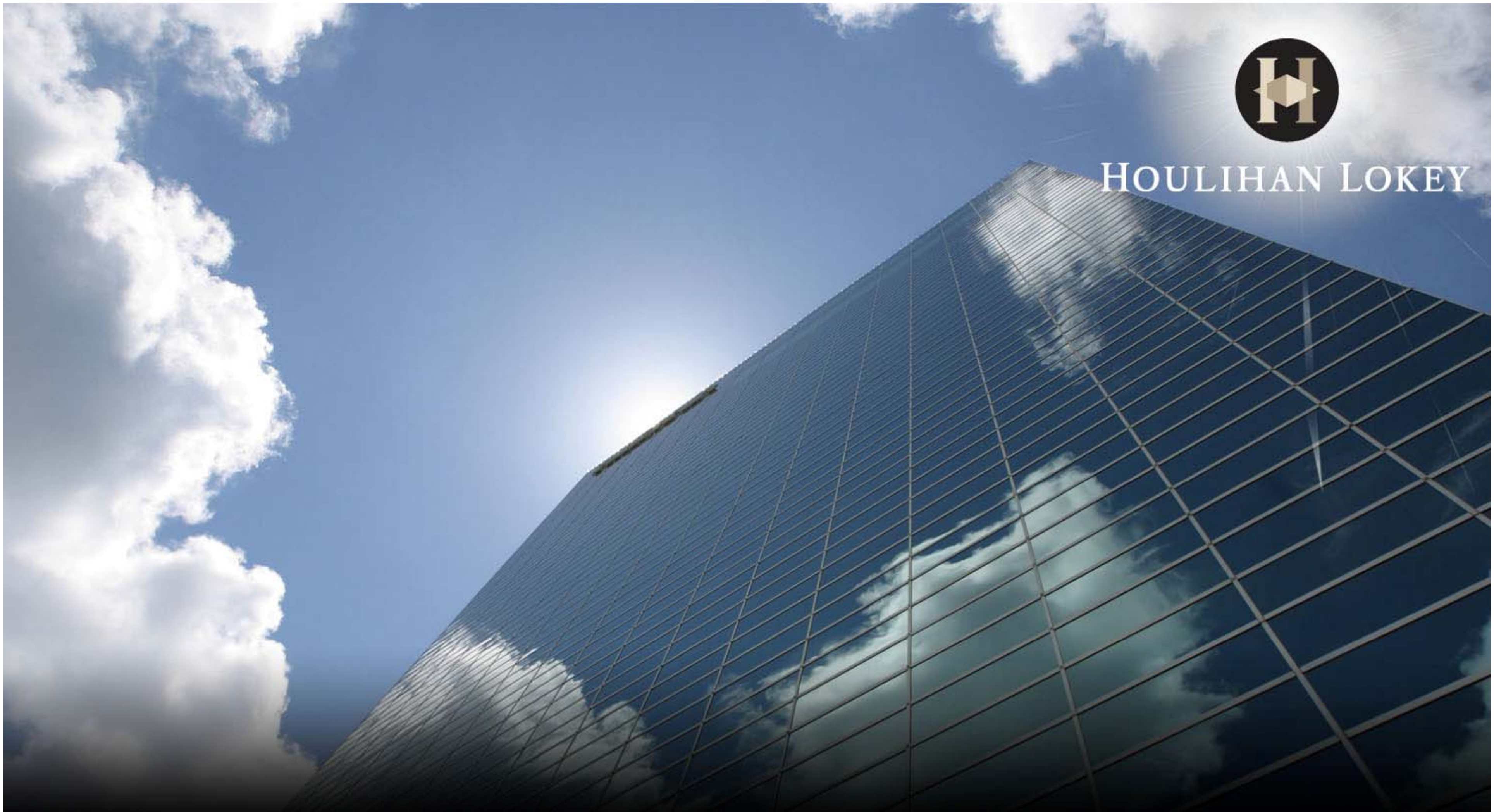

Mid-size Bank Coalition of America

Research

November 2013

MERGERS & ACQUISITIONS
CAPITAL MARKETS
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Assumptions for Analysis

Throughout this analysis, we assume the following:

- Definition of bank size:
  - "Super Large banks" – total assets greater than $250Bn
  - "Large banks" – total assets between $50Bn and $250Bn
  - "Mid-size banks" – total assets between $10Bn and $50Bn
  - "Small banks" – total assets less than $10Bn

Metrics by Bank Category

- While mid-size and small banks together represent about 10% and 20%, respectively, of all bank assets and deposits, they represent more than twice the amount of retail deposits and a disproportionately larger amount of loans to small local businesses

Metrics as a Percentage of the Total for All Banks

September 30, 2013	Super Large	Large	Mid-size	Small	Total
Total Assets	48.31%	22.38%	10.02%	19.29%	100.00%
Total Deposits	47.28%	22.09%	10.05%	20.58%	100.00%
Retail Time Deposits	17.39%	18.27%	15.05%	49.29%	100.00%
Branches	25.42%	16.90%	9.27%	48.41%	100.00%
C&I Loans Under $250,000 ($)	27.81%	20.43%	18.11%	33.65%	100.00%

*Values shown are a percentage of the total for all banks

Source: SNL Financial
Methodology:
(1) Total Assets: pulled Total Assets for each bank from SNL, grouped each bank in the appropriate category, summed the Total Assets for each category, and divided each category sum by the total sum that includes all banks
(2) Total Deposits, Retail Time Deposits, and Branches: same methodology as Total Assets
(3) C&I Loans Under $250,000 ($): pulled C&I Loans < $100K and C&I Loans between $100K-$250K, then added the two values for each bank; grouped each bank in the appropriate category, summed the C&I Loans Under $250K for each category, and divided each category sum by the total sum that includes all banks

Metrics for Each Category

- Mid-size and smaller banks tend to generate the kinds of assets that are more closely linked to the immediate communities they serve

Asset Performance Metrics

	Super Large	Large	Mid-size	Small
Foreclosures / Total Loans Secured by Real Estate (2008)	1.13%	0.40%	0.23%	0.11%
Foreclosures / Total Loans Secured by Real Estate (2009)	3.16%	0.63%	0.46%	0.17%
Foreclosures / Total Loans Secured by Real Estate (2010)	3.92%	1.05%	0.46%	0.19%
Foreclosures / Total Loans Secured by Real Estate (2011)	4.22%	1.23%	0.78%	0.18%
Foreclosures / Total Loans Secured by Real Estate (2012)	3.85%	0.96%	1.21%	0.20%
Foreclosures / Total Loans Secured by Real Estate (YTD 2013)	3.43%	1.11%	0.91%	0.17%

Source: SNL Financial
Methodology:
(1) Foreclosures / Total Loans Secured by Real Estate (2008): pulled 1-4 Family Loans in Process of Foreclosure for year-end 2008 and Total Domestic Real Estate Loans for year-end 2008 from SNL, calculated the ratio of 1-4 Family Loans in Process of Foreclosure / Total Loans Secured by Real Estate, grouped each bank in the appropriate category, took the average of the calculated ratio
(2) Foreclosures / Total Loans Secured by Real Estate (2009-2012 and most recent quarter): used the same methodology as Foreclosures / Total Loans Secured by Real Estate (2008)

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Metrics for Each Category (cont.)

Asset Composition Metrics

September 30, 2013	Super Large	Large	Mid-size	Small
Construction & Land Development Loans / Total Loans	1.8%	1.6%	3.0%	5.2%
Total 1-4 Family Loans / Total Loans	28.9%	23.8%	32.0%	31.5%
Multifamily (5+) Loans / Total Loans	2.0%	2.0%	4.9%	3.1%
Commercial Real Estate & Farm Loans / Total Loans	6.9%	10.1%	18.4%	32.9%
Foreign Office Real Estate Loans / Total Loans	1.5%	0.0%	0.4%	0.0%
C&I Loans < $250,000 / Total Loans	1.4%	1.7%	2.4%	5.2%
C&I Loans > $250,000 / Total Loans	20.0%	20.0%	18.0%	7.6%
Total C&I Loans / Total Loans	21.4%	21.7%	20.4%	12.8%
Lns to Individ for House, Fam, and Othr Pers Expend / Tot Lns	13.7%	26.0%	14.5%	5.8%
Loans to Depository Institutions / Total Loans	5.9%	1.7%	0.1%	0.1%
Foreign Government Loans/ Total Loans	0.2%	0.0%	0.0%	0.0%
All Other Loans / Total Loans	14.9%	11.3%	4.7%	8.3%
Total Leases / Total Loans	2.9%	1.9%	1.6%	0.4%
	100.0%	100.0%	100.0%	100.0%

*Values shown are the average for each group calculated by taking the average of all of the ratios for each bank within the appropriate category

Source: SNL Financial

Methodology:

(1) Construction & Land Development Loans / Total Loans: pulled Construction & Land Development Loans / Total Loans from SNL, grouped each bank in the appropriate category, then took the average of each category

(2) Total 1-4 Family Loans / Total Loans, Multifamily (5+) Loans / Total Loans, Commercial Real Estate Loans / Total Loans, Foreign Office Loans / Total Loans: same methodology as Construction & Land Development Loans / Total Loans

(3) C&I Loans < $250K / Total Loans: pulled C&I Loans < $100K and C&I Loans between $100K -$250K from SNL, added together for each bank; pulled Total Loans from SNL; calculated the ratio C&I Loans < $250K / Total Loans for each bank, grouped each bank in the appropriate category, took the average of the calculated ratio

(4) C&I Loans > $250K / Total Loans: pulled Total C&I Loans from SNL, subtracted the above sum of < $100K and $100K-$250K to calculate >$250K, calculated the ratio C&I Loans > $250K / Total Loans for each bank, grouped each bank in the appropriate category, took the average of the calculated ratio

(5) C&I Loans / Total Loans, Loans to Individuals for House, Family, and Other Personal Expenditures / Total Loans, Loans to Depository Institutions / Total Loans, Foreign Government Loans / Total Loans, All Other Loans / Total Loans, Total Leases / Total Loans: same methodology as Construction & Land Development Loans / Total Loans

Metrics for Each Category (cont.)

- Mid-size and small banks are relatively more effective at attracting small retail deposits:
  - Mid-size and small banks rely on deposits meeting the insurance limit to a greater extent than do larger banks
  - Mid-size and small banks have been relatively more successful at raising deposits since the end of the financial crisis
- Mid-size and small banks are less interconnected with other banks and therefore their failure could pose less risk to the broader economy
  - Mid-size and small banks are less likely to have significant balances due from other depository institutions
  - As a percentage of loans, mid-size and small banks are less likely to lend to other depository institutions and foreign governments

Deposit Performance

September 30, 2013	Super Large	Large	Mid-size	Small
Deposit Accounts > $250K / All Deposit Accounts	63.50%	50.29%	39.49%	26.91%
Deposit Growth (2009 - 2012)	41.04%	39.90%	72.95%	90.55%

Systematic Nature

September 30, 2013	Super Large	Large	Mid-size	Small
Total Balances Due from Depository Institutions / Total Loans	50.83%	33.32%	13.16%	19.66%
Loans to Dep Institut and Accept of Othr Banks / Total Lns	5.90%	1.66%	0.10%	0.12%
Loans to Foreign Governments and Official Institut / Total Lns	0.23%	0.04%	0.01%	0.00%

*Values shown are the average for each group calculated by taking the average of all of the ratios for each bank within the appropriate category

Source: SNL Financial
Methodology:
(1) Deposit Accounts > $250K / All Deposit Accounts: pulled Deposit Amounts (excluding retirement) > $250K and Retirement Deposit Amounts > $250K from SNL, added the metrics together for Total Deposit Accounts > 250K; pulled Deposit Amounts (excluding retirement) <= $250K and Retirement Deposit Amounts <= $250K from SNL; added all four pulled metrics to calculate Total Deposit Accounts; pulled Total Loans from SNL, then calculated Deposit Accounts > $250K / Total Loans for each bank, grouped each bank in the appropriate category, then calculated the average of the ratios for each category
(2) Deposit Growth (2009-2012): pulled Total Deposits year-end 2009 and Total Deposits year-end 2012 from SNL, calculated the growth rate, grouped each bank in the appropriate category, then calculated the average of the growth rates for each category
(3) Total Balances Due from Depository Institutions / Total Loans: pulled Total Balances due from Depository Institutions and Total Loans from SNL, calculated the ratio for each bank, grouped each bank in the appropriate category, then calculated the average of the ratios for each category
(4) Loans to Depository Institutions and Acceptances of Other Banks / Total Loans: pulled Loans to Depository Institutions / Total Loans from SNL, grouped each bank in the appropriate category, then calculated the average of the ratio for each category
(5) Loans to Foreign Governments and Official Institutions / Total Loans: same methodology as Loans to Dep. Inst. and Acceptances of Other Banks / Total Loans

Key Findings

- While mid-size and small banks together represent about 10% and 20%, respectively, of all bank assets and deposits, they represent more than twice the amount of retail deposits and a disproportionately larger amount of loans to small local businesses
- In recent years, mid-size and smaller banks have had proportionally fewer loans go to foreclosure than have larger banks, suggesting mid-size and small banks are more effective at managing risk in this asset class possibly as a result of knowing local customers better
- Mid-size and small banks have similarities in loan portfolio composition, with the result that a dollar lent by these banks is more likely to support single family residential construction, single family home acquisition, farms and small businesses
- Mid-size and small banks rely to a lesser extent on deposits that meet the insurance threshold and have grown deposits more rapidly since the end of the financial crisis than have larger banks, suggesting mid-size and small banks can rely on the availability of sticky retail deposits thus making them relatively more stable
- Mid-size and small banks do not participate in the business of borrowing and lending to other depository or government institutions as frequently as large banks, suggesting they may be less systemically significant