

# Bank LLAMAS Report Bundle

**Includes:  
Summary Report  
&  
Analytical Report**



[BauerFinancial.com](http://BauerFinancial.com)

# Bank Summary Report

Orrstown Bank  
Shippensburg, PA  
(FDIC Cert.#713)

Rated 5-Stars as of 2/21/2020 based on  
financial data as of 09/30/2019



[BauerFinancial.com](http://BauerFinancial.com)

BauerFinancial Inc.  
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This Summary Report was compiled from financial data as reported to federal regulators. Although the financial data obtained from these sources is consistently reliable, the accuracy and completeness of the data cannot be guaranteed by BauerFinancial Inc.

#### Definitions:

Stars	BauerFinancial's proprietary rating. (See below.)
Total Assets	Anything of value owned by the bank.
Average Tangible Assets	Total average assets less intangible assets.
Tier 1 Capital	Net worth (also known as capital or equity) less intangible assets.
Leverage Capital Ratio	Tier 1 Capital divided by tangible assets. (Minimum regulatory requirement is 4%.)
CET 1 Ratio	Common Equity Tier 1 Capital divided by risk-weighted assets. (Minimum regulatory requirement is 4.5%.)
Total Risk-based Ratio	Total net worth divided by risk-weighted assets. (Minimum regulatory requirement is 8%.)
Profit (Loss)	Profit or loss for the period noted.
Return on Assets (ROA)	Annualized net income as a percent of average assets.
Return on Equity (ROE)	Annualized net income as a percent of average equity.
Delinquent Loans	Loans past due 90 days or more plus nonaccrual loans.
Other Real Estate Owned (Repos)	Real estate owned but not being used by the bank. Usually acquired via foreclosure.
Nonperforming Assets % Tangible Assets	Delinquent loans and other real estate owned as a percent of tangible assets.
Nonperforming Assets % Tier 1 Capital	Delinquent loans and other real estate owned as a percent of Tier 1 Capital.

#### Star Ratings:

BauerFinancial star ratings classify each institution based upon a complex formula factoring in current and historical data. The first level of evaluation is the capital level of the institution followed by other relevant data including, but not limited to: profitability, historical trends, loan delinquencies, repossessed assets, reserves, regulatory compliance, proposed regulations and asset quality. Negative trends are projected forward to compensate for the lag time in the data. BauerFinancial employs conservative measures when assigning these ratings and consequently our analysis may be lower than those supplied by other analysts or the institutions themselves. More than thirty years of experience has shown this to be a prudent course of action. As a general guideline, however, the following groupings were used:

5-Stars	Superior. These institutions are recommended by <b>Bauer</b> .
4-Stars	Excellent. These institutions are recommended by <b>Bauer</b> .
3½-Stars	Good.
3-Stars	Adequate.
2-Stars	Problematic.
1-Star	Troubled.
Zero-Stars	Our lowest rating.
Start-up	Institution is too new to rate.
FDIC	Institution has failed or is operating under FDIC conservatorship.

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**BauerFinancial, Inc.**  
**Bank Summary Report**

**Orrstown Bank - Shippensburg, PA (FDIC Cert.#713)**  
(717)532-6114

[www.orrstown.com](http://www.orrstown.com)

Orrstown Bank was established in 1919 and has 39 branch(es).

**CRA Rating:** Satisfactory

<b>Data as of:</b>	<b>09/30/2019</b>	<b>06/30/2019</b>	<b>03/31/2019</b>	<b>12/31/2018</b>	<b>09/30/2018</b>
<b>Bauer's Star Rating:</b>	<b>5-Stars</b>	<b>5-Stars</b>	<b>5-Stars</b>	<b>5-Stars</b>	<b>5-Stars</b>

**Recommended for 21 consecutive quarters.**

<b>Number of Employees</b>	442	438	378	373	338
<b>Total Assets:</b>	\$2,311.401	\$2,397.668	\$1,971.339	\$1,932.361	\$1,718.431
<b>Average Tangible Assets:</b>	\$2,360.322	\$2,357.577	\$1,912.200	\$1,902.832	\$1,689.867
<b>Tier 1 Capital:</b>	\$210.274	\$202.398	\$165.397	\$162.880	\$146.664
<b>Leverage Capital Ratio:</b>	8.91%	8.59%	8.65%	8.56%	8.68%
<b>CET 1 Ratio:</b>	12.68%	12.09%	12.12%	12.25%	12.02%
<b>Total Risk-based Capital Ratio:</b>	13.65%	13.02%	13.24%	13.38%	13.22%
<b>Current Quarter's Profit (Loss):</b>	\$7.634	\$4.542	\$4.197	\$2.576	\$4.593
<b>Year-to-date Profit (Loss):</b>	\$16.373	\$8.739	\$4.197	\$15.639	\$13.063
<b>Profit (Loss) Previous Calendar Year</b>	\$15.639				
<b>Profit (Loss) 2 Calendar Years Ago:</b>	\$9.301				
<b>Return on Assets (annualized):</b> (Tax equivalent for Sub S corporations.)	0.98%	0.81%	0.87%	0.91%	1.06%
<b>Return on Equity (annualized):</b> (Tax equivalent for Sub S corporations.)	10.52%	8.89%	9.42%	10.60%	12.39%
<b>Delinquent Loans:</b>	\$10.285	\$6.048	\$5.038	\$5.222	\$5.458
<b>Other Real Estate Owned:</b>	\$0.963	\$1.406	\$1.457	\$0.130	\$0.286
<b>Nonperforming Assets % of Tangible Assets:</b>	0.48%	0.32%	0.34%	0.28%	0.34%
<b>Nonperforming Assets % of Tier 1 Capital:</b>	5.35%	3.68%	3.93%	3.29%	3.92%

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

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**Bank Summary Report**

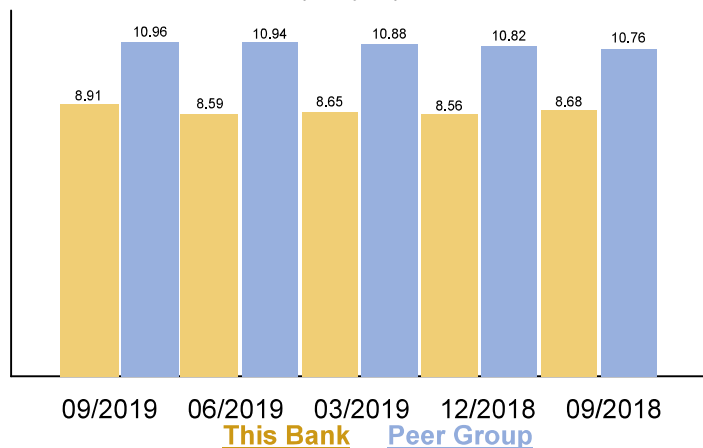
**Orrstown Bank - Shippensburg, PA (FDIC Cert.#713)**  
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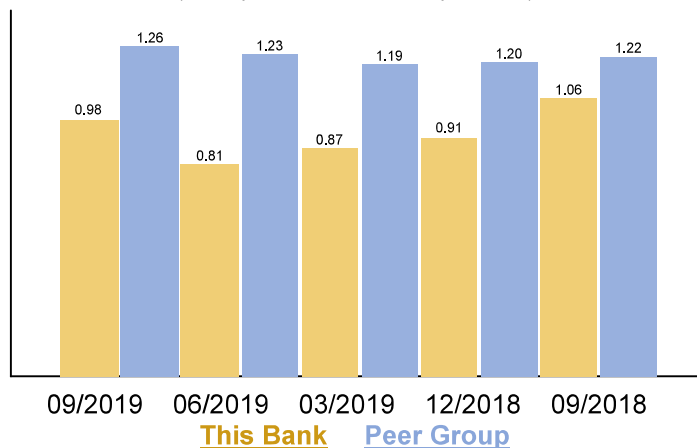
**Leverage Capital Ratio**

Min. for Adequately Capitalized is 4%

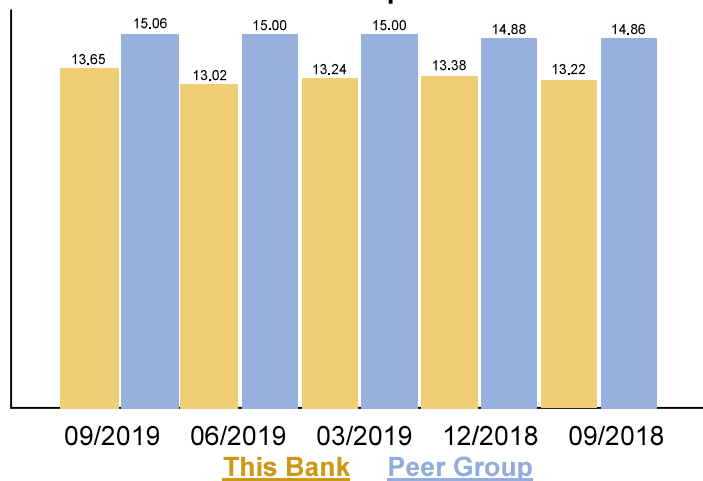


**Return on Assets (annualized)**

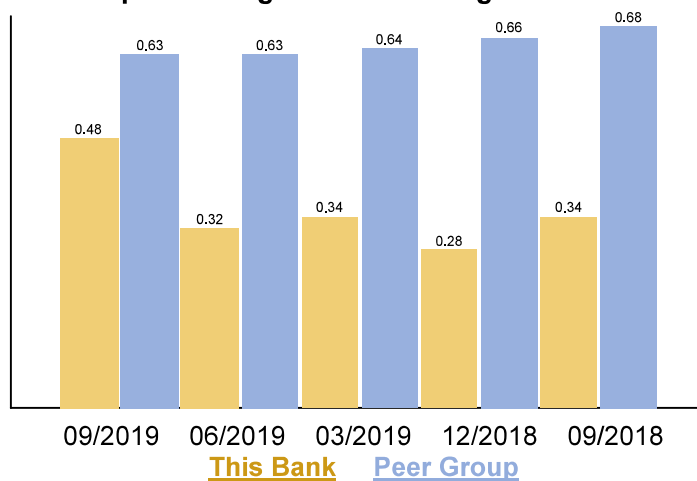
(Tax equivalent for Sub S corporations.)



**Risk-based Capital Ratio**



**Nonperforming Asset % of Tangible Assets**



Dollar amounts are in millions. For example, \$12,345.678 represents \$12 billion, 345 million, 678 thousand.

**Peer Groups:**

- Group 1 Banks with foreign and domestic offices
- Group 2 Assets >= \$3 billion
- Group 3 Assets >= \$1 billion and < \$3 billion
- Group 4 Assets >= \$300 million and < \$1 billion
- Group 5 Assets >= \$100 million and < \$300 million
- Group 6 Assets < \$100 million

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

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# Bank Analytical Report

Orrstown Bank  
Shippensburg, PA  
(FDIC Cert.#713)

Rated 5-Stars as of 2/21/2020 based on  
financial data as of 09/30/2019



[BauerFinancial.com](http://BauerFinancial.com)

## Introduction

The financial data used to prepare this report, unless otherwise noted, was compiled from data reported to Federal Regulators. Although the information obtained from these sources is consistently reliable, the accuracy and completeness of this data cannot be guaranteed by BauerFinancial. In fact, an astute investor would agree, and experience has shown, that marginally performing institutions sometimes give themselves the benefit of the doubt when filing their reports. Our historical data helps us detect these variances.

## STAR RATING SYSTEM

**BauerFinancial's** star ratings classify each institution based upon a complex formula factoring in current and historical data. The first step of evaluation is the capital level of the institution followed by other relevant data including, but not limited to: profitability, historical trends, loan delinquencies, repossessed assets, reserves, regulatory compliance, proposed regulations and asset quality. Negative trends are projected forward to compensate for the lag time in the data. BauerFinancial employs conservative measures when assigning these ratings and consequently our analysis may be lower than those supplied by other analysts or the institutions themselves. More than thirty years of experience has shown this to be a prudent course of action. As a general guideline, however, the following groupings were used:

5-Stars	Superior. These institutions are recommended by <b>Bauer</b> .
4-Stars	Excellent. These institutions are recommended by <b>Bauer</b> .
3½-Stars	Good.
3-Stars	Adequate.
2-Stars	Problematic.
1-Star	Troubled.
Zero-Stars	Our lowest rating.
S.U.	Institution is too new to rate. (Obsolete beginning with June 30, 2018 financial data.)
FDIC	Institution has failed or is operating under FDIC conservatorship.

### Peer Groups:

Group 1	Banks with foreign and domestic offices
Group 2	Assets >= \$3 billion
Group 3	Assets >= \$1 billion and < \$3 billion
Group 4	Assets >= \$300 million and < \$1 billion
Group 5	Assets >= \$100 million and < \$300 million
Group 6	Assets < \$100 million

Bank and Credit Union data compiled from financial data for the period noted, as reported to federal regulators. The financial data obtained from these sources is consistently reliable, although; the accuracy and completeness of the data cannot be guaranteed by BauerFinancial, Inc. BauerFinancial relies upon this data in its judgment and in rendering its opinion (e.g. determination of star ratings) as well as supplying the data fields incorporated herein. BauerFinancial, Inc. is not a financial advisor; it is an independent bank research firm. BauerFinancial is a registered trademark. Any unauthorized use of its content, logos, name, and/or Star-ratings is forbidden.

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**Bank Analytical Report**  
**Orrstown Bank - Shippensburg, PA**  
Rated 5-Stars based on financial data as of 09/30/2019

**A. Financial Statements as of 09/30/2019**

Balance Sheet: (\$ millions)

Assets:

Cash & Due From Banks	\$ 50.923
Securities & Fed Funds Sold	\$ 481.000
Loans (net)	\$ 1,585.906
Other Real Estate Owned	\$ 0.963
Premises & Fixed Assets	\$ 43.021
Investments in Subsidiaries	\$ 0.000
Intangible Assets	\$ 29.611
Other Assets	\$ 119.977

Total Assets:	<u>\$ 2,311.401</u>
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Liabilities & Owner's Equity:

Non-Interest Bearing Deposits	\$ 252.855
Interest Bearing Deposits	\$ 1,684.308
Fed Funds Purchased & Repos	\$ 10.605
Subordinated Debt	\$ 0.000
Other Borrowed Money	\$ 89.165
Other Liabilities	\$ 34.386

Total Liabilities:	<u>\$ 2,071.319</u>
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Owner's Equity:

Preferred Stock	\$ 0.000
Common Stock & Surplus	\$ 155.073
Retained Earnings	\$ 82.334
Other Equity	\$ 2.675

Total Equity	<u>\$ 240.082</u>
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Total Liabilities and Equity:	<u>\$ 2,311.401</u>
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Year-to-Date Income Statement (\$ millions)

Interest Income:	\$ 68.589
Interest Expense:	\$ 16.270

Net Interest Income:	<u>\$ 52.319</u>
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(plus) Non-Interest Income	\$ 16.784
(plus) Gains (losses) Securities Transactions	\$ 4.728
(minus) Non-Interest Expense	\$ 53.897
(minus) Provisions	\$ 0.900
(minus) Income Taxes	\$ 2.661
(plus) Other Income (Expense)	\$ 0.000

Net Income:	<u>\$ 16.373</u>
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Rated 5-Stars based on financial data as of 09/30/2019

Year Established: 1919  
Number of Branches: 39

Telephone Number: (717)532-6114  
WebSite: [www.orrstown.com](http://www.orrstown.com)

**B. CAPITAL ADEQUACY.** In order to be classified as at least adequately capitalized, current regulatory capital requirements include a leverage capital ratio  $\geq 4\%$ , a Common Equity Tier 1 (CET1) Ratio  $\geq 4.5\%$ , a Tier 1 Risk-based Capital Ratio  $\geq 6\%$  AND a Total Risk-based Capital Ratio  $\geq 8\%$ .

	<u>This Bank</u>	<u>Peer Group</u>
Leverage Capital Ratio:	8.91%	10.96%
CET1 Ratio:	12.68%	14.07%
Tier 1 Risk-based Capital Ratio:	12.68%	14.08%
Total Risk-based Capital Ratio:	13.65%	15.06%
Regulatory Capital Classification:	Well-Capitalized	

**C. REGULATORY STATUS.** The Community Reinvestment Act (CRA) is intended to ensure institutions help meet the credit needs of the communities in which they operate. If available, the institution's CRA Rating is noted below. Similarly, if the institution's primary regulator has made public any current enforcement actions that could impact the safety and soundness of the institution, the regulator will be noted. If applicable, you may read the action by visiting the regulator's website (link below). (Disclaimer: Enforcement Action data is maintained by BauerFinancial based on media releases issued by the agencies; the accuracy and completeness cannot be guaranteed by BauerFinancial, Inc.)  
Search Regulatory Enforcement Actions via these links: [OCC](#) [FDIC](#) [FED](#)

**CRA Rating:** Satisfactory

**Supervisory Agreement:** None

**D. ASSET QUALITY.** The quality of an institution's assets is determined by two factors: what specifically is the asset and how does it relate to the entire portfolio. Asset quality can be the difference between survival and insolvency during periods of poor economic conditions.

	<u>This Bank</u>	<u>Peer Group</u>
Reposessed Assets/Net Worth:	0.40%	0.79%
Nonaccrual Loans & Other Loans Past Due 90 Days or More/Net Worth:	4.28%	4.46%
Nonperforming Assets/Net Worth + Reserves (Texas Ratio):	4.99%	4.69%

The following five ratios refer to the nonperforming assets and reserves in the bank's portfolio:

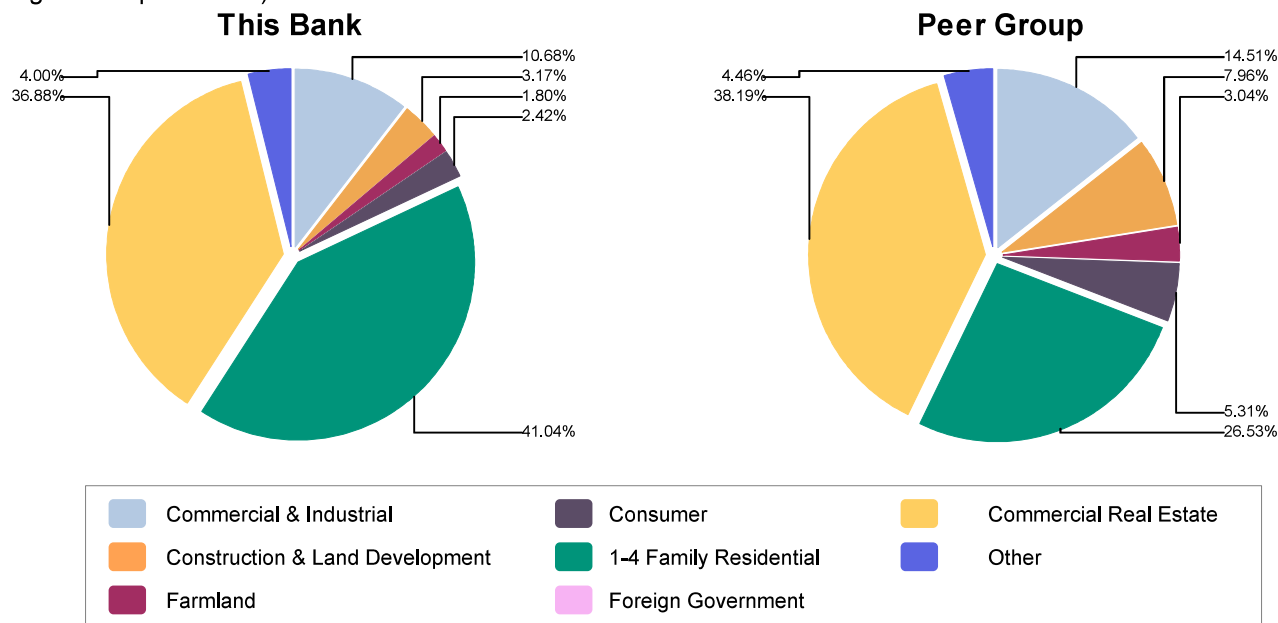
	<u>This Bank</u>	<u>Peer Group</u>
Nonperforming Assets/Total Assets:	0.49%	0.61%
Delinquent Loans/Total Loans:	0.64%	0.72%
Reposessed Assets/Total Assets:	0.04%	0.09%
Net Year-to-Date Chargeoffs/Total Loans:	0.00%	0.09%
Loan Loss Reserve/Total Loans:	0.93%	1.07%

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**D. ASSET QUALITY, Continued.** Generally speaking, the more risky loans in a bank's portfolio are construction, commercial real estate, and foreign loans. Local economic conditions cause regional variances. Individuals or businesses interested in obtaining a loan or line of credit should check that the bank is actively engaged in that type of lending. Undercapitalized banks may be required to limit their lending activity due to an effort to shrink their asset size (thus increasing their capital ratios).



Loans to executive officers, principal shareholders and their related parties (with or without collateral) are not unusual in the banking industry. However, excessive lending to insiders can cause problems if the loans are not subject to the same arm's length underwriting standards as similar loans to other customers.

	This Bank	Peer Group
Loans to Insiders/Total Loans:	0.17%	1.15%
Loans to Insiders/Total Net Worth:	1.11%	7.10%

Intangible assets are acquired by various transactions in which the purchase price exceeds the book value. For example, a bank may buy a branch of another bank for more than its book value; the premium paid would be an intangible asset to the purchaser known as "goodwill". The leverage capital ratio on page 4 excludes most intangible assets.

	This Bank	Peer Group
Intangible Assets/Net Worth:	12.33%	8.91%

Investments in unconsolidated subsidiaries and related companies can be a drain on a bank's net worth. If the book value of the subsidiary declines, so does that of the bank.

	This Bank	Peer Group
Investments in Subsidiaries/Net Worth:	0.00%	0.00%

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**E. LIQUIDITY.** Liquidity ratios measure the relationship between current assets and current liabilities; they are indicators of an institution's ability to meet current obligations. Higher ratios reflect a reliance on funding sources that may not be available in times of financial stress or adverse changes in market conditions.

	<u>This Bank</u>	<u>Peer Group</u>
Loans to Deposits:	82.63%	87.81%
Non-core Funding Dependence:	9.00%	8.90%
Brokered Deposits/Total Deposits:	1.89%	4.89%
Deposits Acquired from use of Listing Services/Total Deposits:	2.96%	1.02%

**F. GROWTH.** As a general rule, growth in a bank is considered normal and desirable. If the growth accelerates to a point where it becomes unmanageable, however, it can lead to a situation of capital inadequacy and/or unprofitability. Asset shrinkage could indicate a cutback in lending.

	<u>This Bank</u>	<u>Peer Group</u>
% Change in Assets (year):	34.51%	10.12%
% Change in Equity (year):	69.04%	14.98%
% Change in Deposits (year):	35.40%	10.15%
% Change in Loans (year):	46.89%	9.56%

**G. PROFITABILITY.** Standard measures of profitability are Return on Assets and Return on Equity which reflect the percentage of each that has been earned during the current period. The ratios facilitate comparisons between institutions and time periods, as the same dollar figure of net income may be good or bad, depending on the balance sheet of the institution.

Current quarter's profit:	\$7.634	million
Year-to-date profit:	\$16.373	million
Profit for Previous Calendar Year:	\$15.639	million
Profit for Calendar Year 2 Years Ago	\$9.301	million

	<u>This Bank</u>	<u>Peer Group</u>
Annualized Return on Assets:	0.98%	1.26%
Annualized Return on Equity:	10.52%	10.36%

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