

See Yonker (2015) for the details of the data on CEO origin.

Table A.2: Tables related to propensity scores matching (PSM) analysis

This table reports the details of the propensity score matching (PSM) analysis. Panel A reports the model used to predict the probability of a bank being located in the top tercile by county-level *Religiosity*. Panel B reports the difference in the characteristics of the treatment and control samples. Panel C shows the distribution of the difference in propensity scores between the two samples; and Panel D shows the computation of the average treatment effect of the treated (ATET). Panel E shows estimates of the main regression specification in the pooled sample of treatment and control firms. All the variables are defined in the Appendix of the main paper. Standard errors are corrected for heteroscedasticity and are clustered at the bank level, and t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

Panel A: Logit model predicting highest tercile of religiosity of the headquarters location

	Highest Tercile Dummy
Size	0.014 (0.32)
Size ²	-0.003 (-0.07)
ROA	8.146** (2.09)
Non-performing Assets Ratio	1.579 (0.72)
Loans/Assets	-1.576*** (-5.89)
Deposits/Assets	-0.010 (-1.17)
Tier 1 Capital Ratio	-0.073 (-0.23)
Non-interest Income	-0.523** (-2.36)
Acquisition Activity	0.074 (0.86)
Log(Real Income)	-0.726** (-2.40)
Fraction College Grads	0.011** (2.27)
Log(Population)	0.221*** (4.70)
Average Age Group	0.087 (0.80)

Rural Urban Continuum	0.137*** (3.50)
Fraction Female Population	40.228*** (7.39)
Fraction Minority Population	-0.537 (-1.33)
Fraction of Republicans	0.501 (1.21)
Local Bank Concentration	-0.323** (-2.08)
House Price Growth	2.136*** (3.71)
Year Fixed Effects	Yes
Obs.	10509
p-val (chi_sq)	0.0000
Pseudo R ²	0.1219
Area under ROC curve	0.7362

Matching procedure: With Replacement, one nearest neighborhood, caliper of 0.0001

Panel B: Difference in bank and country characteristics between treatment and matched control groups

	Mean Untreated	Mean Treated	MeanDiff	Median Untreated	Median Untreated	MedianDiff
Size	-0.021	-0.058	0.037	-0.205	-0.251	0.046
Size ²	-0.014	-0.029	0.015	-0.314	-0.332	0.018
ROA	0.008	0.008	0.000	0.009	0.009	0.000**
Non-performing Assets Ratio	0.009	0.009	-0.000	0.005	0.005	0.000
Loans/Assets	0.648	0.648	-0.000	0.659	0.661	-0.002
Deposits/Assets	0.755	0.758	-0.003	0.77	0.772	-0.002
Tier 1 Capital Ratio	11.604	11.608	-0.005	11.1	10.81	0.29**
Non-interest Income	0.198	0.194	0.004	0.185	0.172	0.013***
Acquisition Activity	0.053	0.057	-0.004	0.000	0.000	0.000
Log(Real Income)	10.742	10.749	-0.006	10.716	10.729	-0.013***
Fraction College Grads	26.036	26.444	-0.408	25.433	25.92	-0.487
Log(Population)	12.660	12.755	-0.095**	12.738	13.114	-0.376***
Average Age Group	7.920	7.916	0.005	7.881	7.91	-0.029*
Rural Urban Continuum	2.269	2.165	0.104*	2.000	1.000	1.000
Fraction Female Population	0.513	0.514	-0.001***	0.513	0.515	-0.002***
Fraction Minority Population	0.144	0.149	-0.005	0.097	0.111	-0.014***
Fraction of Republicans	0.475	0.467	0.008**	0.490	0.455	0.035***
Local Bank Concentration	0.709	0.701	0.008	0.703	0.740	-0.037*
House Price Growth	0.029	0.028	0.001	0.031	0.030	0.001
Obs.	1876	2463		1876	2463	

Panel C: Distribution of difference in propensity scores

Variable	Obs.	Mean	S.D.	Minimum	.25	Median	.75	Maximum
Diff. in P Score	2463	0.00003	0.00003	0.00000	0.00001	0.00003	0.00005	0.00010

Panel D: Average treatment effect of the treated (ATET)

Variable	Treated	Controls	ATT	T-stat
Total Risk	0.025	0.026	-0.001**	-2.49
Tail Risk	0.053	0.057	-0.004***	-3.58
Idio. Risk	0.023	0.024	-0.001**	-2.23
ZScoreInv	-3.197	-3.066	-0.131***	-3.66
Tobin's Q	1.044	1.054	-0.010***	-4.65

Panel E: Regression with propensity matched limited sample only

	(1)	(2)	(3)	(4)	(5)
	Total Risk	Tail Risk	Idio. Risk	ZScoreInv.	Tobin's Q
Religiosity	-0.007***	-0.014***	-0.006***	-0.840***	-0.040***
	(-3.71)	(-3.41)	(-3.46)	(-3.08)	(-3.61)
Bank-level Controls	Yes	Yes	Yes	Yes	Yes
County-level Controls	Yes	Yes	Yes	Yes	Yes
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Obs.	3734	3724	3734	4282	4178
Adj. R ²	0.562	0.575	0.535	0.204	0.492

Table A.3: 2SLS using two instrumental variables

The table reports estimates of two-stage least squares regressions (2SLS) of risk outcomes (*Total Risk*, *Tail Risk*, *Idiosyncratic Risk*, and *ZScoreInverse*) and valuation (*Tobin's Q*) on the religiosity proxy, *Religiosity*, using an instrumental variables approach. The first instrument, *Religiosity 1952*, is the number of religious adherents in a county divided by the county population, both in the year 1952. The second instrument, *Lag3(LogPop)*, is the third lag of the natural logarithm of a county's population. The remaining variables are defined in the Appendix of the main paper. All bank-level independent variables, the measure of bank concentration and state house price growth are lagged by one year. Other county-level control variables are contemporaneous. The first stage regression in column 1 pertains to *Total Risk* only (it is similar for other variables). All regressions include year dummies. Intercepts are not reported. Standard errors are corrected for heteroscedasticity and are clustered at the bank level, and t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5% and 1% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
	First-stage	Total Risk	Tail Risk	Idio. Risk	ZScoreInv.	Tobin's Q
Religiosity 1952	0.520*** (16.64)					
Lag3(LogPop)	0.394*** (3.17)					
<i>Religiosity(Instrumented)</i>		-0.015*** (-4.67)	-0.030*** (-4.60)	-0.013*** (-4.45)	-1.848*** (-4.08)	-0.045*** (-2.70)
Size	-0.000 (-0.09)	-0.002*** (-9.15)	-0.005*** (-10.40)	-0.004*** (-17.25)	0.073 (1.54)	0.024*** (15.36)
Size ²	0.002 (0.70)	0.002*** (6.57)	0.003*** (7.72)	0.001*** (5.62)	-0.043 (-1.47)	-0.005*** (-3.69)
ROA	0.267 (0.92)	-0.395*** (-10.22)	-0.759*** (-9.96)	-0.395*** (-10.40)		2.016*** (10.89)
NPL Ratio	0.003* (1.84)	0.003*** (11.34)	0.006*** (11.67)	0.003*** (11.43)	0.353*** (14.95)	0.000 (0.07)
Loans/Assets	-0.100*** (-4.33)	-0.002 (-1.52)	-0.004 (-1.34)	-0.002 (-1.61)	0.104 (0.40)	-0.015 (-1.43)
Deposits/Assets	0.008 (0.31)	0.010*** (5.11)	0.021*** (5.03)	0.009*** (4.69)	-0.597 (-1.06)	0.098*** (7.79)
Tier 1 Capital Ratio	-0.000 (-0.63)	-0.000*** (-3.51)	-0.000*** (-3.73)	-0.000*** (-4.37)		0.002*** (5.83)
Non-interest Income	-0.022 (-1.56)	0.004** (2.23)	0.007** (2.14)	0.002 (1.46)	-0.179 (-0.83)	0.008 (0.94)
Acquisition Activity	-0.003 (-0.46)	0.000 (0.18)	0.001 (0.58)	-0.002*** (-2.77)	0.035 (0.45)	-0.011*** (-4.20)
Log(Real Income)	-0.103*** (-4.24)	-0.003** (-2.03)	-0.008** (-2.23)	-0.003* (-1.69)	-0.321 (-1.34)	0.013 (1.39)
Fraction College Grads	0.001*** (2.81)	-0.000 (-0.44)	-0.000 (-0.70)	-0.000 (-0.10)	0.005 (1.20)	0.000 (0.60)

Log(Population)	-0.371*** (-2.98)	0.001** (2.26)	0.001** (2.38)	0.000* (1.83)	0.131*** (3.15)	0.000 (0.01)
Average Age Group	0.011 (1.07)	0.000 (0.13)	0.000 (0.13)	0.000 (0.75)	0.126 (1.38)	0.001 (0.32)
Rural Urban Continuum	0.007** (2.25)	-0.000 (-0.62)	-0.000 (-0.45)	-0.000 (-1.06)	-0.030 (-0.99)	-0.001 (-1.33)
Female Population Ratio	1.774*** (4.86)	0.035 (1.57)	0.056 (1.21)	0.028 (1.34)	-0.980 (-0.25)	0.180 (1.30)
Minority Population Ratio	0.119*** (2.89)	0.001 (0.34)	0.002 (0.45)	0.002 (1.42)	0.347 (1.19)	0.003 (0.28)
Republican Ratio	0.267*** (6.09)	0.001 (0.29)	0.002 (0.46)	0.002 (1.06)	0.439 (1.32)	0.019 (1.44)
Local Bank Concentration	-0.017 (-1.61)	-0.000 (-0.47)	-0.001 (-0.61)	-0.001 (-0.76)	0.069 (0.59)	-0.005 (-1.23)
House Price Growth	0.064* (1.71)	-0.001 (-0.20)	-0.004 (-0.32)	-0.000 (-0.05)	-0.633 (-1.31)	0.164*** (8.24)
Obs.	7806	7806	7799	7806	9147	8621
Adj. R ²	0.513	0.585	0.604	0.566	0.190	0.499
Underidentification test (p-value)	0.0000					
Hansen's J-statistic (p- value)	0.9301					

Table A.4: Double sort small/large banks, low/high institutional ownership

This table reports the coefficient estimate of the religiosity proxy (*Religiosity*) in regressions of risk outcomes in four subsamples partitioned by bank size and institutional ownership ratio. All the variables are defined in the Appendix of the main paper. Small (Large) Banks indicates the subsample of banks below (above) median asset size a given year. Low (High) IOR corresponds to the subsample of banks with below- (above-) median institutional ownership ratio in a given year. Control variables (not tabulated for brevity) in the regressions are the same as in panel A of Table 3 in the main paper. Standard errors are corrected for heteroscedasticity and clustered at the bank level, and t-statistics are in parentheses. *, **, and *** indicate statistical significance at 10%, 5% and 1% levels, respectively.

	Total Risk				Tail Risk			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Small Banks	Small Banks	Large Banks	Large Banks	Small Banks	Small Banks	Large Banks	Large Banks
	Low IOR	High IOR	Low IOR	High IOR	Low IOR	High IOR	Low IOR	High IOR
Religiosity	-0.012***	-0.005	-0.006**	-0.000	-0.022***	-0.010	-0.012**	0.001
	(-3.62)	(-1.62)	(-2.17)	(-0.04)	(-3.23)	(-1.45)	(-2.07)	(0.32)

	Idio. Risk				ZScoreInv			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Small Banks	Small Banks	Large Banks	Large Banks	Small Banks	Small Banks	Large Banks	Large Banks
	Low IOR	High IOR	Low IOR	High IOR	Low IOR	High IOR	Low IOR	High IOR
Religiosity	-0.011***	-0.005	-0.005*	0.000	-0.683**	-0.560	-0.998*	-0.446
	(-3.56)	(-1.59)	(-1.69)	(0.04)	(-1.97)	(-1.38)	(-1.96)	(-1.32)

Table A.5: Effect of different religious beliefs on bank-risk, valuation and policy mechanisms for risk-taking

The table reports coefficient estimates from regressions of risk outcomes (*Total Risk*, *Tail Risk*, *Idiosyncratic Risk*, and *ZScoreInverse*), valuation (*Tobin's Q*) and policy mechanisms for risk-taking (*Assets Growth*, *Write-downs*, *Non-interest Income*, *Option Grants*, and *CEO Vega*) as in Tables 3 (Panel A) and 7 in the paper, except that we replace the *Religiosity* variable by variables measuring the proportions of Catholics, Mainline Protestants, and Evangelical Protestants. Catholics are the adherents of the Roman Catholic Church, Mainline Protestants are as defined by the American Religious Data Archive, and the remaining Protestants are categorized as Evangelical; all are divided by the county population. All other variables are defined in the Appendix. Panel A employs a parsimonious model that only controls for bank size, size-squared and ROA. Panel B uses the full set of bank- and county-level control variables (not tabulated for brevity) as in Panel A of Table 3 in the main paper. All regressions include year dummies. Intercepts are not reported. Standard errors are corrected for heteroscedasticity and clustered at the bank level, and t-statistics are in parentheses. *, **, and *** indicate statistical significance at 10%, 5% and 1% levels, respectively.

Panel A: Using a parsimonious model

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Total	Tail	Idiosync.	ZscoreInv	TobinQ	Asset Growth	Non-Int.	Writedown	Option	VegaCEO
Proportion of Catholics	-0.009*** (-5.82)	-0.018*** (-5.49)	-0.009*** (-5.71)	-0.803*** (-3.00)	-0.026*** (-2.79)	-0.043** (-2.53)	-0.062** (-2.33)	-0.005*** (-7.35)	-0.515*** (-2.84)	-101.199 (-1.15)
Propn. Protestants (Mainline)	-0.013*** (-4.00)	-0.024*** (-3.79)	-0.012*** (-3.93)	-3.745*** (-6.87)	-0.044** (-2.41)	-0.157*** (-4.67)	0.141*** (2.77)	-0.009*** (-7.28)	-1.537*** (-4.22)	55.142 (0.28)
Propn. Protestants (Evangelical)	-0.005** (-2.33)	-0.007* (-1.74)	-0.004** (-2.08)	-0.358 (-1.13)	-0.022* (-1.92)	-0.025 (-1.12)	0.027 (0.90)	-0.001 (-0.81)	-0.136 (-0.59)	-213.901* (-1.88)
Size	-0.002*** (-9.56)	-0.004*** (-10.80)	-0.003*** (-18.54)	0.073** (2.50)	0.017*** (12.72)	-0.010*** (-5.00)	0.038*** (10.48)	0.001*** (10.05)	0.298*** (13.54)	-136.780*** (-3.43)
Size ²	0.001*** (4.49)	0.002*** (5.67)	0.001*** (2.75)	0.008 (0.24)	-0.005*** (-3.85)	0.006** (2.37)	0.010*** (2.77)	-0.000 (-1.53)	-0.049** (-2.17)	159.431*** (5.80)
ROA	-0.684*** (-19.94)	-1.355*** (-19.92)	-0.687*** (-20.01)		2.107*** (13.70)	3.073*** (8.17)	-0.082 (-0.24)	-0.244*** (-14.27)	9.732*** (5.53)	3361.025*** (3.26)
Obs.	10722	10686	10722	12305	12045	12412	11656	12155	5153	1613
Adj. R ²	0.489	0.509	0.467	0.084	0.419	0.078	0.157	0.322	0.261	0.508

Panel B: Using the full model

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Total	Tail	Idiosync.	ZscoreInv	TobinQ	Asset Growth	Non-Int.	Writedown	Option	VegaCEO
Proportion of Catholics	-0.009*** (-5.44)	-0.019*** (-5.10)	-0.009*** (-5.17)	-1.090*** (-4.21)	-0.035*** (-3.52)	-0.061*** (-3.26)	-0.053** (-1.99)	-0.004*** (-6.66)	-0.485** (-2.01)	-137.701* (-1.96)
Propn. Protestants (Mainline)	0.003 (0.86)	0.007 (0.87)	0.003 (0.96)	-1.848*** (-3.01)	-0.015 (-0.66)	-0.097** (-2.42)	0.120** (2.20)	-0.003** (-2.16)	-1.834*** (-3.43)	-12.538 (-0.05)
Propn. Protestants (Evangelical)	-0.002 (-0.68)	-0.001 (-0.25)	-0.002 (-0.56)	0.471 (1.28)	-0.027* (-1.93)	-0.023 (-0.88)	-0.026 (-0.75)	0.001 (0.58)	-0.182 (-0.56)	-3.972 (-0.03)
Bank Level Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
County Level Controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Obs.	9018	8995	9018	11063	10199	10467	10468	10464	3994	1411
Adj. R ²	0.557	0.575	0.537	0.210	0.487	0.132	0.216	0.440	0.224	0.549