The Roles of Corporate Governance in Bank Failures During the Recent Financial Crisis

Berger, Allen N.[1] | Imbierowicz, Björn[2] | Rauch, Christian[3]

Online Appendix

[1] Corresponding author. University of South Carolina, Moore School of Business, 1014 Greene Street, Columbia, SC, USA, Phone: +1-803-576-8440, Wharton Financial Institutions Center, and European Banking Center, Email: aberger@moore.sc.edu
[2] Copenhagen Business School, Finance Department and Center for Financial Frictions (FRIC), Solbjerg Plads 3, 2000 Frederiksberg, Copenhagen, Denmark, Email: bi.fi@cbs.dk
[3] University of Oxford, Saïd Business School, Park End Street, Oxford, OX1 1 HP, United Kingdom, Email: christian.rauch@sbs.ox.ac.uk

Online Appendix Table A1 *Addition to Table 5 Regression Results*

This table reports in Panel A1 and A2, Model I in Panel B, and Panels C and D results from logit regressions of bankruptcy indicators on predictor variables. All variables are defined in Table 1. Robust standard errors are employed and clustered at the bank level. Model II in Panel B shows results of a probit regression model with sample selection following Heckman (1979) and includes standard errors derived via the Huber (1967) – White (1980) sandwich estimator, clustered at the bank level. The selection equation is *Corporate Governance Data available* = α + β_1**ln(Assets)* + β_2**(ln(Assets))*^{2} + β_3**Real Estate Loans* + β_5**Cumulative Operating Income from 2004:Q1-2006:Q4* + β_5**Agricultural Loans* + β_6**Commercial Loans* + β_7**Individual Loans*+ β_8**Public Bank* + β_9**Multibank Holding Company* + β_{10}**OCC* + β_{11}**FED*, where the operating income and the loan variables are employed relative to a bank's total assets and total loans, respectively. We also report the results for the Wald test of no sample selection bias, i.e. the p-value for the null of no correlation between the errors of the selection equation and the regression model. SIFIs (systemically important financial institutions) in Panel C are defined as banks with assets larger than $50bn. in at least one quarter in our time period. The statistical significance of results is indicated by * = 10% level, ** = 5% level and *** = 1% level.

Panel A1: Variation of Specifications in Panel A		I			II		
		Default in		2006:Q4	Default in		2006:Q4
		1 Year	2 Years		1 Year	2 Years	
Corporate Governance Variables							
	Ownership Variables						
Share Ownership / Total Shares	Outside Directors				-1.675	0.815	1.023
	CEO				-0.071	-4.585	-4.583
	Other higher-level Mgmt.				2.828*	7.044***	34.167**
	Lower-level Mgmt.				2.038**	2.508***	4.657***
Option Holdings / Total Assets ($-Thd.)	Outside Directors				-4.430	4.153	-5.262
	CEO				-0.261	-0.159	0.062
	Other higher-level Mgmt.				0.031	-1.654	-0.509
	Lower-level Mgmt.				0.948	0.403	-0.011
	Other Ownership Variables						
	TARP				-1.058		
	Public Bank				1.689***	1.565***	1.911***
	Multibank Holding Company				0.429	0.035	0.532
	Management Variables						
	Outside Directors/Board				0.023	-0.399	1.450
	Higher-level Mgmt./Board				-0.525	-0.067	3.758
	Lower-level Mgmt./Board				0.613	0.085	-0.872
	log(Board Size)				-1.074**	-0.820**	-0.418
	Chairman is CEO				-0.816**	-0.586**	-0.557*
Accounting Variables							
	log(Assets)	-0.323**	-0.214*	-0.453**	-0.339*	-0.204*	-0.383
	Capital Ratio	-30.897***	4.426	7.273	-31.966***	5.737**	3.929
	Total Loans excl. C&D/Assets	2.781	4.231**	3.502	1.971	3.020*	2.677
	C&D Loans/Assets	8.054***	11.106***	20.053***	5.607**	9.473***	20.185***
	Loan Concentration	-0.589	0.889	3.984**	-0.681	0.144	3.801*
	ST Deposits/Assets	-6.593**	-3.759**	-2.713	-7.077***	-4.631**	-3.077
	Brokered Deposits/Assets	1.590	-2.45E-04	0.452	1.443	0.047	-2.868
	Return on Assets	-26.435***	-22.834***	-56.894*	-28.665***	-19.583**	-103.405**
	Non-perform. Loans/Assets	13.813**	6.904	66.215*	20.585***	16.614***	82.550*
	Loan Growth	-13.841***	1.348	3.850**	-13.270***	0.299	4.410*
	MBS/Assets	3.624	2.796	6.297*	3.576	2.585	0.933
	Unused Commitm./Assets	-2.923*	-1.331	1.281***	-2.847*	-0.815	2.066
	Constant	0.643	-6.224***	-3.878	2.949	-3.791	-5.258
	Observations	5,804	5,467	340	4,201	3,960	245
	Number of Defaults	83	85	85	60	61	61
	McFadden's adjusted Pseudo R-squared	36.6%	19.1%	47.1%	39.6%	21.9%	53.9%

Panel A2: Variation of Specifications in Panel A		III			IV		
		Default in		2006:Q4	Default in		2006:Q4
		1 Year	2 Years		1 Year	2 Years	
Corporate Governance Variables							
	Ownership Variables						
Share Ownership / Total Shares	Outside Directors	-1.190	0.951	1.468	-2.766**	0.355	4.121
	CEO	-0.505	-5.238	-4.042	1.648	-2.880	-19.714
	Other higher-level Mgmt.	3.179**	7.265***	35.283**	0.791*	7.068***	30.782*
	Lower-level Mgmt.	2.290***	2.440***	6.172***	2.790***	2.105**	9.903**
Option Holdings / Total Assets ($-Thd.)	Outside Directors	-2.725	5.112	-8.852	5.446	9.409	6.256
	CEO	-0.333	-0.271	-0.104	-0.159	-0.106	0.098
	Other higher-level Mgmt.	0.184	-1.025	-0.680	-0.573	-0.599	-3.341
	Lower-level Mgmt.	1.021**	0.296	-0.152	0.993	0.094	-2.204
	Other Ownership Variables						
	TARP	-1.007			-1.562**		
	Public Bank	1.737***	1.623***	2.343***	0.573	1.101**	3.137***
	Multibank Holding Company	0.385	0.052	0.513	0.627	0.495	2.711
	Variable Compensation Variables						
Stock & Option Awards / Total Compensation	Outside Directors	0.742	1.371	-1.317	3.026*	1.632	-3.944
	CEO	-1.860	-0.458	2.799	-1.074	0.619	-2.930
	Other higher-level Mgmt.	0.945	-0.801	-6.600	0.398	-1.201	2.729
	Lower-level Mgmt.	2.788	1.658	7.525**	-0.296	0.825	-1.518
Bonus / Total Compensation	CEO	0.070	-0.395	3.386	0.589	-0.384	3.725
	Other higher-level Mgmt.	-2.892	-5.531**	4.120	-1.990	-2.931	9.422*
	Lower-level Mgmt.	0.961	2.927	7.084*	0.806	2.959	16.741***
	Management Variables						
	Outside Directors/Board	0.345	0.023	3.864	-0.310	-1.125	3.257
	Higher-level Mgmt./Board	-0.503	0.106	4.341	-0.371	0.039	12.207***
	Lower-level Mgmt./Board	0.631	-0.057	-0.176	1.168	0.249	-1.968
	log(Board Size)	-1.026**	-0.878**	-0.616	-0.733	-0.632	1.311
	Chairman is CEO	-0.836**	-0.594**	-0.452*	-0.715*	-0.537**	-0.981*
Accounting Variables							
	log(Assets)	-0.432**	-0.237	-0.949**	-0.472*	-0.181	-0.900*
	Capital Ratio	-31.237***	5.118*	3.523	-33.423**	2.686	-9.252
	Total Loans excl. C&D/Assets	1.564	3.037*	1.186	-2.909	-0.352	-1.184
	C&D Loans/Assets	4.893**	9.481***	23.073***	1.485	8.761***	36.933***
	Loan Concentration	-0.642	0.041	3.583	1.099	-0.689	7.707
	ST Deposits/Assets	-6.962***	-4.402**	-2.965	-9.613***	-4.223	3.020
	Brokered Deposits/Assets	2.056	0.156	-1.366	4.853**	1.535	-4.377
	Return on Assets	-29.376***	-23.245***	-127.719*	-28.238***	-20.745**	-187.739**
	Non-perform. Loans/Assets	19.917***	15.588***	97.003	18.506***	9.196	268.494**
	Loan Growth	-13.438***	0.404	5.323***	-13.811***	0.990	10.182
	MBS/Assets	3.574	2.676	0.761	-0.170	-1.584	-11.488
	Unused Commitm./Assets	-2.982*	-0.909	2.632	-4.091*	-4.705**	9.104**
Market Competition Variables							
	Local Market Power				-11.869*	-7.003	-31.170
	$(\text{Local Market Power})^2$				12.602	10.672	77.079
	Comps.' Subprime Exposure				-18.159***	-4.110	-27.467
State-Level Economic Variables							
	House Price Inflation				-3.839	-40.249***	-34.901
	%-Change in GDP				-70.189***	6.778	2.661
Primary Federal Regulator Variables							
	OCC				1.195**	0.927*	2.001
	FED				0.280	0.057	1.116
	Constant	3.824***	-3.363	-1.498	8.515*	-0.328	-9.122
	Observations	4,201	3,960	245	3,290	3,097	192
	Number of Defaults	60	61	61	47	48	48
	McFadden's adjusted Pseudo R-squared	38.7%	21.4%	54.5%	41.5%	25.8%	52.3%

Panel B: Full Specification of Panel B		I			II		
					Heckman Selection Model		
		Default in		2006:Q4	Default in		2006:Q4
		1 Year	2 Years		1 Year	2 Years	
Corporate Governance Variables							
	Ownership Variables						
log ($-Share Ownership)	Outside Directors	0.132	0.148	1.414	0.020	0.062	0.548
	CEO	-0.050	-0.005	0.331	-0.013	0.002	0.141**
	Other higher-level Mgmt.	0.036*	0.097**	0.719***	0.027*	0.037**	0.281***
	Lower-level Mgmt.	0.146**	0.066*	0.128**	0.052**	0.023**	0.015***
log ($-Option Holdings)	Outside Directors	0.284***	0.263**	0.303*	0.090*	0.110***	0.127
	CEO	0.065	0.105*	-0.476	0.031	0.051**	-0.223
	Other higher-level Mgmt.	-0.035	-0.068	0.376	-0.009	-0.043	0.183*
	Lower-level Mgmt.	0.032	0.019	0.174	0.017	0.015	0.096*
	Other Ownership Variables						
	TARP	-1.096			-0.630***		
	Public Bank	0.562	0.569	4.081***	1.316***	0.793*	3.072***
	Multibank Holding Company	1.312***	1.153**	5.397***	0.504**	0.485**	2.293**
	Variable Compensation Variables						
Stock & Option Awards / Total Compensation	Outside Directors	2.686*	1.513	-4.688	1.405**	0.843*	-0.714
	CEO	-1.401	0.779	-5.502	-0.238	0.287	-3.968**
	Other higher-level Mgmt.	0.481	-0.994	4.531	-0.093	-0.484	3.792
	Lower-level Mgmt.	-0.949	0.286	8.929	-0.693	-0.080	3.389*
Bonus / Total Compensation	CEO	-1.653	-1.073	1.967	-0.231	-0.325	1.915
	Other higher-level Mgmt.	-4.147	-5.301	-1.656	-2.417	-2.200	-0.267
	Lower-level Mgmt.	0.110	1.946	23.551***	0.410	0.637	9.838**
	Management Variables						
	Outside Directors/Board	-1.004	-1.769	-4.191	-0.225	-0.863	-0.553
	Higher-level Mgmt./Board	0.735	1.322	18.817***	0.381	0.505	7.475***
	Lower-level Mgmt./Board	0.302	-0.758	-0.084	0.046	-0.263	-0.410
	log(Board Size)	-1.048*	-0.878	0.333	-0.544**	-0.407	-0.140
	Chairman is CEO	-0.919**	-0.851**	-3.187**	-0.432**	-0.374**	-1.159**
Accounting Variables							
	log(Assets)	-0.360	-0.147	-0.003	-0.031	-0.033	-0.024
	Capital Ratio	-30.373***	4.013	-26.910**	-11.827**	1.699	-14.249**
	Total Loans excl. C&D/Assets	-1.611	0.570	1.421	-0.638	0.617	-1.248
	C&D Loans/Assets	1.748	9.363***	42.895***	1.425	4.725***	15.473***
	Loan Concentration	1.957	-0.091	7.910*	0.362	-0.089	4.539**
	ST Deposits/Assets	-7.419***	-3.693	11.282	-3.788***	-1.940*	3.988
	Brokered Deposits/Assets	5.078**	1.468	7.935	2.200***	0.861	4.062
	Return on Assets	-26.133***	-23.542***	-133.083**	-12.133*	-10.953***	-60.415
	Non-perform. Loans/Assets	17.671***	9.286	457.869***	6.520*	3.429	153.379***
	Loan Growth	-14.209***	0.939	9.433*	-5.869***	0.208	6.296***
	MBS/Assets	-1.799	-2.905	-33.063	-0.247	-0.721	-14.135*
	Unused Commitm./Assets	-2.761	-4.890**	-1.219	-1.321	-1.928**	0.181
Market Competition Variables							
	Local Market Power	-18.995**	-13.278	-44.022**	-7.414***	-4.625	-13.199*
	$(\text{Local Market Power})^2$	25.709**	19.862	87.813*	9.604**	6.477	26.630**
	Comps.' Subprime Exposure	-14.739**	-4.951	-37.135*	-6.363***	-1.102	-18.187**
State-Level Economic Variables							
	House Price Inflation	-2.792	-41.393***	-62.919*	-2.767	-19.721***	-27.958*
	%-Change in GDP	-71.221***	6.184	241.512	-33.405***	3.024	85.163
Primary Federal Regulator Variables							
	OCC	1.346***	1.376**	3.205*	0.599***	0.617***	1.388**
	FED	0.538	0.211	2.200**	0.159	0.076	1.098*
	Constant	6.128	0.094	-29.537*	0.287	-1.697	-12.771***
	Observations	3,290	3,097	192	78,586	78,319	4,198
	Censored Observations				75,296	75,222	4,006
	Uncensored Observations				3,290	3,097	192
	Number of Defaults	47	48	48	47	48	48
		McFadden's adj. Pseudo R-squared:			Wald test of indep. eqns. (rho = 0):		
		40.5%	26.8%	52.5%	45.06%	33.73%	56.38%

Panel C1: Robustness Tests		I. Excluding SIFIs			II. Excluding Multibank Holding Companies		III. Excluding Banks which received TARP	
		Default in		2006:Q4	Default in		Default in	
		1 Year	2 Years		1 Year	2 Years	1 Year	2 Years
Corporate Governance Variables								
	Ownership Variables							
Share Ownership / Total Shares	Outside Directors	-2.702**	0.361	5.441	-3.879**	-0.145	-2.884**	-0.311
	CEO	1.644	-2.854	-25.359	4.812	-2.187	0.747	-3.824
	Other higher-level Mgmt.	0.702*	6.914***	45.440*	0.312**	8.617***	1.101**	6.187***
	Lower-level Mgmt.	2.812***	2.122**	11.626***	4.160***	1.413**	2.476**	2.300**
Option Holdings / Total Assets ($-Thd.)	Outside Directors	5.391	9.280	-62.821	11.745	14.063**	5.294	8.275
	CEO	-0.172	-0.110	-0.441	0.014	-0.592	-0.219	-0.379
	Other higher-level Mgmt.	-0.549	-0.589	-3.054	-0.653	-0.357	-0.739	-0.264
	Lower-level Mgmt.	0.960	0.081	-2.325	1.606*	0.201	1.275	0.561
	Other Ownership Variables							
	TARP	-1.516**			-2.246*			
	Public Bank	0.586	1.114**	4.641***	0.632	0.711	0.444	0.585
	Multibank Holding Company	0.670	0.495	1.475			0.727	0.078
	Variable Compensation Variables							
Stock & Option Awards / Total Compensation	Outside Directors	2.930*	1.574	-8.924**	4.073**	1.961	2.976	2.111
	CEO	-1.013	0.569	-3.959	2.658	1.161	-2.036	1.318
	Other higher-level Mgmt.	0.458	-1.265	-5.628	-1.909	-1.769	0.351	-1.995
	Lower-level Mgmt.	-0.125	0.874	6.461	-2.698	-0.538	-1.246	0.505
Bonus / Total Compensation	CEO	0.512	-0.107	13.292*	-13.880***	-4.919	1.772	-0.272
	Other higher-level Mgmt.	-1.928	-3.219	5.694	-2.414	-1.624	-2.631	-3.015
	Lower-level Mgmt.	0.914	3.105	24.264***	2.419	0.630	-0.073	4.341
	Management Variables							
	Outside Directors/Board	-0.331	-1.084	7.733	-1.151	-2.875	-0.855	-1.099
	Higher-level Mgmt./Board	-0.383	0.052	17.032***	-0.854	-0.331	-0.811	-0.055
	Lower-level Mgmt./Board	1.159	0.241	-1.977	1.673*	0.717	1.580**	0.441
	log(Board Size)	-0.745	-0.654	1.465	-0.403	-0.492	-0.468	-0.260
	Chairman is CEO	-0.705*	-0.533*	-1.112*	-0.978*	-1.020**	-0.572	-0.434
Accounting Variables								
	log(Assets)	-0.458	-0.149	-0.380	-0.620*	-0.131	-0.433	-0.209
	Capital Ratio	-33.391***	2.958	1.550	-61.722***	-7.193	-37.243**	4.685
	Total Loans excl. C&D/Assets	-3.213	-0.376	-4.476	-0.952	0.273	-2.245	-0.664
	C&D Loans/Assets	1.254	8.723***	49.635***	2.993	9.193***	2.332	8.198***
	Loan Concentration	0.996	-0.782	5.152	0.723	0.355	0.884	-1.950
	ST Deposits/Assets	-9.451***	-4.198	6.071	-12.594***	-5.821**	-10.331***	-4.742*
	Brokered Deposits/Assets	4.869**	1.557	-14.182*	7.175***	2.507	4.319*	2.350
	Return on Assets	-27.928***	-20.467**	-359.319***	-37.899***	-26.006**	-25.460**	-32.239***
	Non-perform. Loans/Assets	18.224**	9.214	409.742*	17.504**	8.337	19.324***	10.089
	Loan Growth	-14.092***	1.019	13.860	-14.071***	2.697	-14.082***	2.317
	MBS/Assets	-0.384	-1.568	1.066	1.784	-5.730	-0.344	-1.924
	Unused Commitm./Assets	-4.059**	-4.729**	10.847**	-4.755	-2.297	-4.285*	-4.398**
Market Competition Variables								
	Local Market Power	-12.414*	-7.209	-42.246	-11.831	-8.023	-10.733	-7.316
	(Local Market Power)^2	13.451	10.970	103.086	10.851	12.881	11.964	10.352
	Comps.' Subprime Exposure	-18.178***	-3.837	-35.259	-21.731***	-10.797	-18.147***	-6.234
State-Level Economic Variables								
	House Price Inflation	-3.892	-40.125***	-15.472	-1.267	-39.197***	-2.306	-46.224***
	%-Change in GDP	-70.184***	6.872	84.297	-79.390***	9.473	-66.258***	1.588
Primary Federal Regulator Variables								
	OCC	1.188**	0.947*	2.258	1.512**	0.952*	1.239**	1.184**
	FED	0.307	0.085	2.684**	-0.065	-0.310	0.402	-0.516
	Constant	8.693*	-0.668	-23.276*	11.296**	0.377	7.549	0.705
	Observations	3,143	2,950	184	2,849	2,696	2,162	2,016
	McFadden's adj. Pseudo-R2	41.0%	25.2%	53.0%	42.8%	25.3%	38.0%	23.4%

Panel C2: Robustness Tests		IV. All Commercial Banks			V. Parsimonious Model			VI. Including Accounting Information from 2004:Q1-2006:Q4	
		Default in		2006:Q4	Default in		2006:Q4	Default in	
		1 Year	2 Years		1 Year	2 Years		1 Year	2 Years
Corporate Governance Variables									
	Ownership Variables								
Share Ownership / Total Shares	Outside Directors				-2.568**	-0.126	2.233	-3.094*	0.159
	CEO							2.067	-2.718
	Other higher-level Mgmt.				1.590**	6.793***	18.439***	0.319*	7.496***
	Lower-level Mgmt.				2.607***	2.025**	5.592***	2.346**	2.401**
Option Holdings / Total Assets ($-Thd.)	Outside Directors							2.752	10.473*
	CEO							-0.258	-0.147
	Other higher-level Mgmt.							-0.065	-0.124
	Lower-level Mgmt.							1.243	-0.448
	Other Ownership Variables								
	TARP				-1.531**			-1.851**	
	Public Bank				0.583	1.071**	2.598***	0.539	1.234*
	Multibank Holding Company							0.902	0.571
	Variable Compensation Variables								
Stock & Option Awards / Total Compensation	Outside Directors				2.515	1.902*	-3.772	1.837	1.656
	CEO							-1.809	0.231
	Other higher-level Mgmt.							0.461	-1.527
	Lower-level Mgmt.							0.097	1.099
Bonus / Total Compensation	CEO							1.499	-0.775
	Other higher-level Mgmt.				-1.785	-2.831	7.612*	-2.212	-3.164
	Lower-level Mgmt.				2.767	2.652	10.558***	0.879	4.548
	Management Variables								
	Outside Directors/Board							0.089	-2.014
	Higher-level Mgmt./Board				1.072*	0.593	5.076***	-0.088	0.086
	Lower-level Mgmt./Board							1.412*	0.533
	log(Board Size)							-0.681	-0.401
	Chairman is CEO				-0.858**	-0.634**	-1.265*	-0.545	-0.589
Accounting Variables									
	log(Assets)	-0.489***	-0.344***	-0.316***	-0.484**	-0.251	-0.858***	-0.400	-0.247
	Capital Ratio	-43.752***	-8.532***	-2.637	-31.302**	3.140	-0.448	-34.497***	6.898
	Total Loans excl. C&D/Assets	1.115	1.197	2.032				-2.575	-0.889
	C&D Loans/Assets	7.906***	9.635***	15.371***	3.706***	8.654***	28.173***	1.432	8.836***
	Loan Concentration	-0.184	-0.185	0.231				1.948	0.877
	ST Deposits/Assets	-8.760***	-9.224***	-8.225***	-9.000***	-4.528*	-1.345	-10.369***	-6.012**
	Brokered Deposits/Assets	1.020	0.048	-3.015*	4.253**	1.683	-1.037	4.743*	1.956
	Return on Assets	-17.828**	-13.257**	-66.828***	-27.889***	-19.212**	-138.068*	-28.323***	-31.821***
	Non-perform. Loans/Assets	13.933***	1.828	10.656	16.697**	8.192	175.137**	22.619***	11.741
	Loan Growth	-3.107	2.601***	5.495***	-14.164***	1.157	8.551***	-15.809***	1.729
	MBS/Assets	-0.508	-1.488	-0.779				-1.315	-3.533
	Unused Commitm./Assets	0.562**	0.205**	0.470***	-4.522**	-4.512**	1.426	-5.289**	-3.345
Market Competition Variables									
	Local Market Power	-3.693	-3.616	-5.486*	-8.195	-3.867	-27.845**	-9.974	-6.793
	(Local Market Power)^2	6.719	7.260	10.856**	7.505	5.241	57.976**	10.867	13.433
	Comps.' Subprime Exposure	-9.241***	-4.359*	-10.720***	-15.874***	-3.959	-16.500	-20.198***	-5.077
State-Level Economic Variables									
	House Price Inflation	-11.989***	-33.609***	-14.778	-4.551	-40.449***	-18.982	-0.516	-46.619***
	%-Change in GDP	-53.651***	21.732***	-23.619	-66.456***	7.115	-19.760	-73.369***	3.234
Primary Federal Regulator Variables									
	OCC	0.586**	0.579***	0.496*	0.879**	0.678*	1.001	1.401**	1.601***
	FED	0.237	0.186	0.047				0.539	0.231
	Constant	4.381**	-1.096**	1.312	6.365*	-2.641	4.678	6.239	-0.629
	Observations	39,274	38,576	2,154	3,290	3,097	192	3,290	3,097
	Number of Defaults	174	174	167	47	48	48	47	48
	McFadden's adj. Pseudo-R2	40.5%	28.2%	41.4%	45.20%	29.80%	60.00%	40.8%	25.9%

Panel D: Option Holdings Normalization and Excluding Variable Compensation		I			II		
		Default in		2006:Q4	Default in		2006:Q4
		1 Year	2 Years		1 Year	2 Years	
Corporate Governance Variables							
	Ownership Variables						
Share Ownership / Total Shares	Outside Directors	-2.784**	0.380	4.051	-2.867**	0.344	2.215
	CEO	1.716	-2.621	-20.903	1.327	-2.928	-9.805
	Other higher-level Mgmt.	0.886*	7.516***	36.430**	1.377**	7.560***	24.654**
	Lower-level Mgmt.	2.850***	2.019*	9.019**	2.771***	1.969**	4.317***
Option Holdings / Total Shares	Outside Directors	-11.361	60.191	78.552	-11.363	56.923	35.732
	CEO	-0.134	0.980	4.971	0.516	1.354	4.072
	Other higher-level Mgmt.	19.324	-26.837	-26.771	15.108	-27.976	-19.227
	Lower-level Mgmt.	-3.143	6.078	-10.251	-4.115	5.693	6.532
	Other Ownership Variables						
	TARP	-1.577**			-1.592**		
	Public Bank	0.524	1.079*	2.265***	0.537	1.038*	1.633**
	Multibank Holding Company	0.697	0.400	2.549	0.786	0.316	1.942
	Variable Compensation Variables						
Stock & Option Awards / Total Compensation	Outside Directors	3.065*	1.439	-4.581			
	CEO	-0.889	0.516	-7.089			
	Other higher-level Mgmt.	0.400	-1.275	6.422			
	Lower-level Mgmt.	-0.722	0.810	-1.274			
Bonus / Total Compensation	CEO	0.040	-0.408	2.969			
	Other higher-level Mgmt.	-1.863	-2.978	3.118			
	Lower-level Mgmt.	1.587	2.170	14.483**			
	Management Variables						
	Outside Directors/Board	-0.385	-1.104	-0.004	-1.018	-1.392	-0.385
	Higher-level Mgmt./Board	-0.268	0.023	10.668**	-0.491	-0.100	5.290**
	Lower-level Mgmt./Board	1.051	0.288	-1.634	1.102	0.441	-0.823
	log(Board Size)	-0.696	-0.626	0.962	-0.746	-0.610	-0.180
	Chairman is CEO	-0.773*	-0.536	-1.090	-0.679*	-0.524	-0.643
Accounting Variables							
	log(Assets)	-0.420	-0.138	-0.484	-0.364	-0.114	-0.476
	Capital Ratio	-32.784**	3.751	-1.380	-33.724***	3.938	3.302
	Total Loans excl. C&D/Assets	-2.973	0.182	-1.010	-3.232	0.213	1.389
	C&D Loans/Assets	1.222	9.284***	31.261***	1.396	9.331***	24.042***
	Loan Concentration	1.081	-0.569	8.436	0.694	-0.547	5.618*
	ST Deposits/Assets	-9.430***	-4.097	2.615	-9.429***	-4.005	-0.234
	Brokered Deposits/Assets	4.746**	1.590	-1.224	3.854**	1.768	1.959
	Return on Assets	-28.440***	-20.918**	-207.801*	-29.054***	-19.081**	-150.285*
	Non-perform. Loans/Assets	19.546***	8.562	238.660**	19.887***	9.479	154.611**
	Loan Growth	-13.187***	0.938	10.831	-12.337**	1.015	7.756
	MBS/Assets	-0.293	-0.843	-13.538	-1.376	-0.871	-7.956
	Unused Commitm./Assets	-4.200*	-4.692**	8.174*	-4.087**	-4.563**	4.419
Market Competition Variables							
	Local Market Power	-11.655*	-5.457	-31.833	-11.523*	-4.827	-27.983
	(Local Market Power)^2	12.818	7.703	76.947	12.968	5.838	58.628*
	Comps.' Subprime Exposure	-18.042***	-4.423	-29.245	-18.420***	-4.963	-27.638
State-Level Economic Variables							
	House Price Inflation	-3.362	-39.919***	-16.285	-3.276	-39.171***	-9.022
	%-Change in GDP	-71.137***	7.009	29.442	-69.696***	6.916	-0.154
Primary Federal Regulator Variables							
	OCC	1.180**	0.894*	2.276	1.148**	0.799*	1.336*
	FED	0.250	0.025	1.037	0.315	-0.083	-0.172
	Constant	7.972*	-1.691	-10.129	8.534*	-1.969	-2.430
	Observations	3,290	3,097	192	3,290	3,097	192
	Number of Defaults	47	48	48	47	48	48
	McFadden's adj. Pseudo-R2	41.4%	26.0%	51.8%	42.9%	27.5%	52.2%

Online Appendix Table A2 *Addition to Table 7 Regression Results for Accounting Measures of Bank Risk*

This table reports results for measures of bank risk using data from 2004:Q1 to 2010:Q3. The measures are the capital ratio, non-performing loans to total assets, the return on assets (RoA), all defined as in Table 1, as well as the non-interest income to total assets as reported on the balance sheet and the natural logarithm of the Z-score. The natural logarithm of the Z-score is defined as the sum of the capital ratio and the RoA divided by the standard deviation of the RoA over the previous 8 quarters. All Panels report cross-sectional regression results of risk measures on control variables measured in 2006:Q4. To account for potential endogeneity we also show specifications excluding in Panel A the capital ratio, in Panel B Non-perform. Loans/Assets, in Panel C the capital ratio and the return on assets, and in Panel D the return on assets. For the derivation of the respective dependent variables at the bank-level we use the period 2007:Q1 to 2010:Q3 and in Panels B1 and B3 quarterly differences of the Capital Ratio and the natural logarithm of the Z-score, respectively, where all other panels use quarterly data of non-performing loans to total assets, the return on assets and non-interest income to total assets, respectively. For the kurtosis we use the excess kurtosis. Standard errors are robust to heteroscedasticity and statistical significances indicated by * = 10% level, ** = 5% level and *** = 1%.

Panel A: Δ Capital Ratio		Dependent Variable from 2007:Q1 to 2010:Q3									
		Mean		St. Dev.		Skew		Kurtosis		Minimum	
Independent Variables 2006:Q4		I	II	III	IV	V	VI	VII	VIII	IX	X
Corporate Governance Variables											
	Ownership Variables										
Share Ownership / Total Shares	Outside Directors	-0.034**	-0.029	0.001	0.001	-1.216**	-1.174**	0.567	0.586	-0.008	-0.007
	CEO	0.017	0.012	-0.005	-0.004	2.483	2.436	-2.990	-3.012	0.014	0.013
	Other higher-level Mgmt.	-0.175***	-0.125***	0.010	0.007	-3.816*	-3.379*	7.502***	7.711***	-0.049**	-0.038*
	Lower-level Mgmt.	-0.006	0.002	-0.001	-0.001	-0.874*	-0.804*	-0.299	-0.265	-0.001	0.001
Option Holdings / Total Assets ($-Thd.)	Outside Directors	-0.054	-0.038	0.005	0.004	0.156	0.290	-1.108	-1.043	-0.023	-0.020
	CEO	0.002	0.004	-0.000	-0.000	0.122	0.137	0.029	0.036	0.000	0.001
	Other higher-level Mgmt.	0.004	0.010	-0.001	-0.002	0.021	0.067	-0.338	-0.315	0.004	0.006
	Lower-level Mgmt.	0.008	0.007	0.001	0.001	0.181	0.174	0.987*	0.984*	-0.000	-0.001
	Other Ownership Variables										
	Public Bank	-0.010**	-0.015***	0.001	0.001	-0.245	-0.289	-0.338	-0.359	-0.003	-0.004*
	Multibank Holding Company	-0.013**	-0.030***	0.003**	0.004**	-0.407*	-0.549**	-0.662	-0.730*	-0.010**	-0.013***
	Management Variables										
	Outside Directors/Board	0.059**	0.030	-0.004	-0.003	0.609	0.355	3.174	3.052	0.013	0.006
	Higher-level Mgmt./Board	-0.011	-0.030**	0.003*	0.004**	0.215	0.052	1.990**	1.912**	-0.009*	-0.013**
	Lower-level Mgmt./Board	-0.003	-0.003	-0.001	-0.001	0.245	0.242	-0.932*	-0.934*	0.003	0.003
	log(Board Size)	-0.005	-0.009	0.002	0.002	0.439*	0.402	0.184	0.166	-0.004	-0.005
	Chairman is CEO	0.004	0.002	-0.001	-0.000	0.219	0.201	0.661**	0.653**	0.002	0.002
Accounting Variables											
	log(Assets)	0.007***	0.010***	-0.000	-0.000	-0.071	-0.051	0.268*	0.277*	0.001	0.001
	Capital Ratio	-0.799***		0.041***		-6.964**		-3.331		-0.187***	
	Total Loans excl. C&D/Assets	0.009	0.052	-0.005	-0.008*	-0.478	-0.105	-0.414	-0.236	0.011	0.022*
	C&D Loans/Assets	-0.137***	-0.099**	0.013**	0.011**	-2.246*	-1.910	-1.034	-0.873	-0.039***	-0.030**
	Loan Concentration	-0.008	-0.005	0.002	0.002	-0.279	-0.255	0.340	0.351	-0.009	-0.008
	ST Deposits/Assets	-0.001	0.042	0.001	-0.002	-0.468	-0.095	-1.530	-1.351	-0.001	0.010
	Brokered Deposits/Assets	-0.018	0.029	0.010	0.008	0.456	0.862	-0.776	-0.582	-0.028	-0.017
	Return on Assets	0.649**	1.009	-0.049	-0.067	-24.954***	-21.822***	-1.994	-0.496	-0.051	0.034
	Non-perform. Loans/Assets	-0.581	-0.456	0.026	0.019	-13.342	-12.258	-16.939	-16.420	-0.145	-0.116
	Loan Growth	-0.040	-0.144**	-0.002	0.004	-1.169	-2.079**	-1.807	-2.242	-0.004	-0.029
	MBS/Assets	0.037	0.114**	-0.003	-0.007	0.264	0.939	-2.704	-2.380	0.016	0.034**
	Unused Commitm./Assets	-0.022	-0.014	0.002	0.002	0.044	0.121	0.295	0.332	-0.006	-0.004
Market Competition Variables											
	Local Market Power	0.034	0.128	-0.024**	-0.029**	2.618	3.439	-1.475	-1.083	0.064*	0.086**
	$(\text{Local Market Power})^2$	-0.060	-0.180	0.039*	0.046*	-6.242	-7.290	0.734	0.233	-0.109	-0.137*
	Comps.' Subprime Exposure	0.060	0.171**	-0.006	-0.012	-0.862	0.112	0.298	0.764	0.009	0.035
State-Level Economic Variables											
	House Price Inflation	0.033	-0.034	-0.051*	-0.047	-1.521	-2.111	-19.930	-20.212	0.106	0.090
	%-Change in GDP	-0.246	-0.164	-0.018	-0.022	-0.684	0.027	-49.648	-49.307	0.038	0.057
Primary Federal Regulator Variables											
	OCC	-0.004	-0.004	0.001	0.001	-0.329	-0.328	-0.060	-0.059	-0.003	-0.003
	FED	-0.005	-0.006	0.002*	0.002**	-0.125	-0.135	0.102	0.097	-0.005*	-0.005*
	Constant	-0.044	-0.172***	0.007	0.014**	0.664	-0.450	0.115	-0.418	-0.009	-0.039**
	Observations	192	192	192	192	192	192	192	192	192	192
	Adjusted R-Squared	0.685	0.477	0.297	0.257	0.138	0.117	0.018	0.020	0.448	0.353

Panel B: Non-performing Loans / Total Assets		Dependent Variable from 2007:Q1 to 2010:Q3									
		Mean		St. Dev.		Skew		Kurtosis		Maximum	
Independent Variables 2006:Q4		I	II	III	IV	V	VI	VII	VIII	IX	X
Corporate Governance Variables											
	Ownership Variables										
Share Ownership / Total Shares	Outside Directors	0.370***	0.373***	0.019***	0.019***	0.055	0.057	0.352	0.353	0.056***	0.056***
	CEO	0.169	0.172	-0.023	-0.023	-1.707*	-1.705*	0.333	0.336	-0.046	-0.045
	Other higher-level Mgmt.	0.737**	0.768***	0.050**	0.050**	-1.049	-1.025	-2.321	-2.298	0.102*	0.107*
	Lower-level Mgmt.	-0.059	-0.056	-0.002	-0.002	0.254	0.256	1.556*	1.559*	0.005	0.006
Option Holdings / Total Assets ($-Thd.)	Outside Directors	-0.039	-0.001	-0.011	-0.011	2.269***	2.299***	4.360***	4.389***	-0.014	-0.007
	CEO	0.002	0.005	-0.001	-0.001	-0.038	-0.036	-0.088	-0.086	-0.002	-0.002
	Other higher-level Mgmt.	-0.050	-0.053	-0.003	-0.003	-0.060	-0.062	-0.281	-0.284	-0.010	-0.010
	Lower-level Mgmt.	-0.011	-0.028	0.001	0.000	-0.144	-0.157	0.633**	0.621**	0.005	0.003
	Other Ownership Variables										
	Public Bank	0.026	0.026	0.003**	0.003**	0.123	0.123	0.270	0.270	0.009**	0.009**
	Multibank Holding Company	0.003	0.013	0.003	0.003	0.072	0.079	0.384	0.391	0.013*	0.014*
	Management Variables										
	Outside Directors/Board	-0.140	-0.165	-0.012	-0.012	-0.373	-0.392	-1.207	-1.226	-0.027	-0.031
	Higher-level Mgmt./Board	0.037	0.026	0.002	0.002	-0.155	-0.164	-0.675	-0.684	0.006	0.004
	Lower-level Mgmt./Board	-0.051	-0.032	-0.002	-0.002	0.089	0.105	0.486	0.501	-0.007	-0.003
	log(Board Size)	0.019	0.040	-0.001	-0.001	-0.200	-0.183	-0.124	-0.108	-0.003	0.001
	Chairman is CEO	0.000	-0.001	-0.001	-0.001	-0.089	-0.090	0.171	0.170	-0.002	-0.002
Accounting Variables											
	log(Assets)	0.010	0.005	0.001	0.000	0.005	0.001	-0.082	-0.086	0.002	0.001
	Capital Ratio	0.940***	0.919***	0.088***	0.088***	0.733	0.717	-0.024	-0.040	0.217***	0.214***
	Total Loans excl. C&D/Assets	0.141	0.218**	0.008	0.009	-0.478	-0.418	-1.366	-1.309	0.012	0.024
	C&D Loans/Assets	1.171***	1.226***	0.114***	0.115***	-0.379	-0.336	-2.131*	-2.090	0.302***	0.310***
	Loan Concentration	0.067	0.070	0.006	0.006	0.372	0.374	0.524	0.526	0.019	0.020
	ST Deposits/Assets	0.176	0.166	0.015*	0.015*	0.368	0.360	-0.017	-0.025	0.048**	0.047**
	Brokered Deposits/Assets	0.150	0.162	0.001	0.001	-0.200	-0.190	1.831	1.840	0.031	0.033
	Return on Assets	-1.998	-2.483*	-0.242**	-0.248**	-2.246	-2.622	1.039	0.678	-0.631**	-0.707**
	Non-perform. Loans/Assets	6.337**		0.082		4.914		4.724		1.001**	
	Loan Growth	-0.003	-0.065	0.009	0.008	0.151	0.104	-0.966	-1.012	0.015	0.006
	MBS/Assets	-0.117	-0.108	0.004	0.004	0.151	0.157	0.482	0.488	-0.002	-0.001
	Unused Commitm./Assets	0.086	0.050	0.004	0.003	-0.161	-0.189	-0.214	-0.241	0.004	-0.002
Market Competition Variables											
	Local Market Power	0.618	0.681	0.002	0.003	-2.122	-2.074	0.617	0.664	-0.007	0.002
	(Local Market Power)^2	-1.082	-1.201	0.002	-0.000	3.364	3.272	-4.299	-4.388	-0.008	-0.027
	Comps.' Subprime Exposure	0.138	0.292	-0.042*	-0.040*	-1.277	-1.158	1.452	1.567	-0.083	-0.058
State-Level Economic Variables											
	House Price Inflation	-1.300	-1.457*	-0.086	-0.088	2.312	2.190	-3.247	-3.364	-0.310	-0.335*
	%-Change in GDP	-1.414	-1.971	0.151	0.144	15.485	15.053	3.200	2.785	0.234	0.146
Primary Federal Regulator Variables											
	OCC	0.008	0.005	0.003	0.003	0.119	0.117	0.070	0.068	0.010*	0.009*
	FED	0.012	0.010	-0.000	-0.000	-0.103	-0.105	-0.147	-0.148	0.000	0.000
	Constant	-0.238	-0.235	-0.010	-0.010	1.251	1.253	4.680***	4.682***	-0.035	-0.035
	Observations	192	192	192	192	192	192	192	192	192	192
	Adjusted R-Squared	0.551	0.539	0.678	0.679	0.003	0.006	-0.004	0.000	0.676	0.670

Panel C: ∆ Ln(Z-Score)		Dependent Variable from 2007:Q1 to 2010:Q3									
		Mean		St. Dev.		Skew		Kurtosis		Minimum	
Independent Variables 2006:Q4		I	II	III	IV	V	VI	VII	VIII	IX	X
Corporate Governance Variables											
	Ownership Variables										
Share Ownership / Total Shares	Outside Directors	-1.259*	-1.169*	0.181	0.163	-0.779	-0.752	1.464	1.484	-0.727	-0.678
	CEO	1.258	1.260	-0.455*	-0.455*	0.464	0.481	-2.044	-2.069	1.350	1.361
	Other higher-level Mgmt.	-1.904	-1.920	0.369	0.372	-0.725	-0.882	-3.849	-3.616	-0.614	-0.715
	Lower-level Mgmt.	0.252	-0.033	-0.132	-0.074	0.780*	0.624	-1.454*	-1.408*	0.570**	0.371
Option Holdings / Total Assets ($-Thd.)	Outside Directors	0.164**	0.180**	-0.022*	-0.025**	0.129	0.132	0.285*	0.293**	0.074*	0.082*
	CEO	-0.434*	-0.338	-0.023	-0.042	-0.301	-0.272	-0.550	-0.528	-0.052	0.001
	Other higher-level Mgmt.	-0.109	-0.140	0.138	0.144	0.360	0.348	0.596	0.593	-0.262	-0.281
	Lower-level Mgmt.	-0.294	-1.294	-0.086	0.117	0.230	-0.280	-3.534	-3.432	0.470	-0.203
	Other Ownership Variables										
	Public Bank	-0.040	-0.094	0.029	0.040	-0.063	-0.073	0.235	0.214	-0.074	-0.099
	Multibank Holding Company	0.399	0.348	0.033	0.044	0.352	0.376	-0.196	-0.270	0.033	0.029
	Management Variables										
	Outside Directors/Board	0.887	0.707	-0.162	-0.125	1.881***	1.885***	-0.168	-0.298	0.516	0.453
	Higher-level Mgmt./Board	-1.257***	-1.145***	0.203**	0.181*	-0.155	-0.047	0.041	-0.049	-0.688**	-0.581**
	Lower-level Mgmt./Board	0.331	0.240	-0.045	-0.026	-0.152	-0.193	0.051	0.052	0.152	0.094
	log(Board Size)	-0.013	-0.055	0.055	0.063	-0.179	-0.186	0.417	0.399	-0.154	-0.173
	Chairman is CEO	0.126	0.172	-0.007	-0.017	0.295*	0.323*	-0.058	-0.069	0.076	0.110
Accounting Variables											
	log(Assets)	-0.090	-0.021	0.007	-0.007	-0.059	-0.034	0.015	0.024	-0.047	-0.007
	Capital Ratio	-3.885*		0.786		0.587		-3.601		-1.049	
	Total Loans excl. C&D/Assets	0.361	0.736	-0.077	-0.153	0.669	0.715	-1.749	-1.561	0.430	0.593
	C&D Loans/Assets	-5.769***	-4.887***	1.016***	0.837***	-1.998*	-1.704	0.089	0.242	-2.802***	-2.304***
	Loan Concentration	0.267	0.149	-0.099	-0.075	-0.176	-0.239	-2.614**	-2.598**	0.380	0.298
	ST Deposits/Assets	-1.893**	-1.247	0.330*	0.199	0.637	0.809	-0.877	-0.697	-0.799	-0.460
	Brokered Deposits/Assets	-0.143	-0.172	-0.005	0.001	-0.059	-0.212	0.194	0.411	-0.098	-0.202
	Return on Assets	38.315***		-7.774***		18.828*		-2.802		25.330***	
	Non-perform. Loans/Assets	-32.048	-38.050*	5.836	7.054	-1.051	-4.203	23.895	24.650	-12.814	-16.906
	Loan Growth	-1.407	-3.057*	0.581*	0.915**	-0.095	-0.547	4.130**	3.693**	-1.496	-2.369**
	MBS/Assets	1.450	1.791	-0.277	-0.346	1.400	1.326	-4.939**	-4.589**	1.369*	1.448*
	Unused Commitm./Assets	-0.072	0.028	0.012	-0.009	0.553	0.574	-0.472	-0.434	0.143	0.192
Market Competition Variables											
	Local Market Power	2.138	2.842	-0.719	-0.861	0.251	0.296	-6.441	-6.024	1.968	2.251
	(Local Market Power)^2	-7.942	-8.414	2.142	2.237	-1.062	-0.921	10.204	9.659	-6.103	-6.188
	Comps.' Subprime Exposure	3.753	3.852	-0.873	-0.893	3.340	3.052	-3.866	-3.349	2.597	2.457
State-Level Economic Variables											
	House Price Inflation	3.759	4.589	-0.868	-1.036	-5.066	-4.480	-6.950	-7.289	3.010	3.667
	%-Change in GDP	-8.787	-8.479	0.453	0.390	-5.357	-5.458	-19.456	-19.085	1.663	1.713
Primary Federal Regulator Variables											
	OCC	-0.383**	-0.429**	0.029	0.038	-0.406**	-0.427**	0.116	0.118	-0.163	-0.193
	FED	-0.632***	-0.574**	0.120**	0.109**	-0.399*	-0.368	0.827*	0.820*	-0.425**	-0.385**
	Constant	0.443	-0.518	0.154	0.349	-1.310	-1.373	7.466**	6.900**	-0.556	-0.942
	Observations	192	192	192	192	192	192	192	192	192	192
	Adjusted R-Squared	0.421	0.387	0.374	0.341	0.075	0.072	0.024	0.030	0.309	0.278

Panel D: Return on Assets		Dependent Variable from 2007:Q1 to 2010:Q3									
		Mean		St. Dev.		Skew		Kurtosis		Minimum	
Independent Variables 2006:Q4		I	II	III	IV	V	VI	VII	VIII	IX	X
Corporate Governance Variables											
	Ownership Variables										
Share Ownership / Total Shares	Outside Directors	-0.045	-0.039	0.003	0.003	-0.142	-0.124	0.844	0.840	-0.011	-0.011
	CEO	0.034	0.037	-0.010	-0.009	-1.076	-1.066	1.913	1.911	0.002	0.003
	Other higher-level Mgmt.	-0.466***	-0.496***	0.036**	0.036**	-3.287**	-3.382**	2.854*	2.872*	-0.127**	-0.128***
	Lower-level Mgmt.	0.016	-0.015	-0.002	-0.002	0.261	0.161	0.185	0.204	0.004	0.002
Option Holdings / Total Assets ($-Thd.)	Outside Directors	-0.026	-0.130	0.018**	0.017**	-1.206	-1.535	1.381	1.443	-0.042	-0.048*
	CEO	0.005	0.006	-0.000	-0.000	0.087	0.088	0.153	0.153	0.001	0.001
	Other higher-level Mgmt.	0.015	0.021	-0.002	-0.002	-0.324	-0.305	0.162	0.159	0.003	0.003
	Lower-level Mgmt.	-0.010	-0.013	0.001	0.001	0.377	0.369	-0.606*	-0.604*	0.001	0.001
	Other Ownership Variables										
	Public Bank	-0.024**	-0.026**	0.002*	0.002*	-0.143	-0.151	0.295	0.297	-0.006*	-0.006*
	Multibank Holding Company	-0.007	-0.003	0.003	0.003	0.183	0.196	-0.195	-0.198	-0.003	-0.003
	Management Variables										
	Outside Directors/Board	0.074	0.073	-0.009	-0.009	0.734	0.732	-1.510	-1.509	0.031	0.031
	Higher-level Mgmt./Board	-0.042	-0.021	0.004	0.005	-0.257	-0.190	0.276	0.264	-0.015*	-0.014*
	Lower-level Mgmt./Board	0.015	0.007	-0.002	-0.002	0.103	0.077	-0.260	-0.255	0.006	0.006
	log(Board Size)	-0.028	-0.030	0.003	0.002	-0.078	-0.083	0.238	0.239	-0.008	-0.008
	Chairman is CEO	0.012	0.018	-0.003**	-0.003*	0.264*	0.281**	-0.132	-0.136	0.008*	0.009*
Accounting Variables											
	log(Assets)	0.003	0.008	-0.001	-0.001	-0.064	-0.048	0.050	0.047	0.001	0.002
	Capital Ratio	-0.610***	-0.691***	0.075**	0.074**	-3.669**	-3.926**	7.179*	7.228*	-0.222***	-0.226***
	Total Loans excl. C&D/Assets	0.004	0.016	0.002	0.002	1.089	1.125	-0.801	-0.808	-0.002	-0.001
	C&D Loans/Assets	-0.431***	-0.369***	0.042***	0.043***	-1.897**	-1.701**	0.140	0.103	-0.119***	-0.115***
	Loan Concentration	-0.031	-0.044	0.003	0.002	0.031	-0.010	-0.814	-0.807	-0.006	-0.007
	ST Deposits/Assets	-0.044	-0.006	0.003	0.003	0.024	0.142	-1.177	-1.200	-0.005	-0.003
	Brokered Deposits/Assets	-0.075	-0.104	0.009	0.009	-0.135	-0.227	0.559	0.577	-0.025	-0.026
	Return on Assets	3.840***		0.050		12.178		-2.295		0.216	
	Non-perform. Loans/Assets	-2.248	-2.887	0.215	0.207	-23.856*	-25.885*	41.141	41.523	-0.820	-0.856
	Loan Growth	0.057	-0.041	-0.002	-0.003	-0.094	-0.405	1.479	1.537	0.005	-0.001
	MBS/Assets	0.049	0.037	0.000	0.000	1.210	1.175	-2.099	-2.092	0.007	0.006
	Unused Commitm./Assets	-0.064	-0.059	0.006*	0.006*	-0.083	-0.068	0.611	0.608	-0.019*	-0.018
Market Competition Variables											
	Local Market Power	0.197	0.211	-0.014	-0.014	2.540	2.584	-4.469	-4.477	0.064	0.064
	$(\text{Local Market Power})^2$	-0.251	-0.228	0.025	0.025	-3.866	-3.794	5.566	5.552	-0.101	-0.100
	Comps.' Subprime Exposure	-0.095	-0.149	-0.002	-0.003	0.833	0.663	-3.591	-3.559	0.014	0.011
State-Level Economic Variables											
	House Price Inflation	0.336	0.453	-0.037	-0.036	1.179	1.550	1.700	1.630	0.102	0.109
	%-Change in GDP	0.403	0.386	-0.024	-0.025	3.583	3.530	-52.564**	-52.554**	0.194	0.193
Primary Federal Regulator Variables											
	OCC	-0.014	-0.019	0.002	0.002	-0.114	-0.128	-0.002	0.000	-0.006	-0.006*
	FED	-0.031**	-0.025	0.002	0.002	-0.274*	-0.255	0.338	0.334	-0.007*	-0.007
	Constant	0.084	0.064	0.005	0.004	-0.506	-0.567	4.681*	4.693*	-0.010	-0.011
	Observations	192	192	192	192	192	192	192	192	192	192
	Adjusted R-Squared	0.460	0.409	0.459	0.460	0.168	0.164	0.036	0.040	0.459	0.459

Panel E: Non-Interest Income / Total Assets

Independent Variables 2006:Q4		Mean I	St. Dev. II	Skew III	Kurtosis IV	Minimum V
Corporate Governance Variables						
	Ownership Variables					
Share Ownership / Total Shares	Outside Directors	-0.042*	-0.003*	0.027	0.369	0.001
	CEO	0.215	0.009	0.530	-1.002	0.004
	Other higher-level Mgmt.	0.107	0.009*	0.634	0.896	0.000
	Lower-level Mgmt.	-0.010	-0.000	-0.677**	0.093**	0.000
Option Holdings / Total Assets ($-Thd.)	Outside Directors	0.086	0.010	-0.978	0.879	-0.009*
	CEO	-0.002	-0.000	-0.049	-0.109	0.000
	Other higher-level Mgmt.	0.004	0.001	0.350	0.292	0.000
	Lower-level Mgmt.	-0.017	-0.002**	-0.172	-0.504**	0.001
	Other Ownership Variables					
	Public Bank	-0.004	0.001	0.008	0.142	-0.001
	Multibank Holding Company	0.025*	0.000	-0.040	0.027	0.002
	Management Variables					
	Outside Directors/Board	-0.051	-0.009**	0.745	-1.649**	0.011
	Higher-level Mgmt./Board	-0.030*	-0.000	-0.195	0.702***	-0.002
	Lower-level Mgmt./Board	0.023	0.001	-0.108	0.273*	-0.001
	log(Board Size)	0.006	0.001	-0.267**	0.184	-0.001*
	Chairman is CEO	-0.008	-0.002*	-0.153	-0.027	0.002
Accounting Variables						
	log(Assets)	0.011***	0.000	0.031	-0.038	0.001*
	Capital Ratio	-0.145	0.033	-0.601	2.876	-0.056
	Total Loans excl. C&D/Assets	-0.230***	-0.012*	-0.502	-0.188	-0.009
	C&D Loans/Assets	-0.354***	-0.013*	-1.103*	1.316	-0.016***
	Loan Concentration	-0.043	-0.002	-0.079	-0.343	0.000
	ST Deposits/Assets	0.116	0.006	-0.352	-0.331	0.000
	Brokered Deposits/Assets	0.065	0.007	-1.081	1.006	-0.002
	Return on Assets	1.867*	0.223*	-1.359	16.181**	-0.118
	Non-perform. Loans/Assets	-0.785	0.116	-9.526	8.281	-0.278*
	Loan Growth	0.028	0.001	0.302	0.219	0.002
	MBS/Assets	-0.309***	-0.015*	-0.633	-1.014	-0.013*
	Unused Commitm./Assets	0.001	0.002	0.017	-0.180	-0.004
Market Competition Variables						
	Local Market Power	0.010	0.008	1.122	-2.286	-0.010
	(Local Market Power)^2	-0.001	-0.005	-4.299	7.917	0.007
	Comps.' Subprime Exposure	0.014	0.006	-0.159	-1.556	-0.011
State-Level Economic Variables						
	House Price Inflation	0.108	-0.017	2.323	-6.586	0.032
	%-Change in GDP	-0.704	0.006	-1.167	6.552	-0.060
Primary Federal Regulator Variables						
	OCC	-0.017**	0.000	-0.134	0.065	-0.003**
	FED	-0.014	-0.001	-0.100	0.021	-0.001
	Constant	0.171**	0.011**	0.884	2.861**	-0.001
	Observations	192	192	192	192	192
	Adjusted R-Squared	0.310	0.236	0.152	0.279	0.360