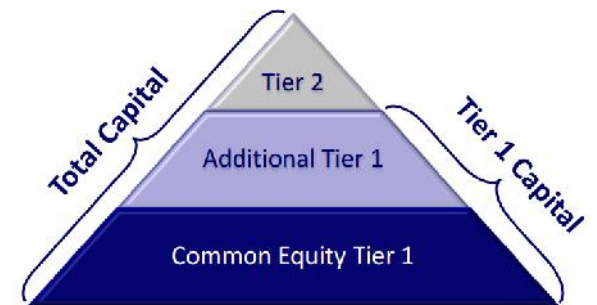


Financial Compass E-Learning Series

Basel III Changes in Financial Compass: Part I



Basel III Compass Changes - Overview

1. Reporting – changes and additions
2. New Accounts – how to customize
3. Risk Weightings – customize by month

Additional Information:

- **Basel III Changes in Financial Compass: Part II**
Available in Client Area (Learning Center) or support@plansmith.com
- **Capital Management Webinar**
Two sessions: 12/11/14 & 12/16/14
- **FDIC Presentation (Regulatory details)**
<https://www.fdic.gov/regulations/capital/sessions.html>

Basel III Compass Changes - Overview

1. Reporting – changes and additions
2. New Accounts – how to customize
3. Risk Weightings – customize by month

Reports with Capital Ratios

- Existing reports revised to show Basel III Capital Ratios:
 - **Income Statement** (with “Include Ratios” = Yes)
 - **Capital Adequacy**
- New report for Basel III Ratio Tracking:
 - **Capital Ratios**

Income Statement Report - Revised

SampleBank

Income Statement FTE Adjusted

-----Multiple Rows Hidden-----

	*Jun 2014	*Jul 2014	*Aug 2014	*Sep 2014	Oct 2014	Nov 2014	Dec 2014
Selected Financial Ratios							
EOM Assets	352,568	356,907	362,081	353,698	356,748	357,246	357,745
Earning Assets Ratio	92.56	92.29	92.46	92.82	92.53	92.32	92.33
Equity/Asset Ratio	8.24	8.27	8.35	7.42	7.56	7.58	7.61
EOM Equity/EOM Total Deposits	8.28	8.26	8.34	8.94	9.16	9.19	9.23
Loan/Deposit Ratio	50.19	52.18	52.07	64.02	64.93	65.05	65.04
Loans/Assets	50.09	51.91	52.22	53.15	53.73	53.65	53.66
Loan Loss Res/Loans	3.21	3.07	2.97	2.36	2.36	2.35	2.35
Non-Taxable Asset Ratio	0	0	0	0	0	0	0
Demand/Total Deposits	21.34	21.45	21.08	26.07	26.17	26.17	26.17
Time/Total Deposits	35.18	35.01	33.37	40.28	40.73	40.73	40.73
Free Funds Ratio	3.64	4.71	4.49	24.04	23.94	23.77	23.82
Liquidity Ratio	41.11	38.88	39.77	17.94	17.84	17.91	17.98
Tier 1 Leverage Ratio	8.80	8.91	8.97	7.68	7.75	7.84	7.89
Common Equity Tier 1 Capital Ratio	13.05	12.69	12.81	10.76	13.69	13.41	13.16
Tier 1 Capital Ratio	13.05	12.69	12.81	10.76	13.69	13.41	13.16
Total Capital Ratio	14.32	13.95	14.07	12.02	14.95	14.67	14.42
Capital Conservation Buffer	6.32	5.95	6.07	4.02	6.95	6.67	6.42

Capital Adequacy Report - Revised

Asset Accounts	EOM Balance	Risk Based Capital Factor	Risk Weighted Assets
Total Assets	264,863		155,192
Commitments > 1 year	0	50%	0
Commitments < 1 Year	0	20%	0
Performance or Transaction LCs	1,500	50%	750
Financial Standby LCs	250	100%	250
Quarterly Average Assets	270,078	0%	0
Risk Weighted Assets	156,192	0%	0
50% of HVCRE	250	0%	0
-100% Non Accr. 1-4 Fam. Mort.	(327)	0%	0
Common Equity Tier 1 - base	25,505	0%	0
Prof. Stock	5	0%	0
Prof. Stock Surplus	2,495	0%	0
Tier 2 - base	0	0%	0
Limited ALL	1,951	0%	0
Non Accrual Loans	250	0%	0
Accruing Loans 90+ Past Due	0	0%	0
CREQ	0	0%	0
			1,000
			156,192
Total Risk Weighted Assets			156,115
	50% of HVCRE		250
	-100% Non Accr. 1-4 Fam. Mort.		(327)
			156,115
	Tier 1 Leverage Ratio		10.37%
	Common Equity Tier 1 Capital Ratio		16.34%
	Tier 1 Capital Ratio		17.94%
	Total Capital Ratio		19.15%
	Capital Conservation Buffer		11.19%

Capital Ratios Report – NEW (Page 1)

SampleBank Capital Ratios

	*Jun 2014	*Jul 2014	*Aug 2014	*Sep 2014	Oct 2014	Nov 2014
Common Equity Tier 1 - Base	31,359	31,680	32,125	27,656	27,792	27,918
CTA Adjustment	0	0	0	0	0	0
NSA Threshold Adj	0	0	0	0	0	0
Common Equity Tier 1 Capital	31,359	31,680	32,125	27,656	27,792	27,918
Non-Capital phased out	0	0	0	0	0	0
Additional Tier 1 Capital	0	0	0	0	0	0
Total Tier 1 Capital	31,359	31,680	32,125	27,656	27,792	27,918
Tier 2 - Base	0	0	0	0	0	0
Unlimited ALLL	3,036	3,153	3,167	3,228	2,563	2,626
Tier 2 Minority Interest	0	0	0	0	0	0
Tier 2 Capital	3,036	3,153	3,167	3,228	2,563	2,626
Total Capital	34,395	34,833	35,292	30,884	30,355	30,544
Quarterly Average Assets	356,175	355,481	358,146	359,509	359,543	356,907
Adj to Avg Assets	0	0	0	646	-900	-900
Total Assets for the Leverage Ratio	356,175	355,481	358,146	360,155	358,642	356,007
Risk Weighted Assets	242,899	252,240	253,328	253,119	256,018	256,363
-VCE Adjustment	0	0	0	5,115	-51,000	-46,308
Additional RW for Assets 90+	0	0	0	0	0	0
Total Risk Weighted Assets	242,899	252,240	253,328	258,234	205,018	210,056
Unallowed Reserve	-2,680	-2,606	-2,494	-1,272	-1,937	-1,874
Net Risk Weighted Assets	240,218	249,634	250,835	256,962	203,080	208,181
Tier 1 Leverage Ratio	8.80%	8.91%	8.97%	7.68%	7.75%	7.84%
Common Equity Tier 1 Capital Ratio	13.05%	12.69%	12.81%	10.76%	13.69%	13.41%
Tier 1 Capital Ratio	13.05%	12.69%	12.81%	10.76%	13.69%	13.41%
Total Capital Ratio	14.32%	13.95%	14.07%	12.02%	14.95%	14.67%
Capital Conservation Buffer	6.32%	5.95%	6.07%	4.02%	6.95%	6.67%

Capital Ratios Report – NEW (Page 2)

SampleBank

Capital Ratios

	*Jun 2014	*Jul 2014	*Aug 2014	*Sep 2014	Oct 2014	Nov 2014
Common Equity Tier 1 Capital Ratio	13.05%	12.69%	12.81%	10.76%	13.69%	13.41%
CET1 less CET1 Minimum plus Buffer	9.05%	8.69%	8.81%	6.76%	9.69%	9.41%
Tier 1 Capital Ratio	13.05%	12.69%	12.81%	10.76%	13.69%	13.41%
Tier 1 less Tier 1 Minimum plus Buffer	7.55%	7.19%	7.31%	5.26%	8.19%	7.91%
Total Capital Ratio	14.32%	13.95%	14.07%	12.02%	14.95%	14.67%
Total Capital less Total Capital Minimum plus Buffer	6.32%	5.95%	6.07%	4.02%	6.95%	6.67%
Capital Conservation Buffer	6.32%	5.95%	6.07%	4.02%	6.95%	6.67%

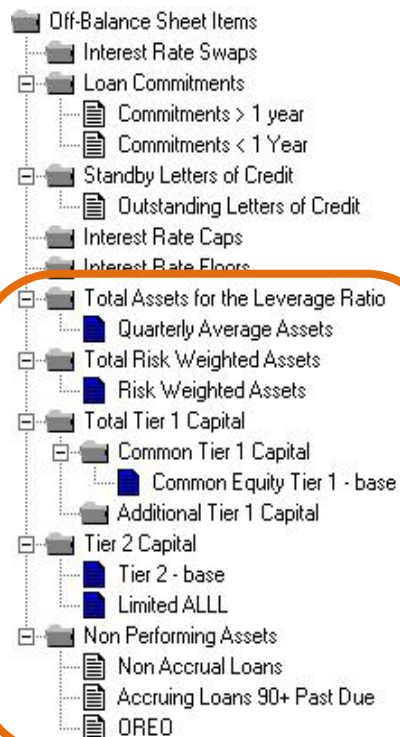
CAPITAL CONSERVATION BUFFER TABLE

	2014	2015	2016	2017	2018	2019
Common Equity Tier 1 plus Capital Conservation Buffer	4.00%	4.50%	5.13%	5.75%	6.38%	7.00%
Minimum Tier 1 Capital plus Capital Conservation Buffer	5.50%	6.00%	6.63%	7.25%	7.88%	8.50%
Minimum Total Capital plus Conservation Buffer	8.00%	8.00%	8.63%	9.25%	9.88%	10.50%

Basel III Compass Changes - Overview

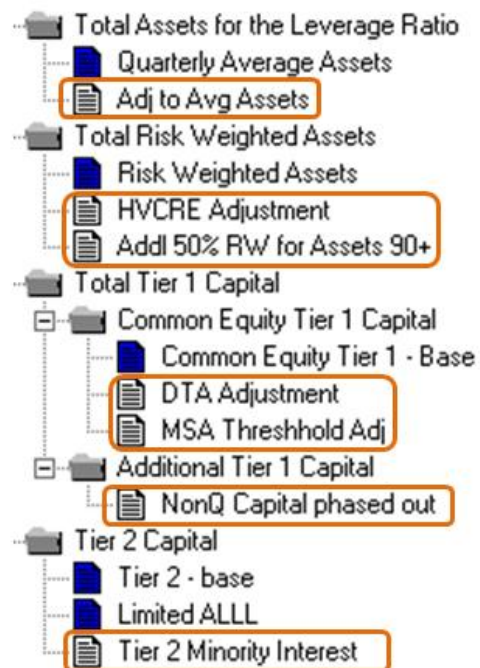
1. Reporting – changes and additions
2. New Accounts – how to customize
3. Risk Weightings – customize by month

New Folders – Chart of Accounts



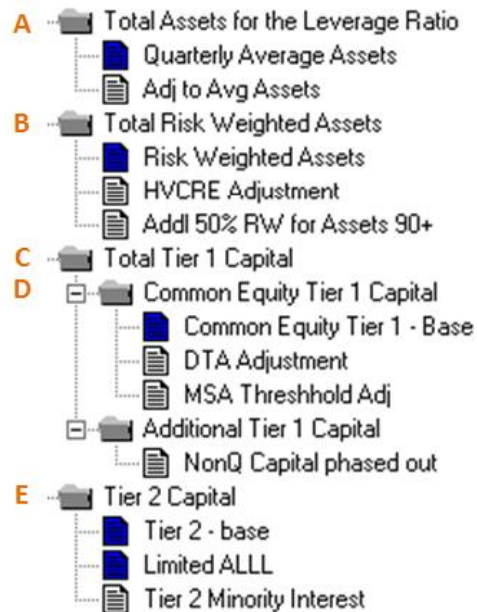
- The grey folders and the blue accounts noted on the left are automatically burst out to all plans opened in the latest version of Compass
- Blue account numbers are automatically calculated by Compass and cannot be edited
- Ratios are calculated using the grey folder sub-totals

New Folders – Adjustment Accounts



- **EXAMPLES** of accounts that can be added to the grey folders to house custom adjustments
- **No accounts must be added**

Ratio Summary



RATIO SUMMARY:

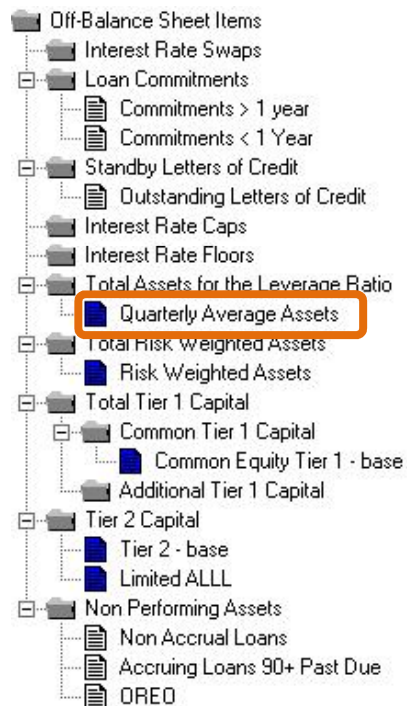
Tier 1 Leverage Ratio = C / A

CET1 Capital Ratio = D / B

Tier 1 Capital Ratio = C / B

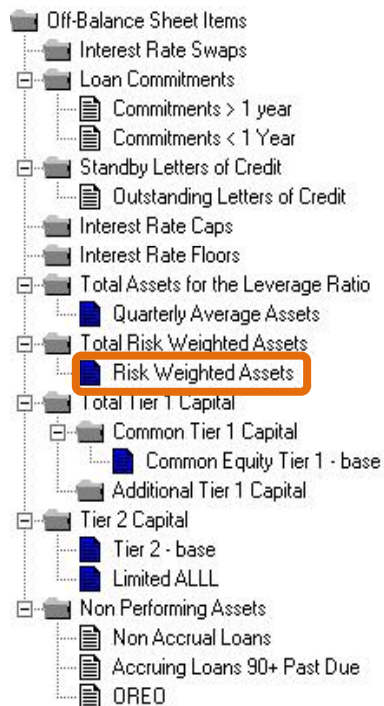
Total Capital Ratio = (C + E) / B

New Categories – Calculated Accounts



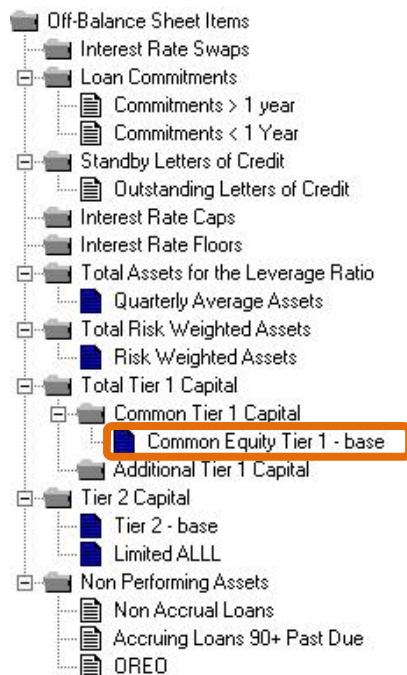
- **Calculated Account**
= (Last 3 MTD Average Assets) / 3

New Categories – Calculated Accounts



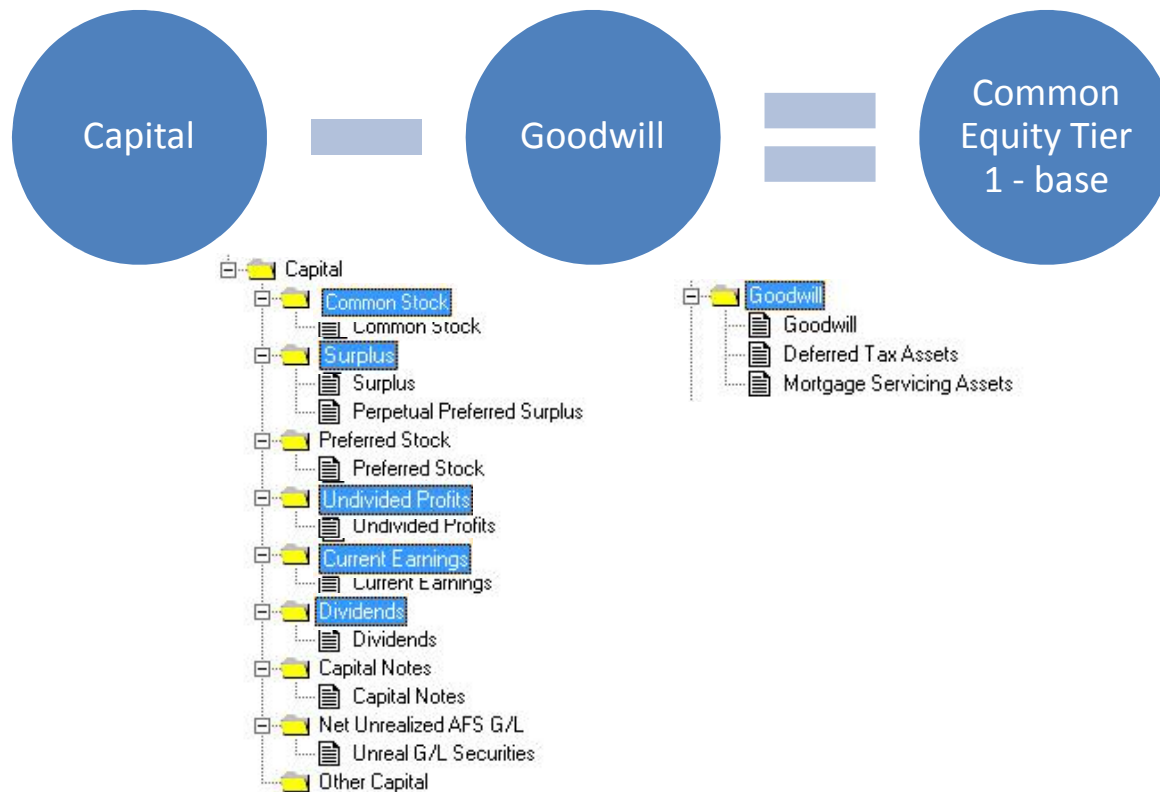
- **Calculated Account**
- **Sum of Risk Weighted Value for each Asset Account**
- **Review *Capital Adequacy* Report for details**

New Categories – Calculated Accounts

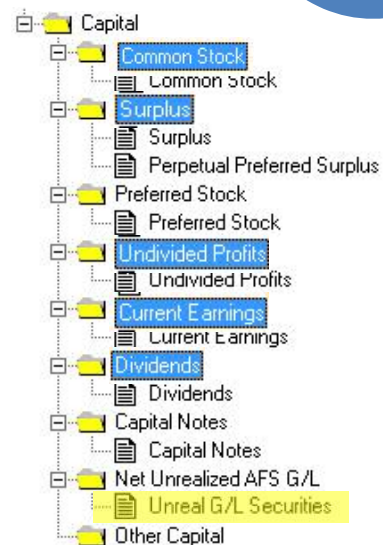


- **Calculated Account**
- **Review *Capital Class* wizard settings for details**

Common Equity Tier 1 - base



Common Equity Tier 1 - base



Account Wizard - Capital Notes: Capital Notes

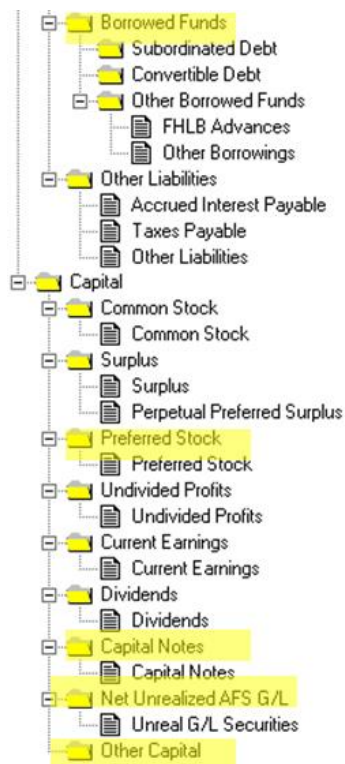
Enter Capital Classification.

Capital Class: CET1

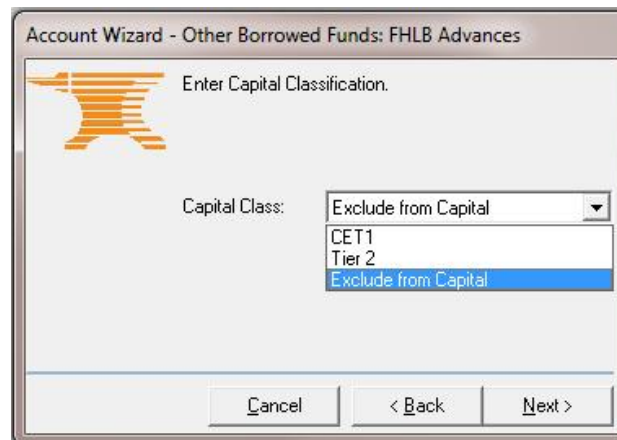
CET1
Tier 2
Exclude from Capital

Cancel < Back Next >

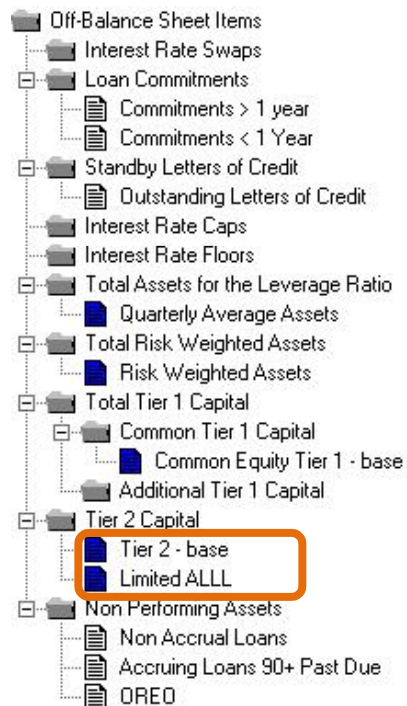
Capital Class Options



You can choose the Capital Class for all accounts within the **highlighted** folders

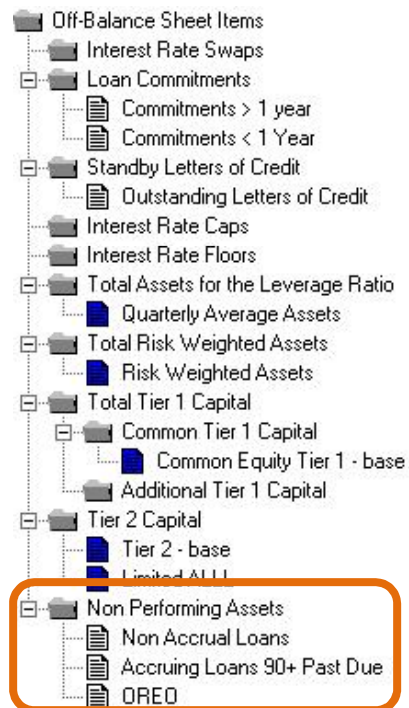


New Categories – Calculated Accounts



- **Calculated Accounts**
- **Tier 2 – review *Capital Class* settings**
- **Limited ALLL – based on lower of ALLL or 1.25% of RWA**

New Categories – Calculated Accounts



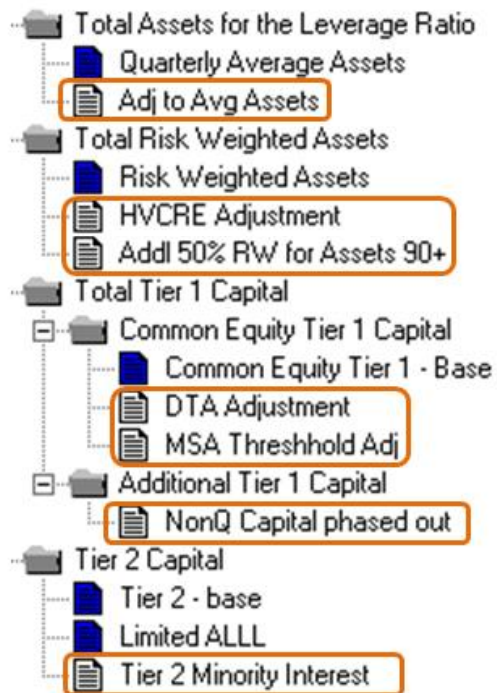
New Accounts Summary

	QUARTERLY AVERAGE ASSETS	RISK- WEIGHTED ASSETS	<u>CET1</u>	<u>TIER 2</u>	<u>LIMITED ALLL</u>
Automatically Calculated?	Yes	Yes	Yes	Yes	Yes
How?	Average of last 3 months	Sum of RW assigned to each Account	Standard Accounts + Capital Class setting	Via Capital Class setting	Lower of ALLL or 1.25% of RWA
Customizable?	Yes	Yes	Yes	Yes	No
Tier 1 Leverage Ratio	Included				
Common Equity Tier 1 Capital Ratio		Included	Included		
Tier 1 Capital Ratio		Included	Included		
Total Capital Ratio		Included	Included	Included	Included
Capital Conservation Buffer		Included	Included	Included	Included



Review the Account Wizard setting for each account in the Capital category to verify that each account is included in the appropriate Capital category

Sample Custom Accounts



- **EXAMPLES** of accounts that can be added to the grey folders to house custom adjustments
- **No accounts must be added**

Two Reasons to Add Custom Accounts

1. Make minor adjustments to tie out to your Call Report
2. Capture additional detail that is not broken out on your General Ledger

Edit History Data – Update Financial

Financial Compass - [Update Financial]

File Update Rates Projections Compute Reporting Utilities Help

Update for: Sep 2014 Save Data Clear Data Print Submit Print

Downloaded Data

	COM Balance	Average Balance	Income/Expense	Yield
Balance Sheet				
Assets				
Cash & Due				
Cash & Cash Items	2,305	2,893	0	0.00
Due From Banks	5,154	5,084	0	0.00
Due From Banks	15,888	17,865	2,763	0.19
Due From Time Deposits	0	0	0	0.00
Fed Funds Sold				
Fed Funds Sold	0	0	0	0.00
Securities				
U. S. Treasuries				
U. S. Treasuries	0	0	0	0.00
U. S. Agencies				
U. S. Agencies - Fx	1,354	942	3,357	2.73
U. S. Agencies - Gtd Up	55,350	50,093	37,777	1.00
BBB+ - Fx	2,349	2,057	5,262	1.93
Mortgage-Backed Securities				
MBS's - Fx	10,300	10,752	25,402	2.11
MBS's - Adj	356	337	515	1.83
Municipal Securities				
Municipal - Exempt - Fx	44,407	44,407	14,407	0.00
Municipal - Exempt - Adj	0	0	0	0.00
Marketable Securities				
DRP Securities	0	0	0	0.00
Other Securities				
Corporate Bonds - Fx	3,560	3,520	7,153	2.45
Corporate Bonds - Adj	4,749	4,749	7,919	1.97
Trading				
Gross Unrealized A/S G/L	-357	-1,963	0	0.00
Loans				
Commercial				
Comm Lns - Fx	7,482	7,504	34,113	5.46
Comm Lns - Var	17,327	17,893	57,368	4.50
Comm Lns - Adj	1,307	-401	0,300	5.03
Real Estate				

Supplemental Data

	COM Balance	Average Balance
Current Earnings		
Current Earnings	2,300	2,500
Off Balance Sheet Items		
Interest Rate Swaps		
Loan Commitments		
Commitments < 1 Year	2,775	2,775
Commitments > 1 Year	30,405	30,405
Standby Letters of Credit		
Outstanding Letters of Credit	355	655
Interest Rate Caps		
Total Assets for the Leverage Ratio		
Unaffiliated Average Assets	559,509	
Adjustment for Averages	17	
Total Risk Weighted Assets		
Risk Weighted Assets	255,119	
Total Tier 1 Capital		
Common Equity Tier 1 Capital		
Common Equity Tier 1 Capital	21,356	
Additional Tier 1 Capital		
Tier 2 Capital		
Tier 2 Capital	0	
Unaffiliated A/L	5,164	
Non Performing Assets		
Non Accrual Loans	0	0
Accruing Loans 90+ Past Due	0	0
CREO	0	0
Other Items		
Number of Employees		
Number of Employees	0	
Number of Shares		
Number of Shares	0	
Other Memo Items		
Financial Securities	10,000	

- Same procedure as editing other accounts for history
- Blue folder accounts are not editable

Editing Forecast Data

Financial Compass - [Account Editor]

File Update Rates Projections Compute Reporting Utilities Help

Adjustment for Averages

Projections	Budget	Variance	Fed Funds	Notes
Average Balance				
2014				
Dec	0			
2014 Jan	0			
Feb	0			
Mar	0			
Apr	0			
May	0			
Jun	0			
Jul	0			
Aug	0			
Sep	17			
Oct	17			
Nov	17			
Dec	17			
2015 Jan	17			
Feb	17			
Mar	17			
Apr	17			
May	17			
Jun	17			
Jul	17			
Aug	17			
Sep	17			
Oct	17			
Nov	17			
Dec	17			
2016 Jan	17			
Feb	17			
Mar	17			
Apr	17			

- Same procedure as editing other accounts for history
- Blue folder accounts are not editable

Basel III Compass Changes - Overview

1. Reporting – changes and additions
2. New Accounts – how to customize
3. Risk Weightings – customize by month

Custom Risk Weighting

Each Asset account is already assigned a Risk Weighting – adjust for new Basel III weights only

- New option – customizable by month

Custom Risk Weighting Options

1. Use the Account Wizard to choose a **Custom RBC Factor**
or
2. Create an **Adjustment Account** under the “Total Risk Weighted Assets” section in the Off-Balance Sheet Items area
or
3. Use the Account Wizard and choose “**Custom by Month**” to open the “**RBC Factor**” tab. Input RBC Factors that vary by month

Custom Risk Weighting Options

Financial Compass - [Account Editor]

File Update Rates Projections Compute Reporting Utilities Help

Commercial RE - Fixed

Projections Budget Maturity Variance Fed Funds Notes

	FCM Balance	New Balance	Trifling Rate	Total Maturities	Total Maturities X Rate	Interest	Yield	Average Balance
2014	Manual	[Use Edit]	Quick					[Use Edit]
Dec	30,512					155,137	5.32	31,378
2014 Jan	23,575					173,339	6.35	23,862
Feb	28,739					104,798	4.44	23,795
Mar	28,323					205,267	8.51	29,523
Apr	28,429					163,619	6.99	29,809
May	27,321					165,024	6.35	23,120
Jun	27,759							
Jul	27,323	3,266						
Aug	27,377	760						
Sep	27,121	618						
Oct	26,355	621						
Nov	26,329	561						
Dec	26,391	1,801						
2015 Jan	26,555	1,198						
Feb	25,929	4,458						
Mar	25,392	852						
Apr	25,153	590						
May	24,300	500						
Jun	24,313	590						
Jul	24,711	594						
Aug	24,452	537						
Sep	24,347	790						
Oct	23,301	639						
Nov	23,517	1,066	7.15	1,270	6.37	130,160	6.59	23,727
Dec	23,424	616	7.23	829	6.75	133,519	6.59	23,510
2016 Jan	23,134	766	7.44	976	6.55	132,278	6.77	23,299
Feb	22,985	1,841	7.59	2,049	6.59	123,595	6.75	23,090
Mar	22,730	1,345	7.72	1,551	6.34	132,426	6.33	22,803
Apr	22,549	570	7.55	711	6.52	129,217	6.59	22,639
May	22,437	2,633	8.31	2,835	6.34	132,922	6.37	22,508
Jun	22,235	1,332	8.15	1,533	6.34	123,450	7.39	22,306
Jul	22,178	587	8.24	785	6.99	133,644	7.14	22,107
Aug	21,312	722	0.00	910	7.31	100,102	7.17	21,910

Account Wizard - Commercial: Commercial RE - Fixed

Enter the Risk Based Capital factor

RBC Factor: Custom P.L. Month

More Info

Cancel < Back Next >

Custom Risk Weighting Options

Financial Compass - [Account Editor]

File Update Rates Projections Compute Reporting Utilities Help

Commercial RE - Fixed

Projections Budget Maturity Variance Fed Funds Notes

	FCM Balance	New Balance	Trifling Rate	Total Maturities	Total Maturities X Rate	Interest	Yield	Average Balance
2014	Manual	[Use Edit]	Quick					[Use Edit]
Dec	30,512					155,137	5.32	31,378
2014 Jan	23,575					173,339	6.37	23,862
Feb	28,739					104,798	4.44	23,795
Mar	28,323					205,267	8.51	29,523
Apr	28,429					163,619	6.99	29,809
May	27,321					105,024	6.35	23,120
Jun	27,759							
Jul	27,323	3,266						
Aug	27,377	760						
Sep	27,121	618						
Oct	26,355	621						
Nov	26,329	561						
Dec	26,391	1,801						
2015 Jan	25,555	1,198						
Feb	25,529	4,458						
Mar	25,332	852						
Apr	25,153	590						
May	24,300	500						
Jun	24,313	590						
Jul	24,711	594						
Aug	24,452	537						
Sep	24,347	790						
Oct	23,301	639						
Nov	23,517	1,066	7.15	1,270	6.37	130,160	6.59	23,727
Dec	23,434	616	7.23	829	6.75	133,519	6.33	23,510
2016 Jan	23,134	766	7.44	976	6.35	132,278	6.77	23,299
Feb	22,985	1,841	7.59	2,049	6.59	123,595	6.75	23,090
Mar	22,730	1,345	7.72	1,551	6.34	132,426	6.33	22,803
Apr	22,549	570	7.55	711	6.32	129,217	6.39	22,639
May	22,437	2,633	8.31	2,835	6.34	132,922	6.37	22,508
Jun	22,235	1,332	8.15	1,533	6.34	123,450	7.39	22,306
Jul	22,178	587	8.24	785	6.99	133,644	7.14	22,107
Aug	21,312	722	0.00	910	7.31	100,102	7.17	21,910

Account Wizard - Commercial: Commercial RE - Fixed

Enter the Custom TDC Factor.

RBC Factor: (%)

More Info

Cancel < Back Next >

Custom Risk Weighting Options

Financial Compass - [Account Editor]

File Update Rates Projections Compute Reporting Utilities Help

Commercial RE - Fixed - RBC Factor

Projections Budget Natality Variance Fed Funds Notes **RBC Factor**

		Risk Weighting Percent
2014		
	Dec	82.00
2014	Jan	82.00
	Feb	82.00
	Mar	82.00
	Apr	82.00
	May	82.00
	Jun	82.00
	Jul	82.00
	Aug	82.00
	Sep	82.00
	Oct	82.00
	Nov	82.00
	Dec	82.00
2015	Jan	82.00
	Feb	82.00
	Mar	82.00
	Apr	82.00
	May	82.00
	Jun	82.00
	Jul	82.00
	Aug	82.00
	Sep	82.00
	Oct	82.00
	Nov	82.00
	Dec	82.00
2016	Jan	82.00
	Feb	82.00
	Mar	82.00
	Apr	82.00
	May	82.00
	Jun	82.00
	Jul	82.00
	Aug	82.00

Capital Adequacy Report - Revised

Sample Bank			
Capital Adequacy			
As of the end of September, 2014			
	111M	Risk Based Capital Factor	Risk Weighted Assets
Asset Accounts	Balance		
Cash & Cash Equiv.	2,114	10%	11
Due From Banks	5,154	20%	1,031
MSB's - Fx	6,580	20%	3,336
MSB's - Adj	339	20%	57
Municipal Securit - Fx	44,421	20%	8,884
Due From Bank - Fx	3,777	100%	3,770
Comml Line - Var	7,537	100%	17,857
Comml Line - Ccy	1,140	100%	1,140
Comml F/E - Fx	34,739	150%	52,107
Comml F/E - Adj	20,677	100%	20,677
Ag R/E - Fx	7,421	100%	7,421
Ag R/E - Adj	16,785	100%	16,753
R/E Construction - Fx	0,405	100%	10,438
<hr/>			
Equity - Bank	3,847	100%	3,847
Other Assets	5,939	100%	5,939
Total Assets	359,699		249,689
Commitments < 1 Year	2,775	100%	2,789
Commitments < 1 Year	30,005	0%	0
Outstanding Letters of Credit	655	100%	636
			3,430
			253,119
			5,115
HYC/E Adjustment			
Total Risk Weighted Assets			258,234
Disallowed Reserve			-1,252
Net Risk Weighted Assets			256,982
	Time 1 Leverage Ratio		7.68%
	Common Equity Time 1 Capital Ratio		10.76%
	Time 1 Capital Ratio		10.76%
	Total Capital Ratio		12.02%
	Capital Conservation Buffer		4.02%

- Review Capital Adequacy Report
- Review Risk Weightings for each account
- Review Adjustments Accounts added

(multiple rows are hidden in the example on the left)

Basel III – Recap of Changes

1. Reporting – changes and additions
2. New Accounts – how to customize
3. Risk Weightings – customize by month

Additional Information:

- **Basel III Changes in Financial Compass: Part II**
Available in Client Area (Learning Center) or support@plansmith.com
- **Capital Management Webinar**
Two sessions: 12/11/14 & 12/16/14
- **FDIC Presentation (Regulatory details)**
<https://www.fdic.gov/regulations/capital/sessions.html>



SIMPLIFYING COMPLEXITY

THANK YOU

IF YOU HAVE QUESTIONS,

PLEASE CALL:

1-800-323-3281

support@plansmith.com