

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

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Online Appendix

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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 $Corporate\ Governance\ Data\ available = \alpha + \beta_1 * \ln(Assets) + \beta_2 * (\ln(Assets))^2 + \beta_3 * Real\ Estate\ Loans + \beta_5 * Cumulative\ Operating\ Income\ from\ 2004:Q1 - 2006:Q4 + \beta_5 * Agricultural\ Loans + \beta_6 * Commercial\ Loans + \beta_7 * Individual\ Loans + \beta_8 * Public\ Bank + \beta_9 * Multibank\ Holding\ Company + \beta_{10} * OCC + \beta_{11} * FED$, 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	
<i>Corporate Governance Variables</i>						
<i>Ownership Variables</i>						
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
<i>Other Ownership Variables</i>						
	TARP			-1.058		
	Public Bank			1.689***	1.565***	1.911***
	Multibank Holding Company			0.429	0.035	0.532
<i>Management Variables</i>						
	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*
<i>Accounting Variables</i>						
	log(Assets)	-0.323**	-0.214*	-0.453**	-0.339*	-0.383
	Capital Ratio	-30.897***	4.426	7.273	-31.966***	5.737**
	Total Loans excl. C&D/Assets	2.781	4.231**	3.502	1.971	3.020*
	C&D Loans/Assets	8.054***	11.106***	20.053***	5.607**	9.473***
	Loan Concentration	-0.589	0.889	3.984**	-0.681	0.144
	ST Deposits/Assets	-6.593**	-3.759**	-2.713	-7.077***	-4.631**
	Brokered Deposits/Assets	1.590	-2.45E-04	0.452	1.443	0.047
	Return on Assets	-26.435***	-22.834***	-56.894*	-28.665***	-19.583**
	Non-perform. Loans/Assets	13.813**	6.904	66.215*	20.585***	16.614***
	Loan Growth	-13.841***	1.348	3.850**	-13.270***	0.299
	MBS/Assets	3.624	2.796	6.297*	3.576	2.585
	Unused Commitm./Assets	-2.923*	-1.331	1.281***	-2.847*	-0.815
	Constant	0.643	-6.224***	-3.878	2.949	-3.791
	Observations	5,804	5,467	340	4,201	3,960
	Number of Defaults	83	85	85	60	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	
<i>Corporate Governance Variables</i>							
<i>Ownership Variables</i>							
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
<i>Other Ownership Variables</i>							
	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
<i>Variable Compensation Variables</i>							
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
Total Compensation	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
	CEO	0.070	-0.395	3.386	0.589	-0.384	3.725
Bonus / Total Compensation	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***
<i>Management Variables</i>							
	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*
<i>Accounting Variables</i>							
	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**
<i>Market Competition Variables</i>							
	Local Market Power				-11.869*	-7.003	-31.170
	(Local Market Power) ²				12.602	10.672	77.079
	Comps.' Subprime Exposure				-18.159***	-4.110	-27.467
<i>State-Level Economic Variables</i>							
	House Price Inflation				-3.839	-40.249***	-34.901
	%-Change in GDP				-70.189***	6.778	2.661
<i>Primary Federal Regulator Variables</i>							
	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
<hr/>							
	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		
		Default in		2006:Q4	Heckman Selection Model		
		1 Year	2 Years		Default in	2006:Q4	
		1 Year	2 Years	2006:Q4	1 Year	2 Years	2006:Q4
<i>Corporate Governance Variables</i>							
<i>Ownership Variables</i>							
	Outside Directors	0.132	0.148	1.414	0.020	0.062	0.548
log (\$-Share	CEO	-0.050	-0.005	0.331	-0.013	0.002	0.141**
Ownership)	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***
	Outside Directors	0.284***	0.263**	0.303*	0.090*	0.110***	0.127
log (\$-Option	CEO	0.065	0.105*	-0.476	0.031	0.051**	-0.223
Holdings)	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*
<i>Other Ownership Variables</i>							
	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**
<i>Variable Compensation Variables</i>							
	Outside Directors	2.686*	1.513	-4.688	1.405**	0.843*	-0.714
Stock & Option	CEO	-1.401	0.779	-5.502	-0.238	0.287	-3.968**
Awards / Total	Other higher-level Mgmt.	0.481	-0.994	4.531	-0.093	-0.484	3.792
Compensation	Lower-level Mgmt.	-0.949	0.286	8.929	-0.693	-0.080	3.389*
	CEO	-1.653	-1.073	1.967	-0.231	-0.325	1.915
Bonus / Total	Other higher-level Mgmt.	-4.147	-5.301	-1.656	-2.417	-2.200	-0.267
Compensation	Lower-level Mgmt.	0.110	1.946	23.551***	0.410	0.637	9.838**
<i>Management Variables</i>							
	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**
<i>Accounting Variables</i>							
	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
<i>Market Competition Variables</i>							
	Local Market Power	-18.995**	-13.278	-44.022**	-7.414***	-4.625	-13.199*
	(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**
<i>State-Level Economic Variables</i>							
	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
<i>Primary Federal Regulator Variables</i>							
	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:	40.5%	26.8%	52.5%	Wald test of indep. eqns. (rho = 0):		
					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
<i>Corporate Governance Variables</i>								
<i>Ownership Variables</i>								
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
<i>Other Ownership Variables</i>								
	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
<i>Variable Compensation Variables</i>								
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
<i>Management Variables</i>								
	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
<i>Accounting Variables</i>								
	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**
<i>Market Competition Variables</i>								
	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
<i>State-Level Economic Variables</i>								
	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
<i>Primary Federal Regulator Variables</i>								
	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
<i>Corporate Governance Variables</i>									
<i>Ownership Variables</i>									
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***
Option Holdings / Total Assets (\$-Thd.)	Lower-level Mgmt.				2.607***	2.025**	5.592***	2.346**	2.401**
	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
<i>Other Ownership Variables</i>									
	TARP				-1.531**				-1.851**
	Public Bank				0.583	1.071**	2.598***	0.539	1.234*
	Multibank Holding Company							0.902	0.571
<i>Variable Compensation Variables</i>									
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
Bonus / Total Compensation	Lower-level Mgmt.							0.097	1.099
	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
<i>Management Variables</i>									
	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
<i>Accounting Variables</i>									
	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
<i>Market Competition Variables</i>									
	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
<i>State-Level Economic Variables</i>									
	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
<i>Primary Federal Regulator Variables</i>									
	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
<hr/>									
	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	
<i>Corporate Governance Variables</i>							
<i>Ownership Variables</i>							
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
<i>Other Ownership Variables</i>							
	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
<i>Variable Compensation Variables</i>							
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**			
<i>Management Variables</i>							
	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
<i>Accounting Variables</i>							
	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
<i>Market Competition Variables</i>							
	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
<i>State-Level Economic Variables</i>							
	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
<i>Primary Federal Regulator Variables</i>							
	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	
		I	II	III	IV	V	VI	VII	VIII	IX	X
Independent Variables 2006:Q4											
<i>Corporate Governance Variables</i>											
<i>Ownership Variables</i>											
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*
Option Holdings / Total Assets (\$-Thd.)	Lower-level Mgmt.	-0.006	0.002	-0.001	-0.001	-0.874*	-0.804*	-0.299	-0.265	-0.001	0.001
	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.	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
	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***	
<i>Management Variables</i>											
	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
<i>Accounting Variables</i>											
	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	
<i>Market Competition Variables</i>											
	Local Market Power	0.034	0.128	-0.024**	-0.029**	2.618	3.439	-1.475	-1.083	0.064*	0.086**
	(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
<i>State-Level Economic Variables</i>											
	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
<i>Primary Federal Regulator Variables</i>											
	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	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	
		I	II	III	IV	V	VI	VII	VIII	IX	X
Independent Variables 2006:Q4											
<i>Corporate Governance Variables</i>											
<i>Ownership Variables</i>											
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
<i>Other Ownership Variables</i>											
	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*
<i>Management Variables</i>											
	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
<i>Accounting Variables</i>											
	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
<i>Market Competition Variables</i>											
	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
<i>State-Level Economic Variables</i>											
	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
<i>Primary Federal Regulator Variables</i>											
	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: $\Delta \ln(\text{Z-Score})$		Dependent Variable from 2007:Q1 to 2010:Q3									
		Mean		St. Dev.		Skew		Kurtosis		Minimum	
		I	II	III	IV	V	VI	VII	VIII	IX	X
Independent Variables 2006:Q4											
<i>Corporate Governance Variables</i>											
<i>Ownership Variables</i>											
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
<i>Other Ownership Variables</i>											
	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
<i>Management Variables</i>											
	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
<i>Accounting Variables</i>											
	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
<i>Market Competition Variables</i>											
	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
<i>State-Level Economic Variables</i>											
	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
<i>Primary Federal Regulator Variables</i>											
	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	
		I	II	III	IV	V	VI	VII	VIII	IX	X
Independent Variables 2006:Q4											
<i>Corporate Governance Variables</i>											
<i>Ownership Variables</i>											
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***
Option Holdings / Total Assets (\$-Thd.)	Lower-level Mgmt.	0.016	-0.015	-0.002	-0.002	0.261	0.161	0.185	0.204	0.004	0.002
	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
	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
<i>Management Variables</i>											
	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*
<i>Accounting Variables</i>											
	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
<i>Market Competition Variables</i>											
	Local Market Power	0.197	0.211	-0.014	-0.014	2.540	2.584	-4.469	-4.477	0.064	0.064
	(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
<i>State-Level Economic Variables</i>											
	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
<i>Primary Federal Regulator Variables</i>											
	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		Mean	St. Dev.	Skew	Kurtosis	Minimum
Independent Variables 2006:Q4		I	II	III	IV	V
<i>Corporate Governance Variables</i>						
<i>Ownership Variables</i>						
	Outside Directors	-0.042*	-0.003*	0.027	0.369	0.001
Share Ownership / Total Shares	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
<i>Other Ownership Variables</i>						
	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
<i>Management Variables</i>						
	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
<i>Accounting Variables</i>						
	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
<i>Market Competition Variables</i>						
	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
<i>State-Level Economic Variables</i>						
	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
<i>Primary Federal Regulator Variables</i>						
	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