

Analysis Pertaining to H.R. 3791

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 - MA = Mid-Atlantic Region – headquartered in DE, DC, MD, NJ, NY, PA, PR
 - MW = Midwest Region – headquartered in IA, IN, IL, KS, KY, MI, MN, MO, ND, NE, OH, SD, WI
 - NE = New England Region – headquartered in CT, ME, MA, NH, RI, VT
 - SE = Southeast Region – headquartered in AL, AR, FL, GA, MS, NC, SC, TN, VA, WV
 - SW = Southwest Region – headquartered in CO, LA, NM, OK, TX, UT
 - W = Western Region – headquartered in AZ, AK, CA, HI, ID, MT, NV, OR
- Public company data includes all Major Exchanges – NYSE, NYSE MKT, NASDAQ

Introduction to H.R. 3791

Requires the Federal Reserve Board (FRB) to raise the consolidated assets threshold under the small bank holding company policy statement from \$1 billion to \$5 billion, and amends Section 171 of the Dodd-Frank Act to clarify that the small bank holding company exemption for minimum leverage and risk-based capital requirements also applies to qualifying savings and loan holding companies.

Summary of H.R. 3791 and Current Status

- “To raise the consolidated assets threshold under the small bank holding company policy statement, and for other purposes.”
 - Board of Governors of the Federal Reserve System shall revise the Small Bank Holding Company Policy Statement on Assessment of Financial and Managerial Factors (12 CFR part 225-appendix C) to raise the consolidated asset threshold under such policy statement from \$1.0 billion (as adjusted by Public Law 113-250) to \$5 billion
 - Conforming amendment to Subparagraph (C) of section 171(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5371(b)(5) as follows:
 - “(C) any bank holding company or savings and loan holding company that is subject to the application of the Small Bank Holding Company Policy Statement on Assessment of Financial and Managerial Factors of the Board of Governors (12 CFR part 225-appendix C).”
- Introduced October 31, 2015 by Rep. Mia Love (R-UT), and was referred to the Committee on Financial Services, which ordered the bill reported by a vote of 33 to 21 on December 9, 2015

Executive Summary

Without a higher asset threshold, those in the \$1-\$5 billion asset size class will continue to face a competitive advantage v. the megabanks and thus remain handicapped to remain viable from an investor perspective. This may put pressure on these banks to seek acquirers to provide the returns shareholders expect.

Executive Summary (p. 1)

Megabanks Have Come to Dominate Banking Today

- Only one bank had over \$250 billion in assets 20 years ago, for 4.9% of industry assets – today 10 banks are in this category for 52.3% of industry assets – a tenfold increase.
- Banking industry growth has been concentrated in the megabanks, thus eroding smaller banks share of industry assets and fostering their rapid consolidation.

Lower Access to Capital Markets for Small Banking Companies

- Small banking companies have less capital markets access than the megabanks, and thus have lower capacity to acquire and pursue diversification and competitive digital banking channels.

Greater Size Needed for Competitive Community Banking Today

- Increased regulation and demand for digital banking, coupled with megabank dominance, the size of a small bank size has effectively increased – to \$5 billion today v. \$1 billion 10 years ago.

Executive Summary (p. 2)

Smaller Banks Are Concentrated in the Heartland

- Smaller banking organizations tend to be more concentrated in the heartland – which are less populous, slower growing and more rural areas – whereas megabanks are largely in densely populated urban coastal areas.
- Smaller bank/thrift holding companies (BHCs) are concentrated in the Midwest and Southwest at nearly 69%, but hold only 17% of all BHCs' assets.
- 413 BHCs with \$1-\$5 billion assets represent 9.4% of the 4,375 BHCs – those located in the Midwest and Southwest represent over 50% in number and total assets.

Smaller Banks Are Committed to Lending

- Smaller banks have a greater lending commitment, with a higher loans/assets than megabanks

Smaller BHCs Fund More with Deposits

- Smaller BHCs fund more with deposits ... as well as insured deposits

Executive Summary (p. 3)

Advantages of HCs \$1-\$5 Billion v. Megabanks

- Greater proportional agriculture products and farm lending given Heartland location
- Greater funding with retail deposits and lesser funding with uninsured deposits
- Similar capitalization

Disadvantages of HCs \$1-\$5 Billion v. Megabanks

- Lower asset growth, in part due to the lower growth capacity given the concentration in Heartland locations with more limited capital market access
- Smaller capacity for borrowing with more limited capital market access
- More limited capacity for commercial and industrial lending
- Less efficient operations given smaller asset size and greater need to compete on price v. the prominence of megabanks who set market pricing and have greater delivery channels (traditional and digital)

Historical Overview of FDIC Insured Banking Organizations

This historical view on FDIC-insured banking organizations highlights (1) the industry consolidation in the face of dramatic industry growth, (2) the growth of megabanks which have come to dominate the banking industry, (3) that the largest concentration of smaller banking organizations is in the Heartland region of the country, and (4) banking organizations with \$1-\$10 billion of assets have a much greater proportion of assets in loans than the megabanks.

FDIC-Insured Banking Organizations Have Been Consolidating ...

Report Date	Thrifts and Independent Banks	One-Bank Holding Companies	Multi-Bank Holding Companies	Total
12/31/2000	3,153	4,400	696	8,249
12/31/2001	3,005	4,448	652	8,105
12/31/2002	2,857	4,507	604	7,968
12/31/2003	2,717	4,552	576	7,845
12/31/2004	2,584	4,568	555	7,707
12/31/2005	2,520	4,598	524	7,642
12/31/2006	2,442	4,568	518	7,528
12/31/2007	2,354	4,548	509	7,411
12/31/2008	2,286	4,523	476	7,285
12/31/2009	2,176	4,520	427	7,123
12/31/2010	2,095	4,421	400	6,916
12/31/2011	1,998	4,363	359	6,720
12/31/2012	1,881	4,278	342	6,501
12/31/2013	1,779	4,211	312	6,302
12/31/2014	1,655	4,115	285	6,055
12/31/2015	1,514	3,988	266	5,768
9/30/2016	1,411	3,915	253	5,579

Source: FDIC

... While Assets Grew Significantly for those in Holding Company Form – Increasing from 62% of Industry Assets in 2000 to 75% Today

Date	Thrifts and Independent Banks (\$B)	One-Bank Holding Companies (\$B)	Multi-Bank Holding Companies (\$B)	Total (\$B)
12/31/2000	1,329	1,295	4,839	7,463
12/31/2001	1,433	1,374	5,063	7,869
12/31/2002	1,456	1,614	5,366	8,436
12/31/2003	1,508	1,694	5,873	9,076
12/31/2004	1,643	1,862	6,603	10,107
12/31/2005	1,771	2,056	7,052	10,879
12/31/2006	1,674	2,334	7,854	11,862
12/31/2007	1,907	2,408	8,719	13,034
12/31/2008	1,322	2,843	9,676	13,841
12/31/2009	1,182	3,173	8,731	13,087
12/31/2010	1,217	3,226	8,876	13,319
12/31/2011	1,230	3,599	9,062	13,891
12/31/2012	1,145	3,893	9,413	14,450
12/31/2013	1,142	4,601	8,988	14,731
12/31/2014	1,153	5,025	9,376	15,554
12/31/2015	1,132	5,414	9,421	15,968
9/30/2016	1,178	5,659	9,929	16,767

Source: FDIC

Substantial Growth in Banking Industry Last 30 Years – Assets Increasingly Consolidated Among Small Number of Mega Banks

	1986YE	1991YE	1996YE	2001YE	2006YE	2011YE	2016Q3
# of Banks (Includes independent banks and thrifts, and those operating as subsidiaries of holding companies)							
>\$250B	0	0	1	3	6	7	10
\$10-\$250B	47	58	89	98	113	100	104
\$1-\$10B	559	521	470	444	530	551	621
\$100M-\$1B	4,049	3,921	3,846	4,006	4,399	4,284	3,656
<\$100M	<u>13,221</u>	<u>9,962</u>	<u>7,048</u>	<u>5,063</u>	<u>3,632</u>	<u>2,415</u>	<u>1,589</u>
Total Banks	17,876	14,482	11,454	9,614	8,680	7,357	5,980
<i>In S Corp Form</i>	NA	NA	NA	1,628	2,251	2,311	2,025
<i>% of Total Banks</i>	NA	NA	NA	16.9%	25.9%	31.4%	33.9%
% of Assets							
>\$250B	0	0	4.9	19.6	39.3	47.3	52.3
\$10-\$250B	29.8	34.2	47.0	47.4	36.5	32.3	29.7
\$1-\$10B	34.8	34.5	24.8	16.2	11.8	10.2	10.4
\$100M-\$1B	24.0	22.2	17.5	13.6	10.9	9.2	7.0
<\$100M	<u>11.3</u>	<u>9.1</u>	<u>5.8</u>	<u>3.2</u>	<u>1.6</u>	<u>1.0</u>	<u>0.6</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets \$Bil	\$4,328	\$4,544	\$5,611	\$7,869	\$11,862	\$13,891	\$16,767

Source: FDIC (includes federally insured banks and thrifts). Authorized in 1996, S Corps peaked in 2008 at 2,490.

Observations

- Although banks with assets \$1-\$10 billion gradually increased since 2001, the number in the size class has been in a relatively narrow range over 30 years
- At the same time, the growth of megabanks caused the ratio of industry assets in the \$1-\$10 billion size class to drop to one-third of the ratio 30 years ago.
- S Corp banks, first permitted in 1986, have been more stable, now representing one-third of the industry.

Banks in \$1-\$10 Billion Range Have Demonstrated Greater Commitment to Lending and Fund More with Insured Deposits than Megabanks

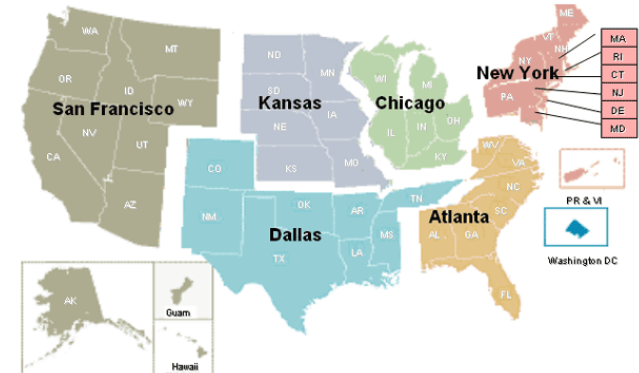
	1986YE	1991YE	1996YE	2001YE	2006YE	2011YE	2016Q3
Net Loans & Leases % of Total Assets (%)							
>\$250B	0.0	0.0	48.1	49.5	53.0	45.5	45.8
\$10-\$250B	61.5	61.4	61.2	61.3	63.5	56.8	61.3
\$1-\$10B	59.8	60.1	64.6	61.8	67.0	61.6	69.0
\$100M-\$1B	60.8	60.0	61.9	64.6	68.6	62.1	66.5
<\$100M	<u>53.3</u>	<u>53.3</u>	<u>57.9</u>	<u>60.9</u>	<u>61.8</u>	<u>56.7</u>	<u>59.0</u>
Industry Average	59.8	59.9	61.4	59.5	60.3	52.4	54.3
Insured Deposits % of Total Deposits (%)							
>\$250B	0.0	0.0	24.9	34.7	37.9	58.0	41.9
\$10-\$250B	41.8	54.0	56.0	61.2	56.3	72.4	58.7
\$1-\$10B	72.4	79.9	77.6	71.8	65.2	79.5	70.9
\$100M-\$1B	84.4	88.3	85.6	79.8	71.9	86.8	78.2
<\$100M	<u>87.9</u>	<u>92.1</u>	<u>88.9</u>	<u>84.6</u>	<u>79.7</u>	<u>91.5</u>	<u>86.9</u>
Total	69.5	75.0	68.5	61.9	53.0	68.2	53.1
Source: FDIC (includes federally insured banks and thrifts)							

Observations

- Banks with \$1-\$10 billion in assets have had a greater commitment to lending than larger banks and funded such lending with a higher level of retail deposits.
- Banks with \$1-\$10 billion assets have demonstrated greater commitment to lending that smaller banks as well, particularly over the last five years.

Smallest Banks Are Concentrated in the FDIC's Kansas City and Dallas Regions

Geographic Region	Number of Institutions by Geographic Region	% of Institutions by Geographic Region	Assets (Billions)	Asset Concentration % of Industry Assets
New York	731	12.22%	\$3,158	18.83%
Atlanta	731	12.22%	\$3,478	20.74%
Chicago	1,287	21.52%	\$3,785	22.57%
Kansas City	1,500	25.08%	\$3,644	21.73%
Dallas Region	1,280	21.40%	\$1,002	5.97%
San Francisco	<u>451</u>	<u>7.54%</u>	<u>\$1,699</u>	<u>10.13%</u>
Industry Totals	5,980	100.00%	\$16,766	100.00%



Source: FDIC. Totals may not add due to rounding.

Analysis of Bank Holding Companies (BHCs) and Thrift Holding Companies (THCs) (collectively Holding Companies, or HCs)

The analysis of holding companies reflects those which have depository subsidiaries and excludes those entities designated as holding companies but essentially investment vehicles for minority ownership in other BHCs. This also excludes thrifts organized as “no stock” mutual holding companies as there are no public shares issued and outstanding.

Number of HCs – By Size, Region and Corporate Structure

	All HCs			HCs < \$1 Bil Assets			HCs \$1-\$5 Bil Assets			HCs > \$5 Bil Assets		
	HCs (4,375)	C Corp (2,606)	S Corp (1,769)	HCs (3,800)	C Corp (2,112)	S Corp (1,688)	HCs (413)	C Corp (336)	S Corp (77)	HCs (162)	C Corp (58)	S Corp (4)
Number of Holding Companies												
Total	4,375	2,606	1,769	3,800	2,112	1,688	413	336	77	162	58	4
MA	250	242	8	156	151	5	57	54	3	37	37	0
MW	2,234	1,165	1,069	2,056	1,024	1,032	143	108	35	35	33	2
NE	62	60	2	33	31	2	19	19	0	10	10	0
SE	812	614	198	698	506	192	79	73	6	35	35	0
SW	769	333	436	675	268	407	74	47	27	20	18	2
WE	248	192	56	182	132	50	41	35	6	25	25	0
% of Holding Companies by Category (%)												
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
MA	5.7	9.3	0.5	4.1	7.1	0.3	13.8	16.1	3.9	22.8	63.8	0.0
MW	51.1	44.7	60.4	54.1	48.5	61.1	34.6	32.1	45.5	21.6	56.9	50.0
NE	1.4	2.3	0.1	0.9	1.5	0.1	4.6	5.7	0.0	6.2	17.2	0.0
SE	18.6	23.6	11.2	18.4	24.0	11.4	19.1	21.7	7.8	21.6	60.3	0.0
SW	17.6	12.8	24.6	17.8	12.7	24.1	17.9	14.0	35.1	12.3	31.0	50.0
WE	5.7	7.4	3.2	4.8	6.3	3.0	9.9	10.4	7.8	15.4	43.1	0.0

Source: SNL Financial, Federal Reserve Board and RP Financial calculations; Data as 9/30/2016

Assets of HCs – By Size, Region and Corporate Structure

	All HCs			HCs < \$1 Bil Assets			HCs \$1-\$5 Bil Assets			HCs > \$5 Bil Assets		
	HCs (4,375)	C Corp (2,606)	S Corp (1,7690)	HCs (3,800)	C Corp (2,112)	S Corp (1,688)	HCs (413)	C Corp (336)	S Corp (77)	HCs (162)	C Corp (58)	S Corp (4)
Assets of Holding Companies (\$Billion)												
Total	\$18,871	\$18,317	\$554	\$939	\$587	\$351	\$858	\$709	\$149	\$17,075	\$17,021	\$54
MA	\$8,262	\$8,254	\$8,090	\$70	\$68	\$1	\$128	\$122	\$7	\$8,064	\$8,064	NA
MW	\$2,437	\$2,150	\$286	\$430	\$239	\$191	\$289	\$226	\$62	\$1,718	\$1,685	\$33
NE	\$653	\$652	\$371	\$15	\$15	\$0	\$44	\$44	NA	\$593	\$593	NA
SE	\$4,065	\$4,011	\$54	\$193	\$146	\$46	\$150	\$142	\$7	\$3,722	\$3,722	NA
SW	\$819	\$641	\$177	\$170	\$71	\$99	\$158	\$100	\$57	\$491	\$470	\$21
WE	\$2,637	\$2,609	\$28	\$60	\$47	\$135	\$90	\$75	\$15	\$2,487	\$2,487	NA
% of Holding Companies by Category (%)												
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
MA	43.8%	45.1%	1.5%	7.4%	11.6%	0.4%	14.9%	17.1%	4.5%	47.2%	47.4%	NA
MW	12.9%	11.7%	51.7%	45.8%	40.8%	54.3%	33.6%	31.9%	41.9%	10.1%	9.9%	61.6%
NE	3.5%	3.6%	0.1%	1.6%	2.5%	0.1%	5.2%	6.2%	NA	3.5%	3.5%	NA
SE	21.5%	21.9%	9.7%	20.6%	24.9%	13.2%	17.5%	20.1%	5.0%	21.8%	21.9%	NA
SW	4.3%	3.5%	32.0%	18.2%	12.1%	28.3%	18.4%	14.2%	38.4%	2.9%	2.8%	38.4%
WE	14.0%	14.2%	5.1%	6.4%	8.0%	3.7%	10.5%	10.5%	10.1%	14.6%	14.6%	NA

Source: SNL Financial, Federal Reserve Board and RP Financial calculations; Data as 9/30/2016

Loans/Assets and Deposits Assets of HCs – By Size, Region and Corporate Structure

	All HCs			HCs < \$1 Bil Assets			HCs \$1-\$5 Bil Assets			HCs > \$5 Bil Assets		
	HCs (4,375)	C Corp (2,606)	S Corp (1,7690)	HCs (3,800)	C Corp (2,112)	S Corp (1,688)	HCs (413)	C Corp (336)	S Corp (77)	HCs (162)	C Corp (58)	S Corp (4)
Loans/Assets (%)												
Total	65.0	65.5	64.2	64.5	64.8	64.1	69.3	70.2	65.6	64.9	65.0	61.8
MA	68.2	68.4	62.7	68.6	68.4	75.2	71.4	73.0	42.0	61.6	61.6	-
MW	65.8	65.7	65.9	65.5	65.2	65.8	69.5	69.4	69.8	66.0	67.0	48.3
NE	75.0	75.0	75.4	76.6	76.6	75.4	75.9	75.9	-	68.5	68.5	-
SE	63.7	63.7	63.7	62.8	62.5	63.6	70.1	70.1	69.2	68.8	68.8	-
SW	61.8	63.2	60.7	61.4	62.5	60.6	64.6	66.9	60.6	64.7	63.6	75.3
WE	65.8	67.0	61.7	65.5	67.4	60.4	69.7	69.2	72.1	61.7	61.7	-
Deposits/Assets (%)												
Total	83.2	82.6	84.1	84.0	83.7	84.3	80.4	80.1	82.0	73.0	73.2	64.8
MA	79.9	80.0	77.9	82.8	83.0	78.5	80.7	80.9	76.8	66.2	66.2	-
MW	83.0	82.4	83.6	83.4	83.2	83.7	78.9	78.3	80.8	74.4	74.4	74.3
NE	78.8	78.4	89.6	81.9	81.4	89.6	76.3	76.3	-	73.3	73.3	-
SE	83.6	83.4	84.3	84.3	84.3	84.4	80.4	80.1	83.8	76.2	76.2	-
SW	84.7	84.2	85.1	85.2	84.9	85.4	83.5	83.4	83.9	74.9	77.1	55.2
WE	83.9	83.2	86.1	85.5	85.0	86.7	82.0	82.2	81.1	75.2	75.2	-

Source: SNL Financial, Federal Reserve Board and RP Financial calculations; Data as 9/30/2016

C&I Loans/Loans and Agriculture + Farm Loans/Loans of HCs – By Size, Region and Corporate Structure

	All HCs			HCs < \$1 Bil Assets			HCs \$1-\$5 Bil Assets			HCs > \$5 Bil Assets		
	HCs (4,375)	C Corp (2,606)	S Corp (1,7690)	HCs (3,800)	C Corp (2,112)	S Corp (1,688)	HCs (413)	C Corp (336)	S Corp (77)	HCs (162)	C Corp (58)	S Corp (4)
Commercial & Industrial Loans/Loans (%)												
Total	14.3	14.2	14.6	13.1	12.5	14.5	15.0	15.0	15.2	20.1	20.1	20.2
MA	12.0	11.9	15.1	10.6	10.4	20.3	12.4	12.4	11.7	15.4	15.4	-
MW	15.0	15.3	14.3	13.6	13.5	13.6	17.3	17.0	18.1	23.4	24.4	6.9
NE	12.9	12.9	-	10.5	10.5	-	13.0	13.0	-	17.4	17.4	-
SE	12.1	12.2	11.9	11.0	10.8	11.7	13.0	13.1	12.5	17.8	17.8	-
SW	17.1	17.7	16.6	16.3	15.2	17.0	16.5	18.0	14.0	28.2	27.6	33.4
WE	14.6	15.1	11.7	13.5	13.6	13.1	12.9	13.8	8.0	20.7	20.7	-
Agriculture + Farm Loans/Loans (%)												
Total	17.7	12.8	25.0	19.7	14.9	25.7	5.9	4.9	10.1	2.1	2.0	6.0
MA	2.3	2.3	1.1	3.2	3.2	1.7	0.9	1.0	-	0.5	0.5	-
MW	25.7	20.3	31.6	27.2	22.1	32.2	10.7	9.0	16.1	3.8	3.3	11.9
NE	0.3	0.3	0.1	0.3	0.4	0.1	0.3	0.3	-	0.0	0.0	-
SE	7.8	6.6	11.3	8.5	7.3	11.6	3.9	3.9	4.2	1.6	1.6	-
SW	13.8	10.0	16.7	15.2	11.7	17.5	4.3	3.6	5.7	1.5	1.7	0.0
WE	10.7	9.1	15.8	12.7	11.1	17.0	5.3	5.1	6.0	4.3	4.3	-

Source: SNL Financial, Federal Reserve Board and RP Financial calculations; Data as 9/30/2016

Borrowings/Assets and Liquidity Ratio of HCs – By Size, Region and Corporate Structure

	All HCs			HCs < \$1 Bil Assets			HCs \$1-\$5 Bil Assets			HCs > \$5 Bil Assets		
	HCs (4,375)	C Corp (2,606)	S Corp (1,7690)	HCs (3,800)	C Corp (2,112)	S Corp (1,688)	HCs (413)	C Corp (336)	S Corp (77)	HCs (162)	C Corp (58)	S Corp (4)
Borrowings/Assets (%)												
Total	4.6	4.9	4.0	3.9	4.0	3.9	7.5	7.6	6.7	11.9	11.8	14.0
MA	7.7	7.6	7.8	5.8	5.7	8.8	7.5	7.6	6.2	15.6	15.6	-
MW	4.7	5.0	4.5	4.4	4.4	4.4	8.4	8.7	8.0	11.8	12.3	3.2
NE	10.2	10.5	0.6	7.5	8.0	0.6	13.1	13.1	-	13.4	13.4	-
SE	4.1	4.3	3.6	3.4	3.3	3.6	8.1	8.5	3.5	9.7	9.7	-
SW	3.3	3.6	3.2	3.0	3.0	2.9	4.8	4.5	5.3	10.7	9.2	24.7
WE	3.7	4.0	2.7	2.6	2.9	2.1	4.8	4.3	8.0	9.8	9.8	-
Liquidity Ratio (%)												
Total	25.4	24.8	26.1	26.3	26.3	26.3	18.5	17.5	22.9	21.5	21.4	25.5
MA	20.2	20.0	27.9	21.2	21.3	18.7	14.6	13.0	43.2	24.6	24.6	-
MW	25.1	25.2	25.0	25.7	26.3	25.2	17.4	17.2	18.0	19.1	18.3	33.4
NE	15.9	15.6	23.8	17.3	16.8	23.8	11.4	11.4	-	19.8	19.8	-
SE	25.3	25.1	25.9	26.6	26.8	26.1	17.4	17.2	19.8	16.5	16.5	-
SW	27.9	27.3	28.4	28.6	28.7	28.5	23.8	21.4	27.8	21.5	22.0	17.7
WE	27.6	26.5	31.6	28.5	26.9	32.7	23.6	23.8	22.2	28.0	28.0	-

Source: SNL Financial, Federal Reserve Board and RP Financial calculations; Data as 9/30/2016

Asset Growth Rate (LTM) and Leverage Ratio of HCs – By Size, Region and Corporate Structure

	All HCs			HCs < \$1 Bil Assets			HCs \$1-\$5 Bil Assets			HCs > \$5 Bil Assets		
	HCs (4,375)	C Corp (2,606)	S Corp (1,7690)	HCs (3,800)	C Corp (2,112)	S Corp (1,688)	HCs (413)	C Corp (336)	S Corp (77)	HCs (162)	C Corp (58)	S Corp (4)
Asset Growth Rate (LTM) (%)												
Total	6.6	8.1	4.5	5.7	6.8	4.3	12.5	13.6	8.0	13.5	13.6	9.3
MA	9.7	9.5	15.0	8.8	8.7	12.9	12.7	12.4	18.5	8.9	8.9	-
MW	5.5	6.6	4.3	4.9	5.6	4.2	11.3	13.0	6.1	16.2	16.7	9.0
NE	10.1	10.0	11.0	8.9	8.7	11.0	13.7	13.7	-	6.9	6.9	-
SE	8.3	8.9	6.7	7.2	7.5	6.5	14.5	14.8	10.5	16.6	16.6	-
SW	5.3	7.5	3.6	4.4	6.1	3.3	12.6	14.9	8.5	9.1	9.0	9.5
WE	11.4	13.0	5.8	10.3	12.1	5.5	12.3	13.0	8.2	18.1	18.1	-
Leverage Ratio (%)												
Total	11.0	11.1	10.8	11.1	11.2	10.8	10.5	10.6	10.1	10.0	9.9	14.7
MA	10.3	10.3	10.8	10.4	10.4	11.0	10.2	10.2	10.5	10.0	10.0	-
MW	11.1	11.3	10.9	11.1	11.3	10.9	10.7	10.9	10.4	9.7	9.8	8.3
NE	9.6	9.6	9.2	9.7	9.7	9.2	9.5	9.5	-	9.3	9.3	-
SE	11.2	11.2	11.1	11.3	11.4	11.0	10.4	10.2	12.2	9.9	9.9	-
SW	10.8	11.1	10.7	10.9	11.2	10.7	10.4	10.8	9.5	11.2	10.1	21.1
WE	10.8	10.8	10.5	10.8	10.9	10.6	11.0	11.2	9.5	9.9	9.9	-

Source: SNL Financial, Federal Reserve Board and RP Financial calculations; Data as 9/30/2016

Exemption of Small Bank Holding Companies (BHCs) from Regulatory Capital Requirements

Federal Reserve Board (FRB) BHC Regulatory Capital Requirements

- 1980 – FRB recognized small BHCs have less access to equity financing and use less acquisition debt at transfer of ownership – set \$150 million asset threshold
- 2006 – FRB raised asset threshold to \$500 million
- 2015 – FRB raised asset threshold to \$1 billion per December 2014 Congressional mandate, and applied policy statement to Thrift Holding Companies (THCs) with a \$1 billion threshold
- Increased thresholds ease regulatory and reporting burdens and facilitates merger activity for holding companies beneath such threshold on a pro forma basis

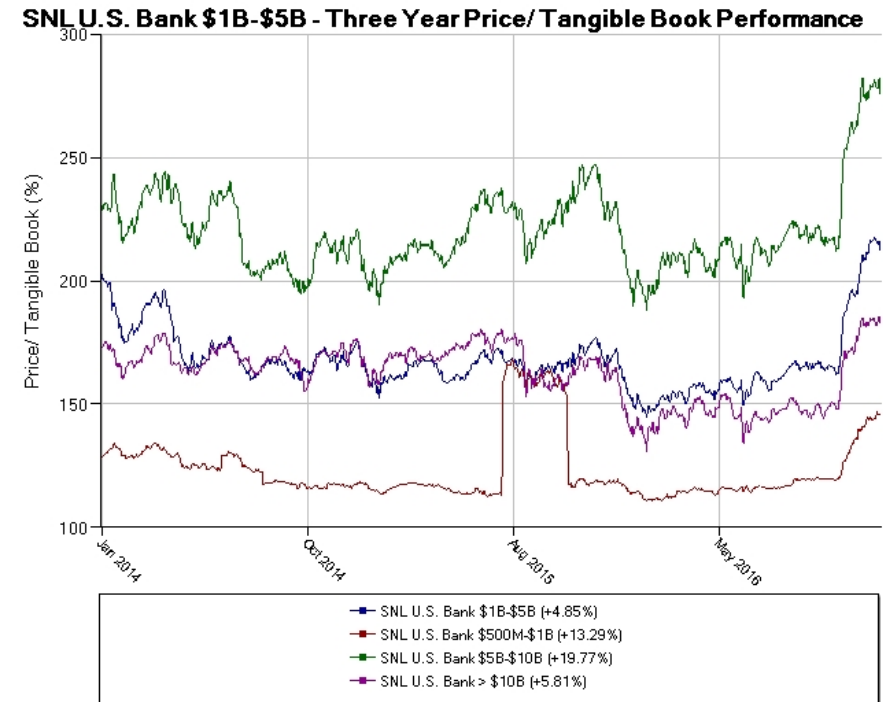
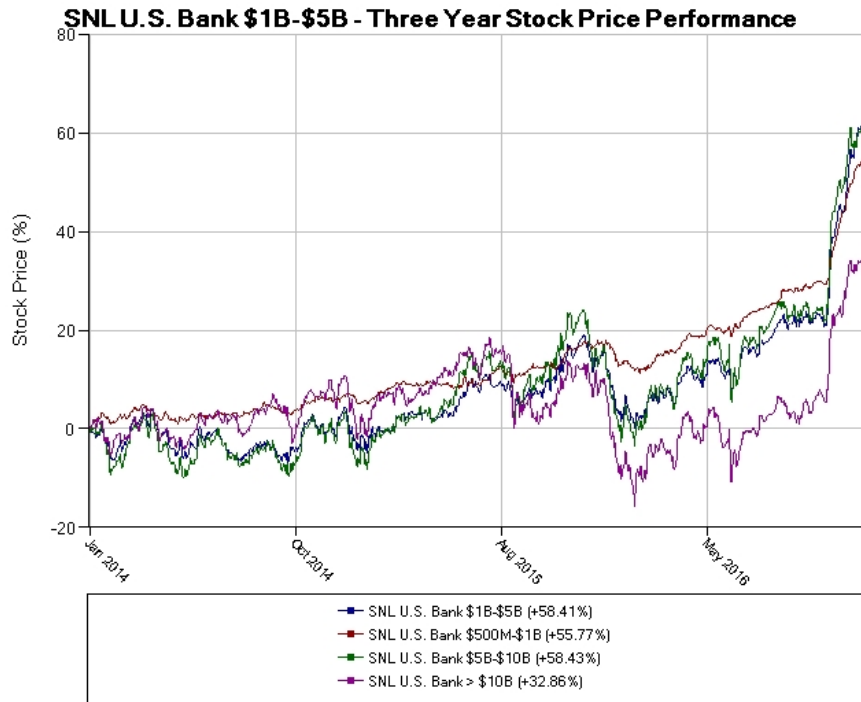
Small BHCs Exempted from Regulatory Capital Requirements if it ...

- Is not engaged in significant nonbanking activities either directly or through a nonbank subsidiary;
- Does not conduct significant off-balance sheet activities (including but not limited to securitization and assets asset management or administration) either directly or through a nonbank subsidiary; and
- Does not have a material amount of debt or equity securities outstanding (other than trust preferred securities) registered with the Securities and Exchange Commission

Public BHCs

Reflects only BHCs which are publicly traded (on major exchanges), and excludes the limited number of publicly traded stock and mutual holding company (MHC) thrifts

Public BHCs < \$5 Billion – Price Performance Outperform Largest Public BHCs and Are More Highly Valued on P/TB Basis



Source: SNL Interactive is an offering of S&P Global Market Intelligence. Bank holding companies includes thrift holding companies.

Public BHCs < \$5 Billion –

Despite Higher Net Interest Margin v. Largest Public BHCs
Profitability Lags Due to Higher Expense & Lower Noninterest Income

<i>Weighted Averages</i>	2011	2012	2013	2014	2015	2016 LTM
<u>Profitability (ROAA) (%)</u>						
BHCs <\$500M Assets	0.21	0.51	0.57	0.67	0.64	1.07
BHCs \$500M-\$1B Assets	0.29	0.56	0.70	0.78	0.84	0.89
BHCs \$1B-\$5B Assets	0.54	0.83	0.97	0.94	0.91	0.89
BHCs \$5-\$10B Assets	0.60	1.31	1.05	1.08	1.05	1.07
BHCs >\$10B Assets	0.71	0.79	0.90	0.82	1.00	0.96
<u>Net Interest Margin (%)</u>						
BHCs <\$500M Assets	3.93	3.86	3.83	3.84	3.54	3.69
BHCs \$500M-\$1B Assets	3.95	3.92	3.81	3.80	3.77	3.76
BHCs \$1B-\$5B Assets	3.93	3.92	3.79	3.73	3.64	3.62
BHCs \$5-\$10B Assets	3.93	3.92	3.98	3.99	3.77	3.70
BHCs >\$10B Assets	3.08	2.95	2.85	2.76	2.69	2.73

Observations: Subject group v. largest BHCs – generally more profitable, with stronger net interest margin

Source: SNL Interactive is an offering of S&P Global Market Intelligence. Bank holding companies includes thrift holding companies.

Public BHCs < \$5 Billion –

Less Favorable Efficiency Ratio and Noninterest Income/Operating Revenue v. Largest Public BHCs

<i>Weighted Averages</i>	2011	2012	2013	2014	2015	2016 LTM
Efficiency Ratio (%)						
BHCs <\$500M Assets	75.27	73.30	74.68	76.44	78.72	78.14
BHCs \$500M-\$1B Assets	69.22	67.88	70.67	69.19	69.08	69.33
BHCs \$1B-\$5B Assets	63.77	63.99	65.76	65.41	64.56	63.58
BHCs \$5-\$10B Assets	60.22	60.57	62.86	60.62	57.67	57.34
BHCs >\$10B Assets	67.26	66.85	65.93	65.32	62.35	61.20
Nonint Inc/Oper Rev (%)						
BHCs <\$500M Assets	17.10	16.71	19.33	19.17	20.96	20.25
BHCs \$500M-\$1B Assets	20.80	22.30	21.10	18.06	19.82	19.74
BHCs \$1B-\$5B Assets	22.88	24.95	23.79	22.73	22.97	23.68
BHCs \$5-\$10B Assets	23.52	23.73	27.71	26.03	23.75	24.39
BHCs >\$10B Assets	44.41	45.55	46.21	45.36	45.30	44.05

Observations: Subject group v. largest BHCs – generally less efficient and lower noninterest income

Source: SNL Interactive is an offering of S&P Global Market Intelligence. Bank holding companies includes thrift holding companies.

Public BHCs < \$5 Billion – Greater Lending v. Largest Public BHCs, and Similar Tangible Equity Ratio

<i>Weighted Averages</i>	2011	2012	2013	2014	2015	2016 LTM
<u>Loans/Deposits (%)</u>						
BHCs <\$500M Assets	80.04	80.08	85.20	86.43	86.71	86.72
BHCs \$500M-\$1B Assets	81.33	79.30	83.25	86.48	87.26	88.39
BHCs \$1B-\$5B Assets	79.26	78.36	81.74	85.10	87.69	87.75
BHCs \$5-\$10B Assets	81.72	84.18	84.47	85.82	88.98	89.20
BHCs >\$10B Assets	75.90	72.78	73.41	72.75	74.57	73.93
<u>Tangible Equity Ratio (%)</u>						
BHCs <\$500M Assets	10.25	9.93	8.80	9.35	8.90	8.82
BHCs \$500M-\$1B Assets	9.23	9.74	9.73	10.16	9.92	10.02
BHCs \$1B-\$5B Assets	9.08	9.33	9.31	9.60	9.25	9.20
BHCs \$5-\$10B Assets	9.19	9.83	9.74	9.41	9.03	9.08
BHCs >\$10B Assets	7.51	7.99	8.32	8.65	9.23	9.23

Observations: Subject group v. largest BHCs – generally greater lending, and similar capital levels today

Source: SNL Interactive is an offering of S&P Global Market Intelligence. Bank holding companies includes thrift holding companies.

Exhibit 3 RP[®] Financial, LC.

Founded in 1988, RP Financial is a nationally recognized bank consulting firm which has worked with over 1,200 banking companies nationwide, from de novos to those with up to \$50 billion in assets. Boards of Directors and executive management seek us for advisory, planning and valuation services because of our proven track record in assisting banks in achieving their business and strategic objectives.

Firm Qualification Statement

FIRM QUALIFICATION STATEMENT

RP[®] Financial, L.C. ("RP Financial") provides financial and management consulting, merger advisory and valuation services to the financial services companies, including banks, thrifts, credit unions, insurance companies, mortgage companies and others. We offer a broad array of services, high quality and prompt service, hands-on involvement by our senior staff, careful structuring of strategic initiatives and sophisticated valuation and other analyses consistent with industry practices and regulatory requirements. Our staff has extensive consulting, valuation, financial advisory and industry backgrounds.

STRATEGIC PLANNING SERVICES

RP Financial's strategic planning services, for established or de novo banking companies, provide effective feasible plans with quantifiable results to enhance shareholder value, achieve regulatory approval or realize other objectives. We conduct situation analyses; establish mission/vision statements, develop strategic goals and objectives; and identify strategies to enhance value, address capital, increase earnings, manage risk and tackle operational or organizational matters. Our proprietary financial simulation models facilitate the evaluation of the feasibility, impact and merit of alternative financial strategies.

MERGER ADVISORY SERVICES

RP Financial's merger advisory services include targeting buyers and sellers, assessing acquisition merit, conducting due diligence, negotiating and structuring deal terms, preparing merger business plans and financial simulations, rendering fairness opinions, preparing fair valuation analyses and supporting post-merger strategies. RP Financial is also expert in de novo charters, shelf charters and failed bank deals with loss sharing or other assistance. Through financial simulations, valuation proficiency and regulatory familiarity, RP Financial's merger advisory services center on enhancing shareholder returns.

VALUATION SERVICES

RP Financial's extensive valuation practice includes mergers, thrift stock conversions, insurance company demutualizations, merger valuation and goodwill impairment, ESOPs, going private, secondary offerings and other purposes. We are highly experienced in performing appraisals conforming with regulatory guidelines and appraisal standards. RP Financial is the nation's leading valuation firm for thrift stock conversions, with offerings ranging up to \$4 billion.

MANAGEMENT STUDIES

RP Financial provides effective organizational planning, and we are often engaged to prepare independent management studies required for regulatory enforcement actions. We evaluate Board, management and staffing needs, assess existing talent and capabilities and make strategic recommendations for new positions, replacement, succession and other organizational matters.

ENTERPRISE RISK ASSESSMENT SERVICES

RP Financial provides effective enterprise risk assessment consulting services to assist our clients in evaluating the degree to which they have properly identified, understood, measured, monitored and controlled enterprise risk as part of a deliberate risk/reward strategy and to help them implement strategies to mitigate risk, enhance performance, ensure effective reporting and compliance with laws and regulations and avoid potential future damage to their reputation and associated consequences and to mitigate residual risk and unanticipated losses.

OTHER CONSULTING SERVICES

RP Financial provides other consulting services including evaluating regulatory changes, development diversification and branching strategies, conducting feasibility studies and other research, and preparing management studies in response to regulatory enforcement actions. We assist clients with CRA plans and revising policies and procedures. Our other consulting services are aided by proprietary valuation and financial simulation models.

Ronald S. Riggins

Ronald (Ron) S. Riggins, President and Managing Director of RP[®] Financial, L.C., has been a financial advisor, strategist and management consultant to the banking and financial services industries since 1980. He has advised executive management and Boards in successfully addressing strategic issues, implementing transactions and developing techniques to enhance shareholder value and address safety and soundness. He has guided the firm's valuation practice, which encompasses a wide variety of matters. Under his direction, the thrift conversion and insurance company de-mutualization valuation process has been pioneered and refined. His clients have included financial services companies (banks, thrifts, credit unions, insurance companies and agencies, and mortgage banks), private equity investors, regulators and the investment community.



Ronald S. Riggins
President &
Managing Director

Mr. Riggins has extensive capital markets experience, including mergers, initial/secondary offerings, recapitalizations, branch sales, TARP replacement and “going private” deals. He has served as financial advisor and valuation expert in hundreds of capital market transactions up to \$4 billion in offering value, including some of the nation's largest stock offerings. In capital markets transactions, he regularly provides various corporate valuations, due diligence analyses, strategic planning services and merger valuation services consistent with the accounting requirements. Under his direction, RP[®] Financial has become a national leader in merger advisory services for banking companies. He has advised many clients on CRA matters. He serves as a liaison with attorneys, investment bankers, accountants and regulators in a variety of complex deals and strategic matters.

Prior to forming RP[®] Financial in 1988, Mr. Riggins spent eight years as a financial advisor, securities analyst and senior consultant at other leading banking and financial services consulting firms, including Executive Vice President with Financial Strategy Group (subsequently known as Capital Resources), where he directed much of the valuation, merger advisory, strategic planning and consulting practice, Riviere Securities Corporation and Kaplan, Smith & Associates.

Mr. Riggins resides in Virginia and earned his Economics degree from the College of William and Mary. Mr. Riggins has spoken to groups within the financial services industry on numerous occasions and has been quoted in a variety of national, regional and trade publications. Mr. Riggins has served as a valuation and merger advisory expert in various litigation matters, including cases involving dissenters rights, supervisory goodwill and stock conversion valuation and related methodology.

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