st 20	2nd 20	3rd 20	4th 20	1st 21	2nd 21	3rd 21	4th 21
- Adversely Graded Assets / Total Assets	1.85%	1.87%	1.73%	1.58%	1.44%	1.43%	1.20%	1.05%	0.91%	0.80%	0.71%	0.70%	0.56%
- Adversely Graded Loans / Total Loans	1.85%	1.84%	1.61%	1.66%	1.61%	1.72%	1.51%	1.33%	1.15%	1.11%	0.97%	1.10%	0.89%
- Adversely Graded Assets / Tier 1 Cap' + LLR	14.62%	14.93%	13.30%	13.30%	11.75%	10.50%	10.29%	9.40%	8.25%	7.18%	7.18%	6.40%	5.08%

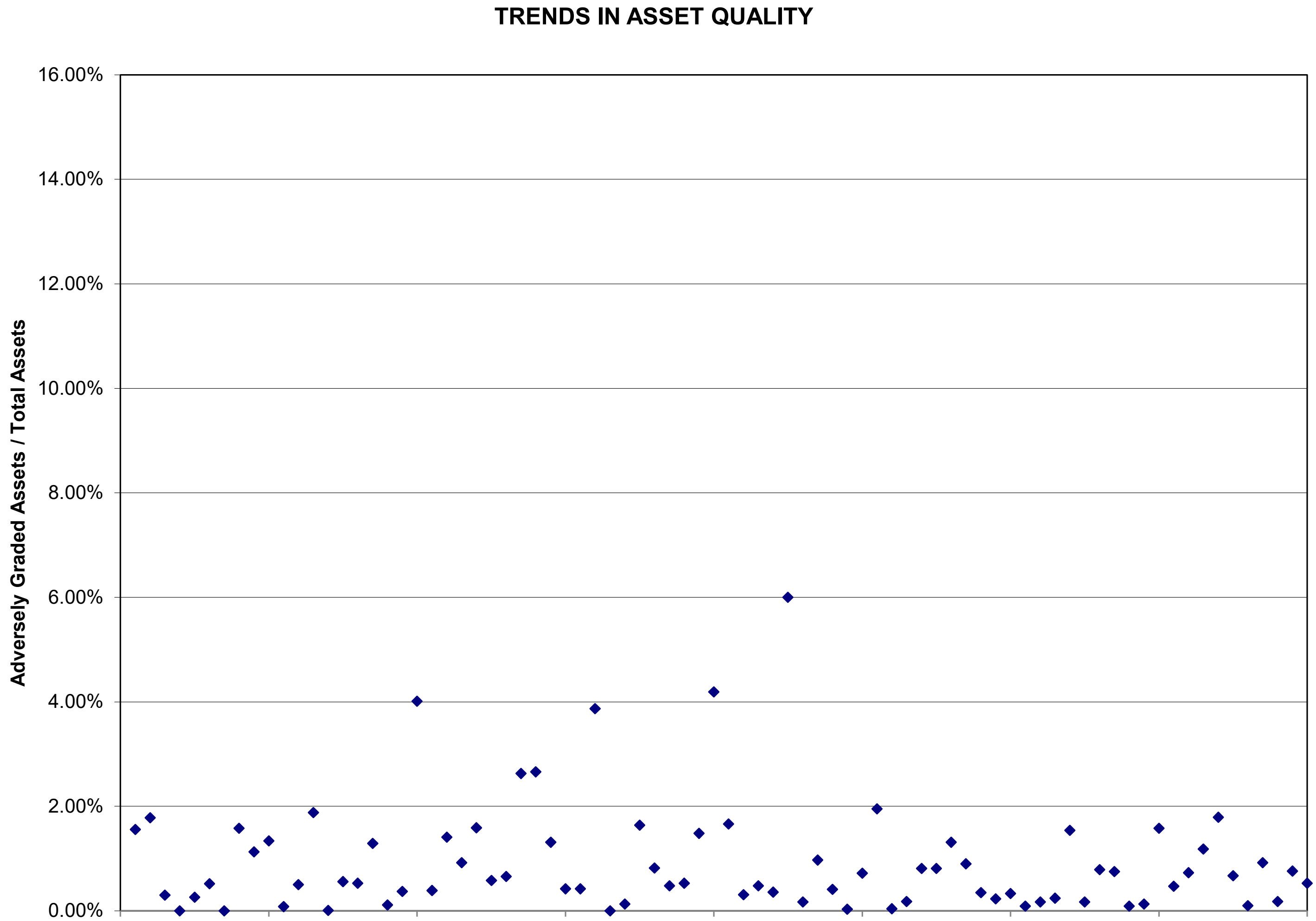
Historical Comparisons

During Q4 2021, increases in problem assets, as measured by adversely graded assets divided by tier-one capital plus loan loss reserve, were noted in approximately 6% of our clients. This quarter's increase compares to:

- 6% during the Third Quarter 2021
- 19% during the Second Quarter 2021
- 15% during the First Quarter 2021
- 9% during the Fourth Quarter 2020
- 10% during the Third Quarter 2020

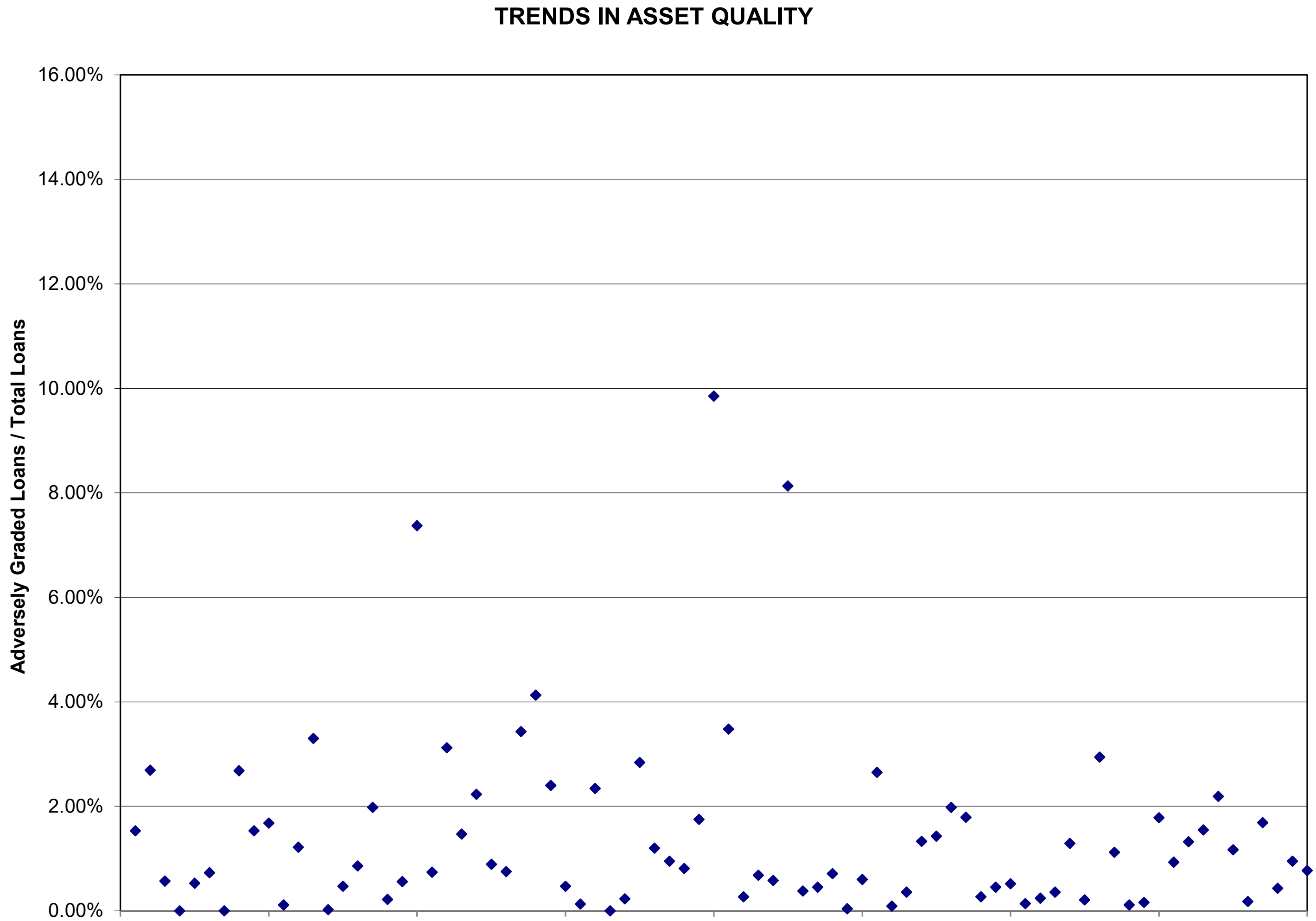
A higher level of volatility in the percentage of increases may be expected as overall asset quality stabilizes; however, increases may indicate a rise in portfolio risk.

Dispersion of Problem Assets – as a Percentage of Total Assets



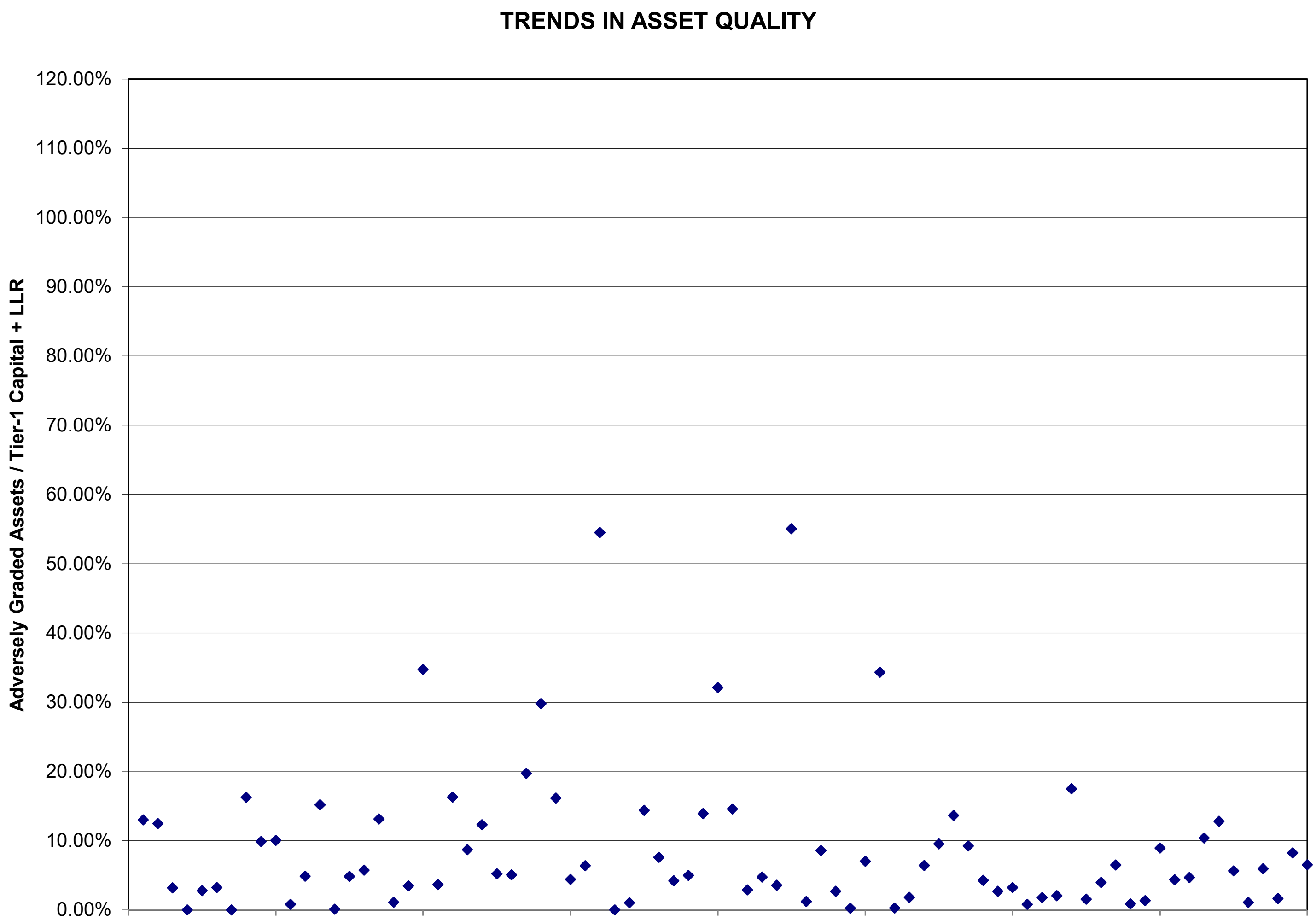
The above graph shows the dispersion of problem assets as a percentage of total assets. A traditional benchmark for significant asset quality concern is adversely graded assets that exceed 10% of total assets.

Dispersion of Problem Loans – as a Percentage of Total Loans



A traditional benchmark for significant asset quality concern is adversely graded loans that exceed 10% of total loans.

Dispersion of Problem Assets – as a Percentage of Tier-One Capital & Reserves



Historical Comparisons

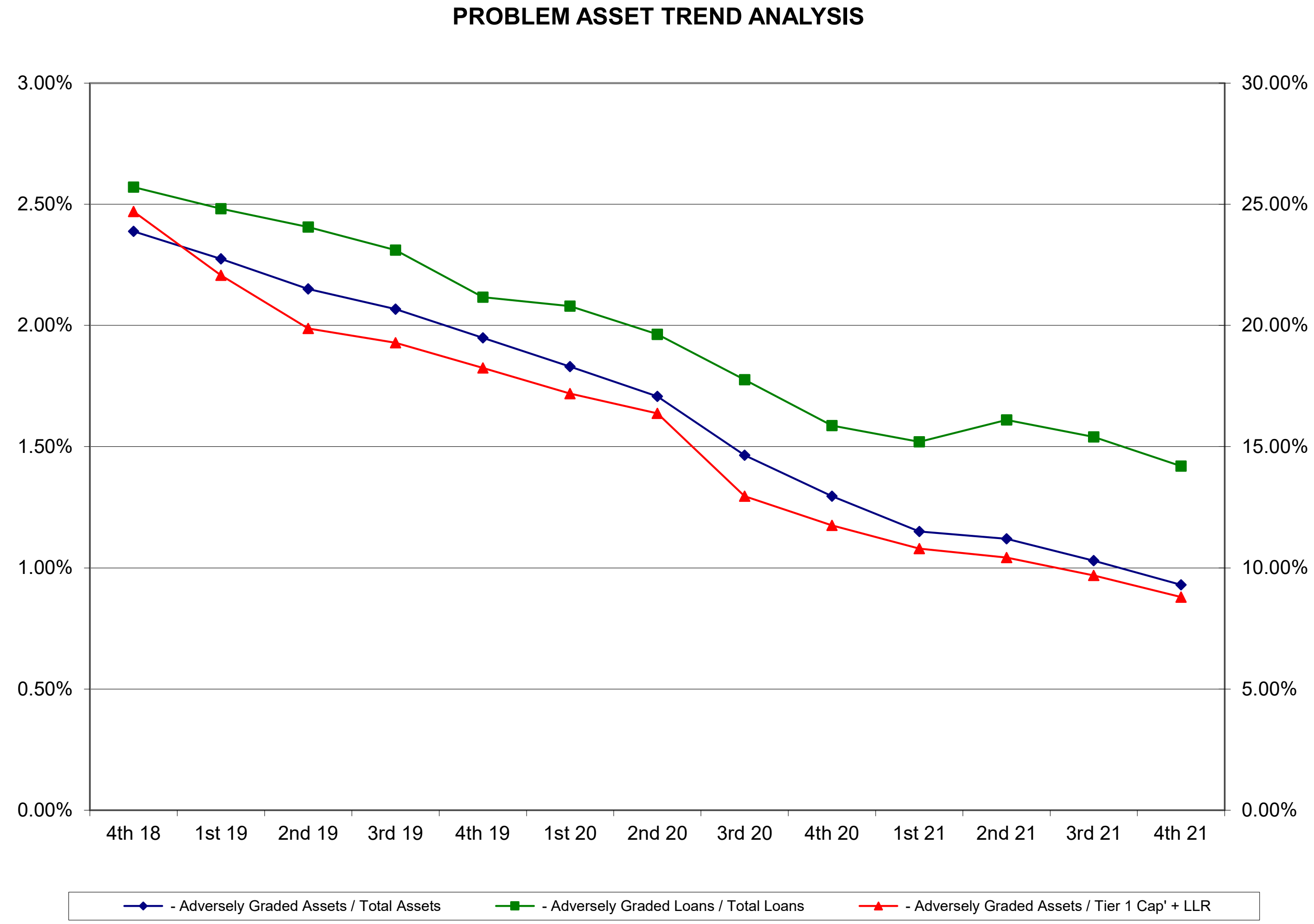
Our sample group includes no clients with problem assets that exceed 80% of tier-one capital plus loan loss reserve – a level normally associated with some form of formal regulatory action – as compared to:

- None (0) during the Third Quarter 2021
- None (0) during the Second Quarter 2021
- One (1) during the First Quarter 2021

Additionally, our sample includes no clients with problem assets exceeding 60% of tier-one capital plus loan loss reserve. This number compares to:

- None (0) during the Third Quarter 2021
- One (1) during the Second Quarter 2021
- Two (2) during the First Quarter 2021

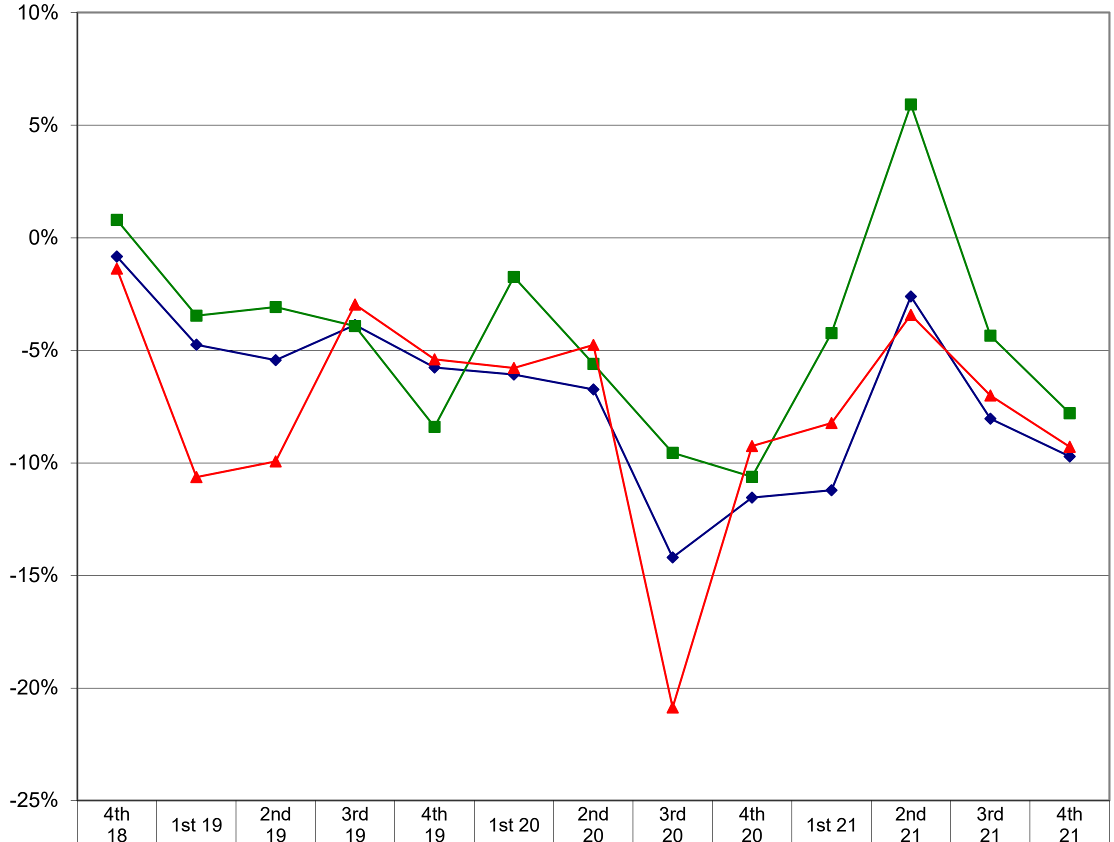
Problem Asset Trend Analysis



The above graph again shows the trend in asset quality over the past three years as measured by adversely graded assets to total assets, adversely graded loans to total loans, and adversely graded assets to tier-one capital plus LLR.

Problem Asset Comparative Change Analysis

COMPARATIVE % CHANGE IN ADVERSELY CLASSIFIED ASSETS
Comparative to Assets, Loans and Tier One Capital + LLR



	4th 18	1st 19	2nd 19	3rd 19	4th 19	1st 20	2nd 20	3rd 20	4th 20	1st 21	2nd 21	3rd 21	4th 21
% Chg in ACA/TA	-0.83%	-4.75%	-5.44%	-3.88%	-5.76%	-6.08%	-6.74%	-14.20%	-11.54%	-11.22%	-2.61%	-8.04%	-9.71%
% Chg in ACL/TL	0.80%	-3.46%	-3.08%	-3.92%	-8.40%	-1.75%	-5.61%	-9.55%	-10.62%	-4.23%	5.92%	-4.35%	-7.79%
% Chg in ACA/Tier 1 Cap' + LLR	-1.38%	-10.64%	-9.94%	-2.97%	-5.41%	-5.78%	-4.76%	-20.86%	-9.25%	-8.23%	-3.43%	-7.01%	-9.29%

The above graph shows the pace of asset quality deterioration or improvement. The calculation is based on the percent change of problem asset levels from one quarter to the next. The graph indicates a favorable trend in asset quality ratios. Please note any data points below 0% indicate improvement in asset quality.

Modified Peer Data Analysis

An analysis was performed in which six data points were excluded – the three lowest and the three highest data points, as based on classifications as a percentage of tier-one capital plus loan loss reserve. With the excluded data points, problem assets (or loans when compared to total loans) averaged 0.82% of total assets, 1.29% of total loans, and 7.57% of tier-one capital plus loan loss reserve. Fourth Quarter 2021 modified data compares to the following Third Quarter 2021 modified average data set:

- 0.91% of total assets
- 1.38% of total loans, and
- 8.42% of tier-one capital plus loan loss reserve

Shared National Credit Program Review

Annually, when the Shared National Credit Review is published by Federal Regulators, we compare the average & median loan classifications within the SHPCO client group to adverse classification within the SNC program. The 2021 SNC review was published during February 2022.

A SNC is defined as a ≥$100 million aggregate loan commitment & shared by over three banks. The 2019 SNC population totaled $4.8 trillion in commitments. Total commitments increased by $396 billion, or 8.9%, from the third quarter of 2018 to the third quarter of 2019.

The 2020 SNC population totaled $5.1 trillion in commitments. Total commitments increased by $242 billion, or 5%, from the third quarter of 2019 to the third quarter of 2020. Nonaccrual commitments totaled $67.4 billion.

The 2021 SNC population totaled $5.2 trillion in commitments. Total commitments increased by $107 billion, or 2%, from the third quarter of 2020 to the third quarter of 2021. Nonaccrual commitments totaled $52.3 billion.

Classified assets totaled $204.1 billion in 2019, $365.9 billion in 2020, as compared to $332.8 billion currently. Special mention loans totaled $131.2 billion in 2019, $263.9 billion in 2020, as compared to $217.3 as of Q3 2021.

Year	Special Mention	Substandard	Doubtful	Loss	Total Classified	Total Committed	Total Outstanding	Adverse	Watch
2016	$ 136.4	$ 250.7	$ 25.7	$ 8.6	$ 285.1	$ 4,102.0	$ 1,986.0	6.95%	3.33%
2017	$ 131.7	$ 245.1	$ 24.2	$ 16.6	$ 285.9	$ 4,304.0	$ 2,149.0	6.64%	3.06%
2018	$ 112.4	$ 173.9	$ 5.1	$ 3.4	$ 182.5	$ 4,435.0	$ 2,106.0	4.11%	2.53%
2019	$ 131.2	$ 186.3	$ 10.3	$ 7.5	$ 204.1	$ 4,830.0	$ 2,359.0	4.23%	2.72%
2020	$ 263.9	$ 314.8	$ 30.4	$ 20.6	$ 365.9	$ 5,072.0	$ 2,620.0	7.21%	5.20%
2021	$ 217.3	$ 299.1	$ 18.8	$ 15.0	$ 332.8	$ 5,179.0	$ 2,400.0	6.43%	4.20%

The SNC review attributes the portfolio's asset quality improvement to rising commodity prices & the resulting improvement within the gas and oil industry. However, the rebound in gas & oil was partially offset by weakening within the CRE market – particularly within non-OOCRE segments including hotel, office, and retail sectors.

The Review references the direction of risk during 2022 will be driven by ongoing COVID-19 disruptions. It references other concerns that are likely attributable to managing a community bank loan portfolio. The concerns included:

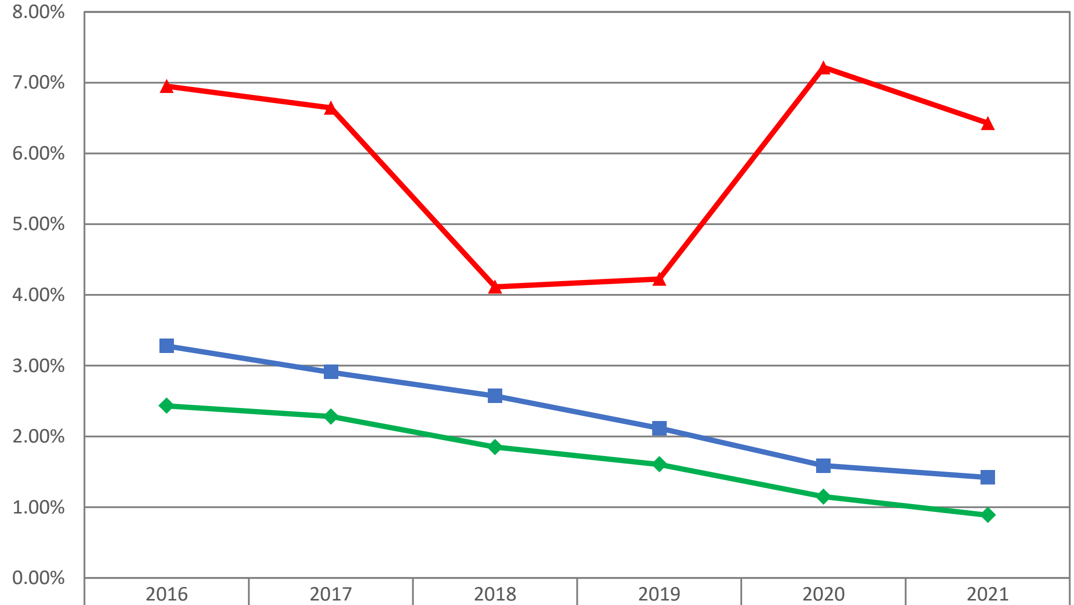
- Inflation
- Supply chain imbalance
- Labor challenges
- High debt levels
- Rising rates

[1] https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20220214a1.pdf

Shared National Credit Program Review continued

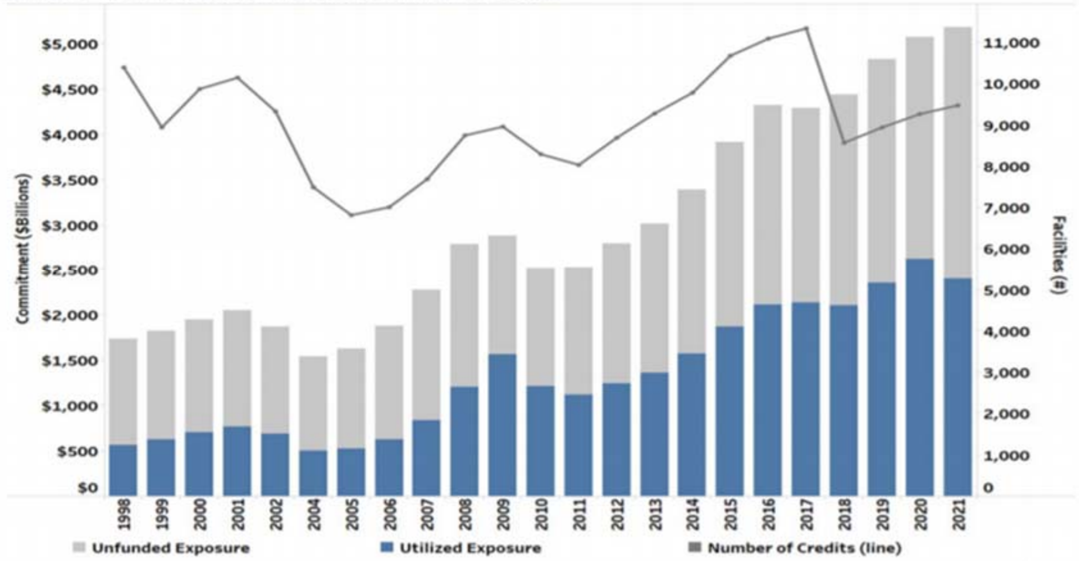
For comparison, average classified loans to total loans within the SHPCO peer data totaled 2.12% as of YE 2019, 1.59% as of YE 2020, as 1.42% as of YE 2021. SHPCO peer data median classified loans to total loans was 1.61% at YE 2019, 1.15% at YE 2020, and 0.89% at YE 2021.

Trends in Adversely Graded Loans / Total Loans



	2016	2017	2018	2019	2020	2021
Average Client	3.28%	2.91%	2.57%	2.12%	1.59%	1.42%
Median Client	2.44%	2.28%	1.85%	1.61%	1.15%	0.89%
SNC	6.95%	6.64%	4.11%	4.23%	7.21%	6.43%

Exhibit 1: Overall Credit Facilities and Commitment Trends



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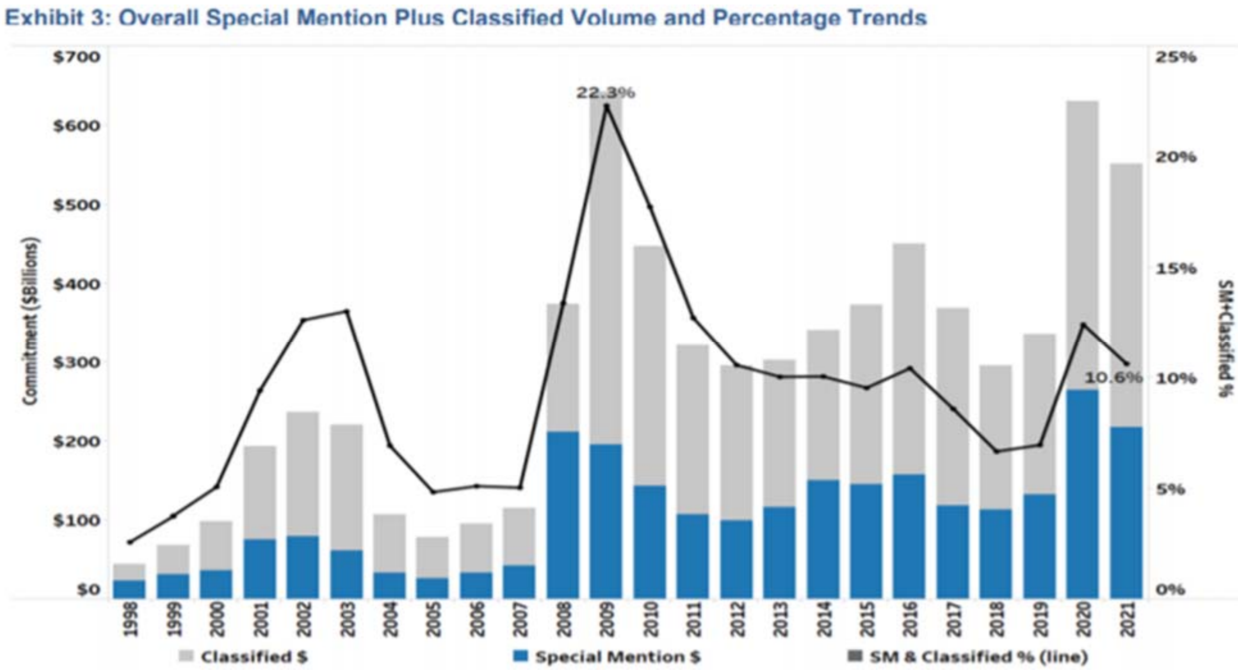
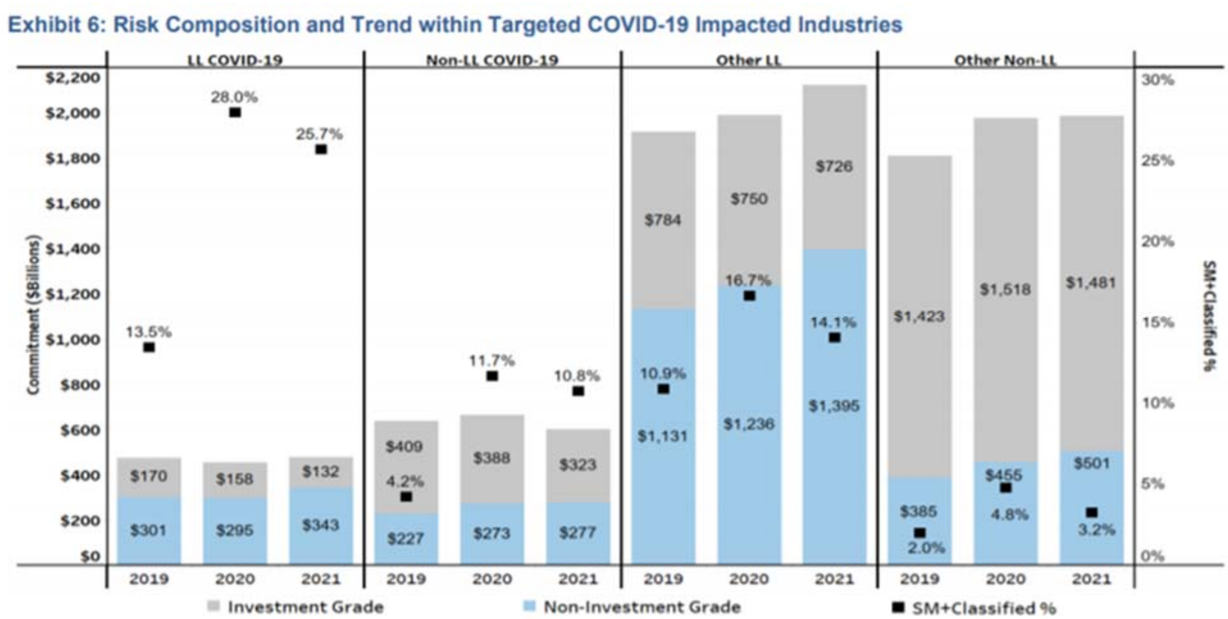
Shared National Credit Program Review continued





For more information about Steve H. Powell & Company, please visit us on the web at

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