The financial and structural results of community banks and thrifts 2006-2016

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Mutual Forum October 2017

Highlights

- Mutual banks and thrifts experienced lower failure rates and produced less volatile financial results in the crisis
- There are several well represented business models among today's community bank population
- CRE lenders tended to grow the fastest but also had greater swings in profitability and higher crisis loss rates

Stock-owned thrifts and banks have seen more attrition over the last ten years

Depositories with assets < $10 billion*

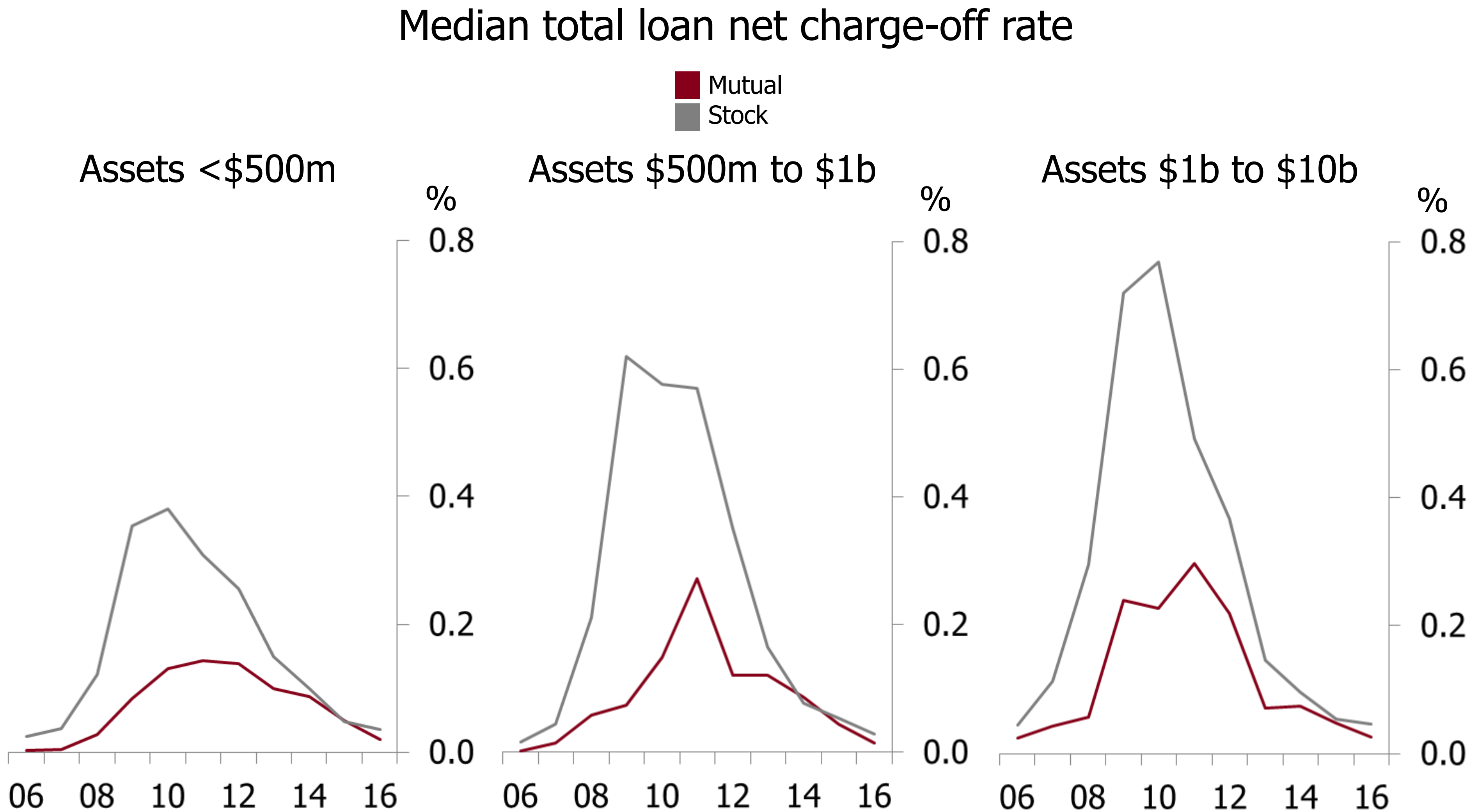
			2006 population	share of 2006 population that failed between 2006 and 2016	share of 2006 population that merged between 2006 and 2016	share of 2006 population that closed between 2006 and 2016
Assets < $500 million	commercial banks	public	1,066	8%	36%	6%
		other	5,070	5%	19%	3%
	thrifts	mutual	526	3%	13%	7%
		stock	463	7%	26%	11%
Assets $500 million to 1 billion	commercial banks	public	237	10%	30%	5%
		other	190	13%	13%	4%
	thrifts	mutual	53	0%	8%	2%
		stock	107	6%	37%	6%
Assets $1-10 billion	commercial banks	public	256	7%	28%	4%
		other	91	15%	14%	5%
	thrifts	mutual	20	0%	10%	0%
		stock	101	15%	27%	5%

Source: Call Reports from OCC Integrated Banking Information System; SNL

* Thrifts include all FDIC-insured savings institutions; commercial banks include all FDIC-insured National banks and state commercial banks.

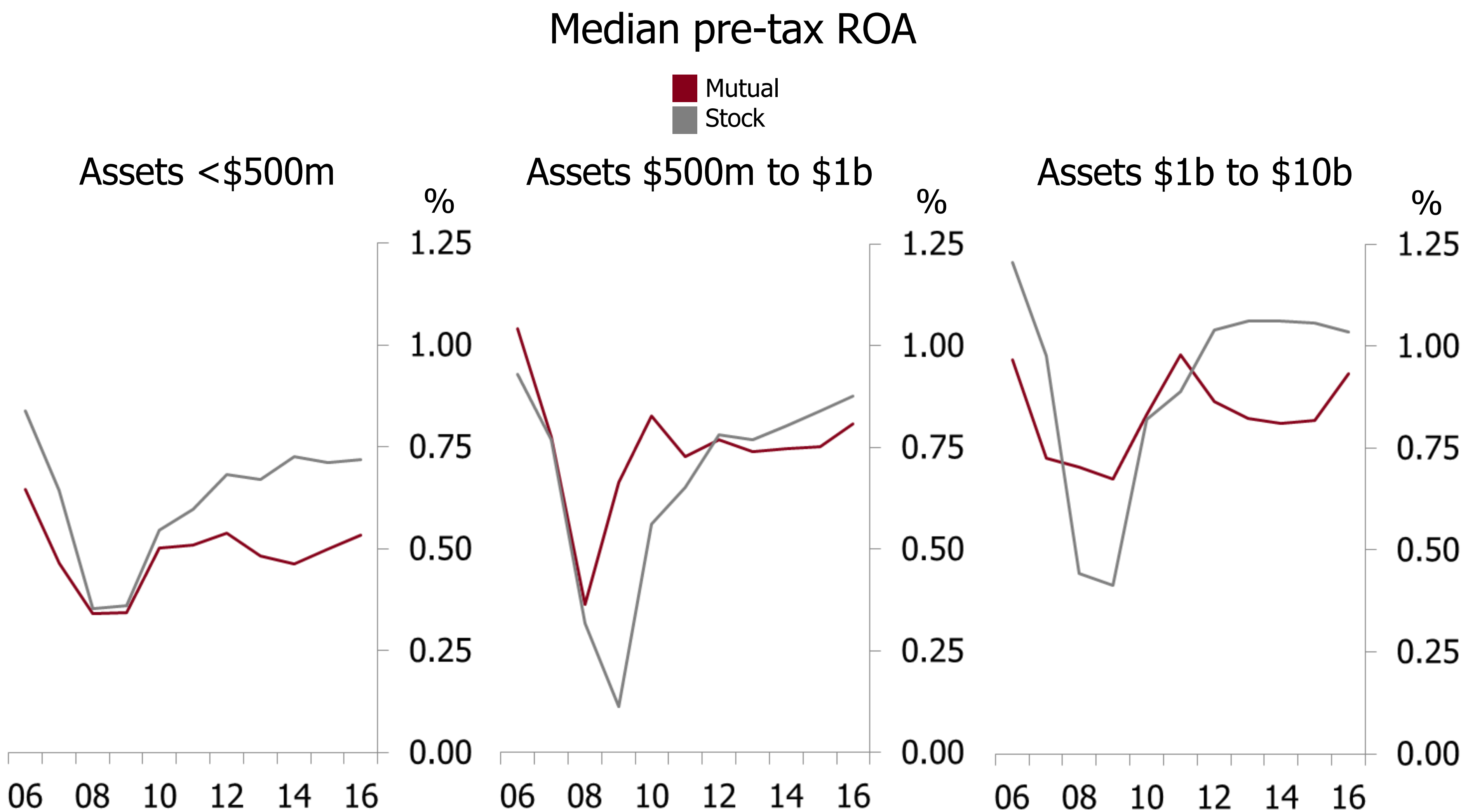
Charge-off rates on total loans experienced less of a rise at mutual institutions

Thrifts with assets < $10 billion



Source: Call/Thrift Reports from OCC Integrated Banking Information System; SNL

Mutual profitability generally steadier in the crisis
Thrifts with assets < $10 billion

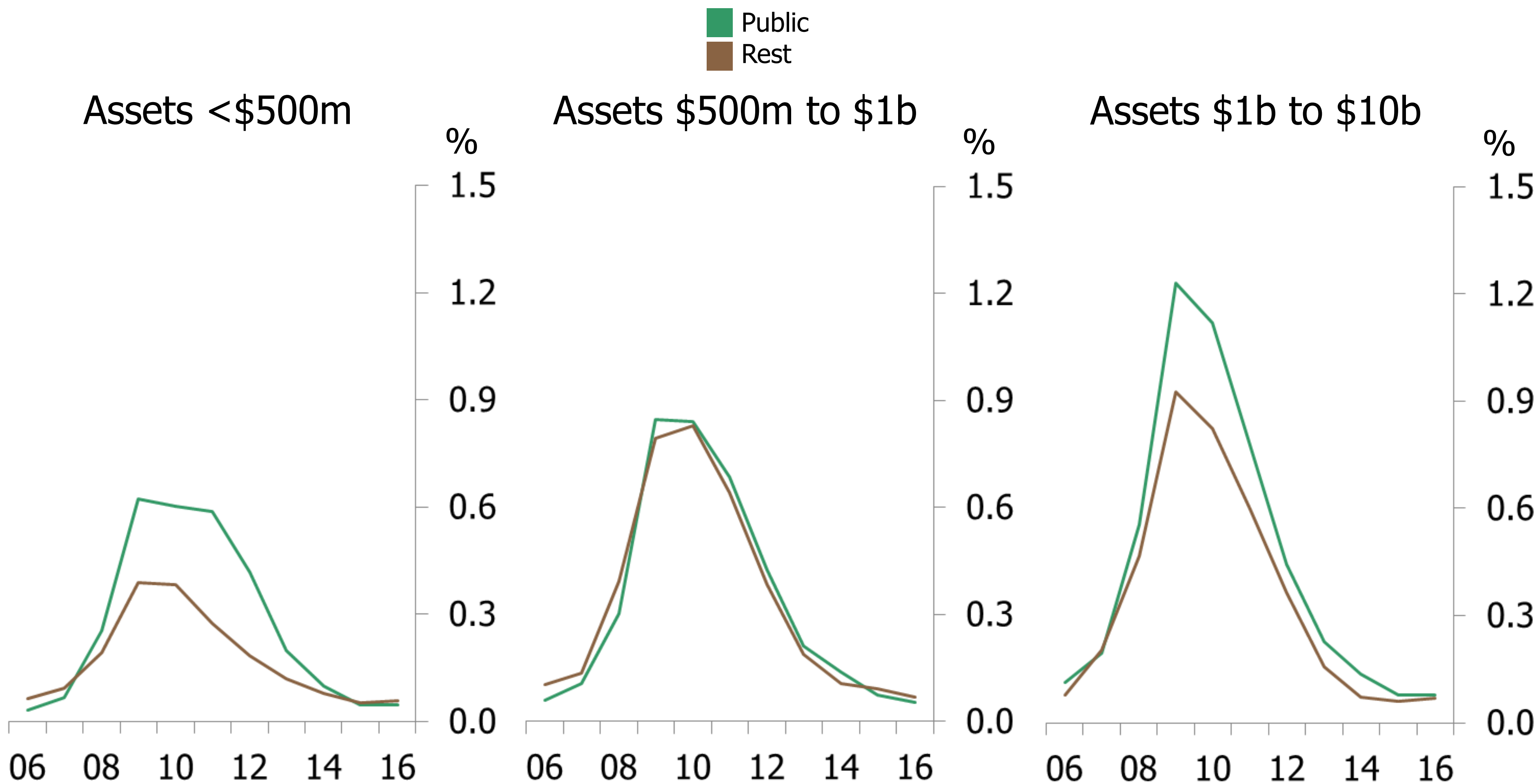


Source: Call/Thrift Reports from OCC Integrated Banking Information System; SNL

Publically traded banks tended to have higher loss rates

Commercial banks with assets < $10 billion

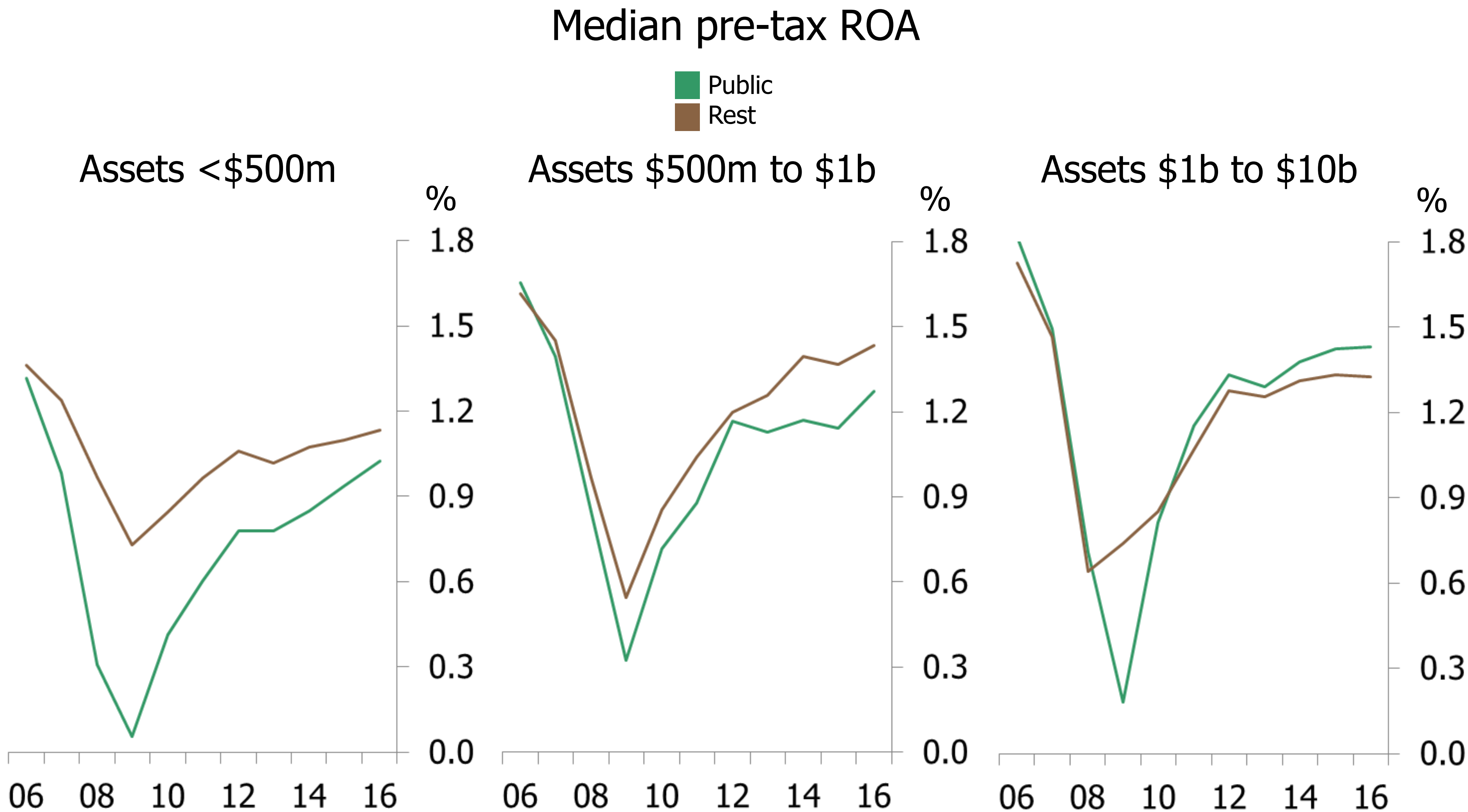
Median total loan net charge-off rate



Source: Call/Thrift Reports from OCC Integrated Banking Information System; SNL

Privately held outside of the largest community banks actually performed better as well

Commercial banks with assets < $10 billion



Source: Call/Thrift Reports from OCC Integrated Banking Information System; SNL

Bank representation fairly well distributed

FDIC-insured depositories with assets < $1 billion

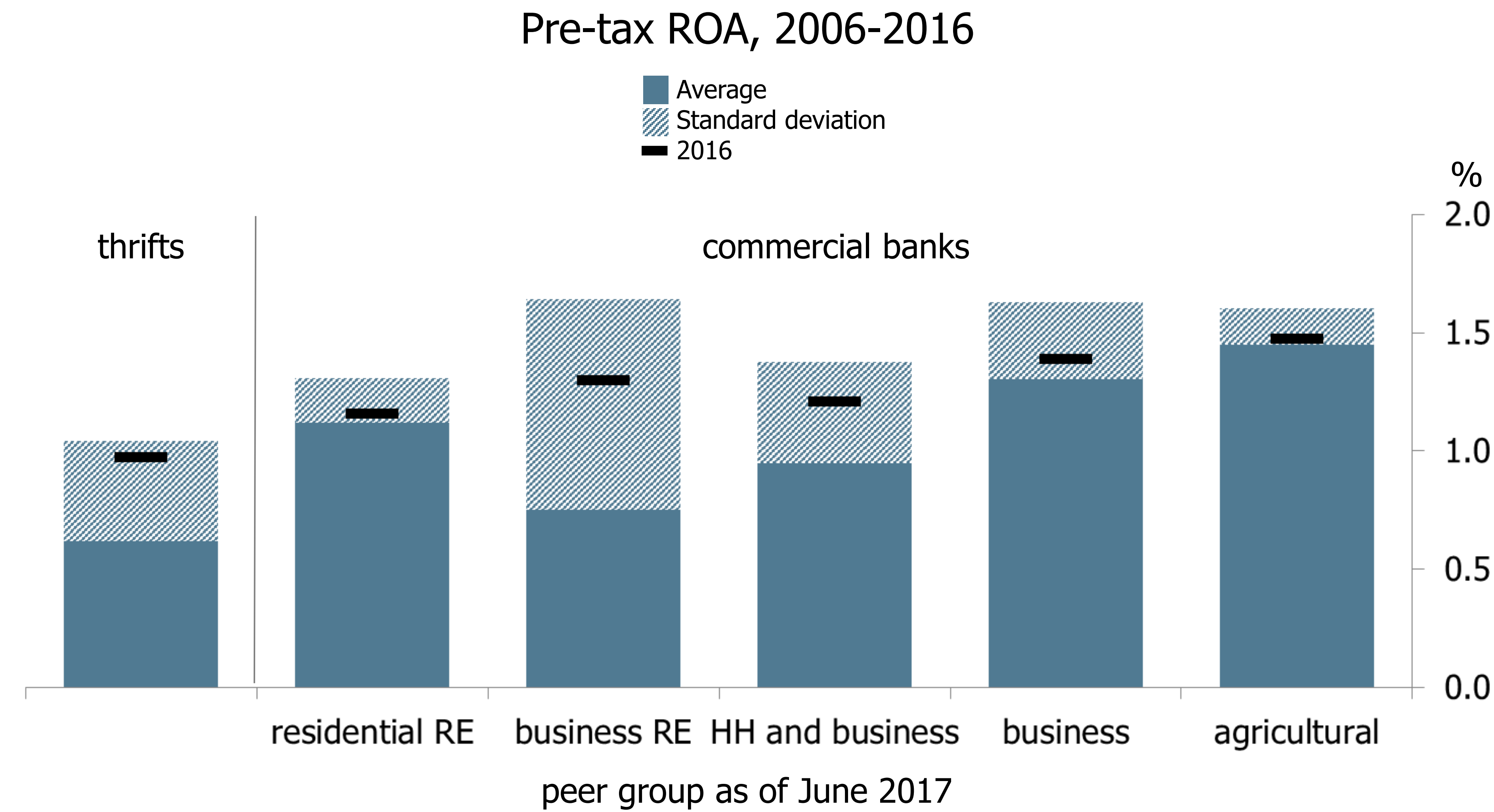
Bank type	Peer group as of June 2017	count	share
Commercial banks	Residential real estate banks	975	22%
	Business real estate lenders	971	22%
	Household and business lenders	926	21%
	Business lenders	636	15%
	Agricultural lenders	604	14%
	No-specialty lenders	164	4%
	Household lenders	81	2%
Thrifts		644	100%

Source: Call Report from OCC Integrated Banking Information System

Data are for 2Q:2017 and exclude credit card banks, international banks, nonlenders, and recent de novo banks.

Business and ag lenders have had the most profitable business model over the last 10 years

FDIC-insured depositories with assets < $1 billion

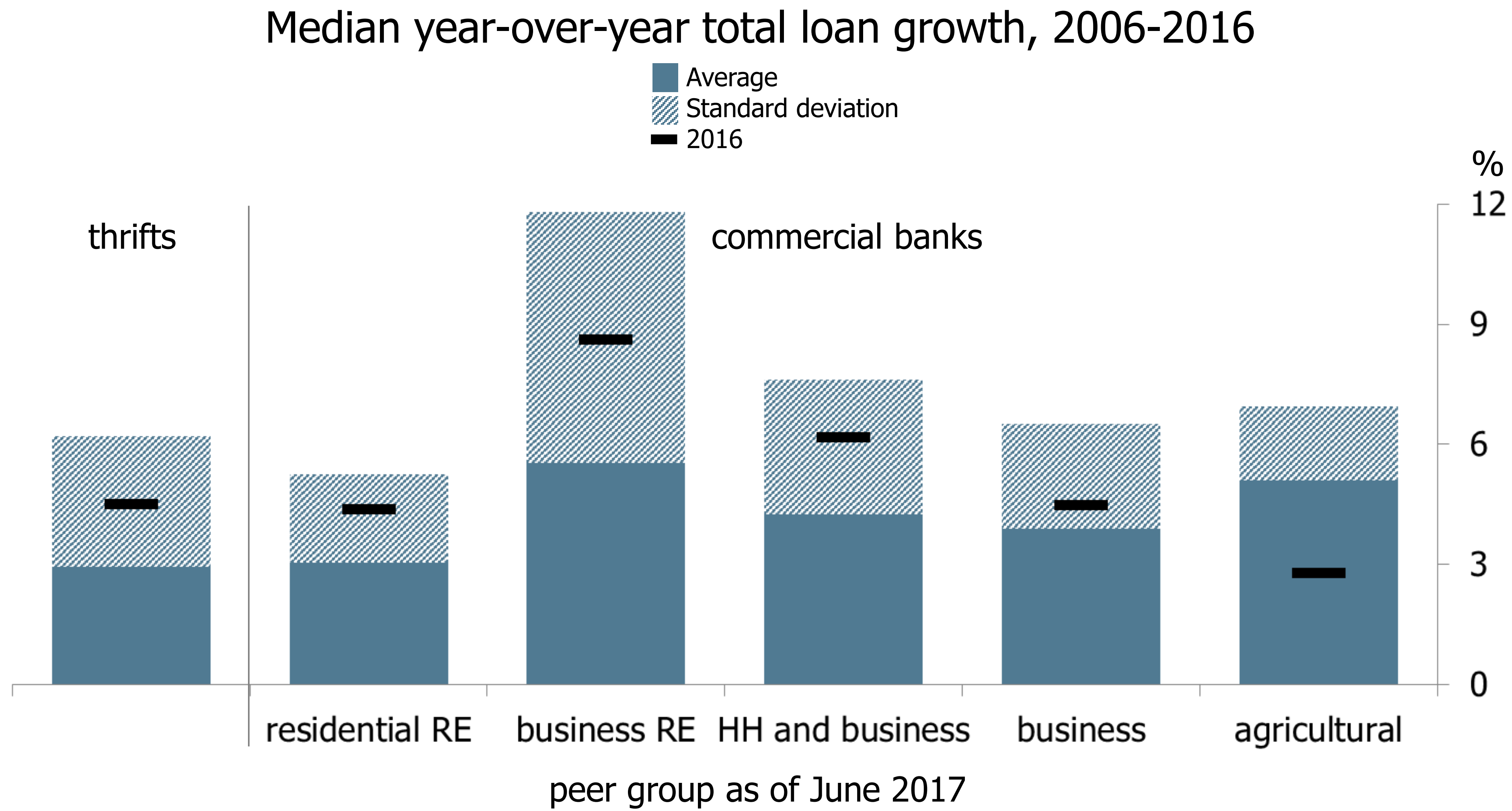


Source: Call Report from OCC Integrated Banking Information System

Commercial bank data exclude credit card banks, international banks, nonlenders, and recent de novo banks.
Thrift bank data exclude specialists.

Lending growth tends to be fastest at CRE lenders but is also the most volatile

FDIC-insured depositories with assets < $1 billion



Source: Call Report from OCC Integrated Banking Information System

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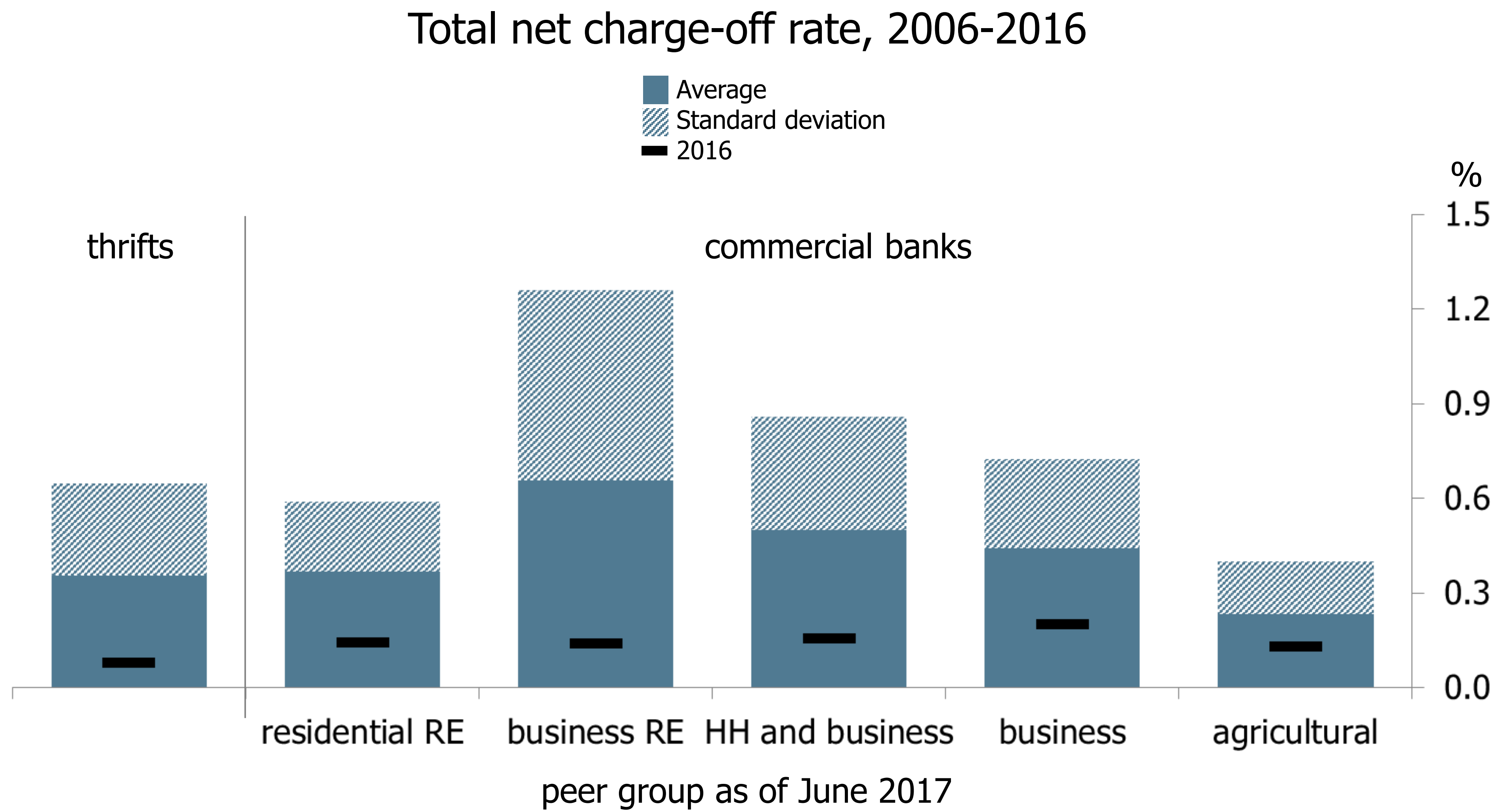
Similar to the loan growth story CRE model suggests more of a boom/bust path

FDIC-insured depositories with assets < $1 billion



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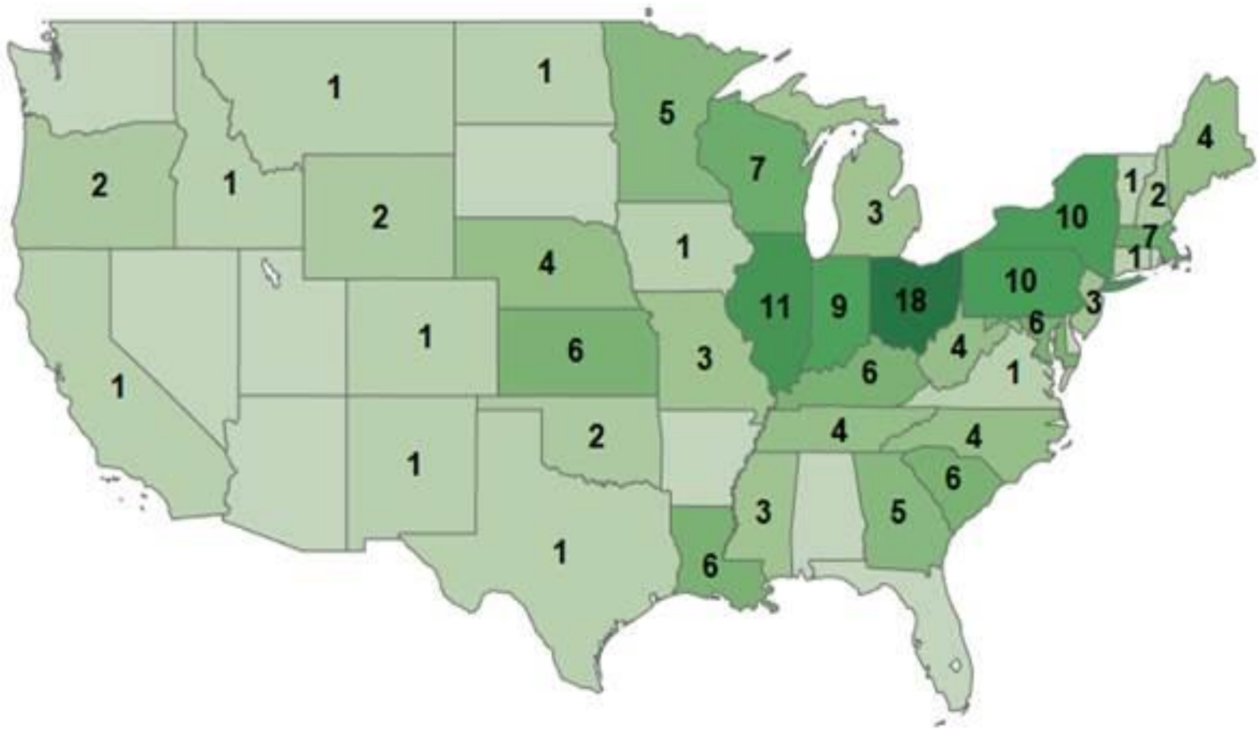
OCC Quarterly Update: Mutual Savings Associations

Mutual Forum October 2017

OCC-regulated Mutual Savings Associations by State

- OCC regulates 357 FSAs, including 141 Mutual FSAs and 22 Stock FSAs in a MHC Structure
- The primary concentrations of OCC-regulated, Mutual FSAs remain in the Central and Northeastern Districts



Mutual FSAs vs Other Savings Banks

as of June 30, 2018

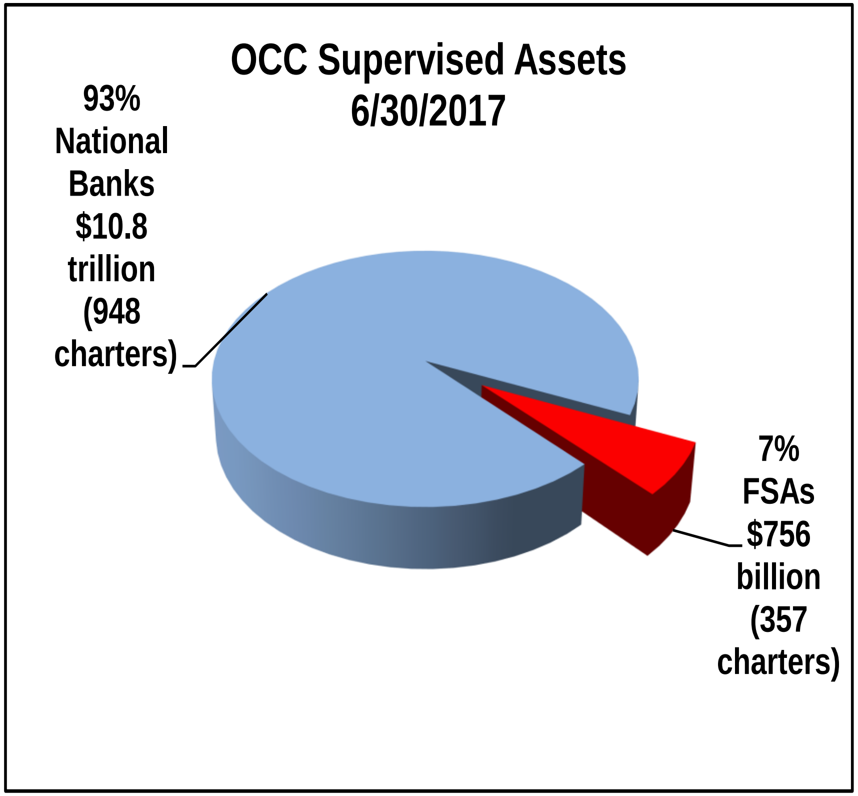
Prim Reg	# Charters	% Charters	Assets by $ (000's)	Assets by % (000's)
OCC	357	48%	755,786,163	66%
FDIC	387	52%	385,143,007	34%
Total	**744**	**100%**	**1,140,929,170**	**100%**

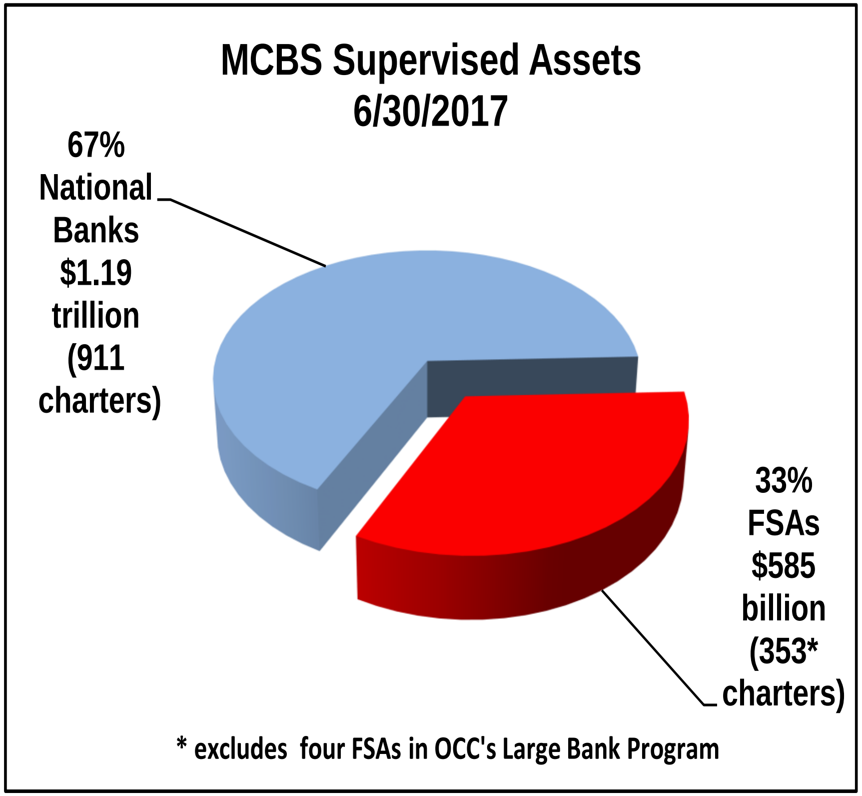
- OCC regulates 48 percent of the FSA industry by number of charters and 66 percent by total assets
- Total FSA industry assets approximate $1.1 trillion

- MSAs are 40 percent of the OCC-regulated FSA charters and 46 percent when you add Stock FSAs in an MHC structure.
- OCC regulates $58 billion in total assets in the Mutual industry

Organizational Form	# Chart	% Chart	$ Assets	% Assets
Mutual FSAs	141	40%	45,473,412	6%
Stock FSAs in a MHC Structure	22	6%	12,954,661	2%
Total Adjusted Mutual FSAs	**163**	**46%**	**58,428,073**	**8%**
Stock FSAs	**194**	**54%**	**697,358,090**	**92%**
Total FSAs	**357**	**100%**	**755,786,163**	**100%**

The Bigger Picture – FSAs versus total OCC-regulated assets





FSA Asset Distribution

As of June 30, 2017

- Two-thirds of the Mutual FSAs that OCC regulates are below $250 million in total assets.
- Comparatively, twenty-three percent of stock FSAs are over $1 billion compared to only four percent for mutual FSAs.

Asset Size	All FSAs		Mutual FSAs		Stock FSAs	
	#	%	#	%	#	%
Less Than $50MM	41	11%	24	17%	17	8%
$50MM To $100MM	58	16%	31	22%	27	13%
$100MM To $250MM	98	27%	39	28%	59	27%
$250MM To $500MM	66	18%	29	21%	37	17%
$500MM To $1B	39	11%	12	9%	27	13%
Greater Than $1B	55	15%	6	4%	49	23%
Total	**357**	**100%**	**141**	**100%**	**216**	**100%**

Asset Quality Trends for FSAs

as of June 30, 2017 (median values)

- Asset quality for FSAs is continuing to improve
- Year-over-year, classified and nonperforming assets continued to decline
- Loan growth is also improving

Financial Measure	6/30/2017			6/30/2016		
	All FSAs	Mutual	Stock	All FSAs	Mutual	Stock
Special Mention /Tier 1 + ALLL	2.84	2.10	3.65	3.49	2.17	4.82
% Classifed Assets /Tier 1+ ALLL	11.78	9.55	14.13	13.87	10.54	16.11
Non-cur Lns&OREO/Lns&OREO	1.04	1.09	1.04	1.32	1.36	1.23
ALLL / Loan & Leases Not HFS	1.00	0.94	1.11	1.01	0.98	1.06
Net Loan & Lease Growth Rate	4.46	3.28	6.61	3.85	1.94	5.47
Net Loss / Avg Tot Lns & Ls	0.01	0.00	0.01	0.02	0.01	0.03

Earnings and Capital Performance

As of June 30, 2017 (median values)

- Earnings and capital remained stable year-over-year with slight declines in the efficiency ratio.
- While NIM improved slightly for stock FSAs, it declined for Mutuals.

Financial Measure	6/30/2017			6/30/2016		
	All FSAs	Mutual	Stock	All FSAs	Mutual	Stock
ROAA Adj Sub S	0.53	0.41	0.66	0.50	0.40	0.61
Net Interest Margin (NIM)	3.31	3.15	3.51	3.30	3.22	3.41
Efficiency Ratio	78.68	81.92	75.15	80.10	82.05	78.10
T1 Leverage Capital	12.02	14.41	10.90	11.91	14.05	11.09
T1 RBC to Risk-Wt Assets	20.23	26.67	16.52	20.30	27.02	17.17
Total RBC to Risk-Wt Assets	21.34	27.39	17.78	21.31	27.70	18.11
Common Equity Tier 1	20.23	26.67	16.52	19.98	26.90	16.97

Liquidity and Sensitivity Trends

as of June 30, 2017

- Reliance on wholesale funding increased and is garnering interest industry-wide
- The long-term asset to total assets ratio edged higher to 47.83 percent. The residential real estate to total assets ratio remains elevated and increased to 52.17 percent. The ratio of nonmaturity deposits to long-term assets improved to 79.60 percent.

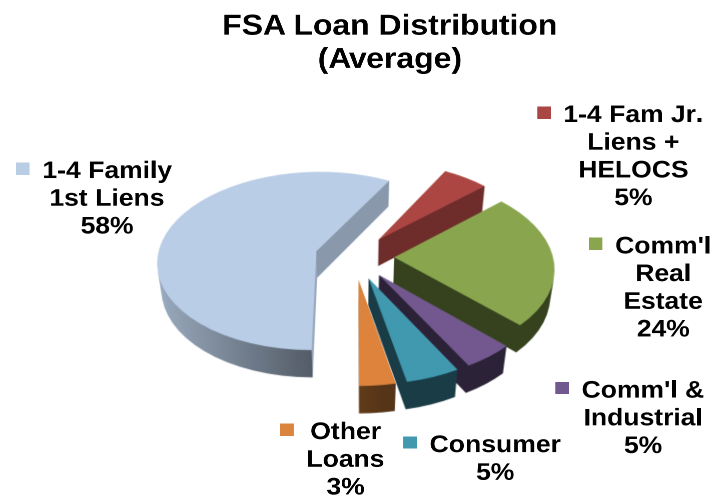
Financial Measure	6/30/2017			6/30/2016		
	All FSAs	Mutual	Stock	All FSAs	Mutual	Stock
Non-Core Funding Dependence	2.21	-3.59	7.73	1.45	-4.12	6.38
% Reliance on Whole. Funding	6.34	1.44	10.03	5.72	1.31	9.99
Loans to Deposits	88.18	82.25	91.53	88.14	82.10	91.98
% LT Assets /Total Assets	47.83	54.17	44.26	47.19	51.19	40.92
% Res Real Estate /Total Assets	52.17	59.91	46.35	52.06	60.53	46.63
Non-Mat Deposits/Long Assets	79.60	70.26	86.56	79.32	69.52	86.74

FSA Loan Distribution

as of June 30, 2017

Loan Distribution by FSA Type-Straight Average

Charter Type	$ Loans (000's) 6/30/2017	% of Total Loans					
		1-4 Family 1st Liens	1-4 Fam Jr. Liens + HELOCS	Comm'l Real Estate	Comm'l & Industrial	Consumer	Other Loans
Mutual	32,432,826	70%	5%	17%	2%	3%	3%
Stock	365,954,403	49%	6%	29%	6%	6%	4%
All FSAs	398,387,229	58%	5%	24%	5%	5%	3%



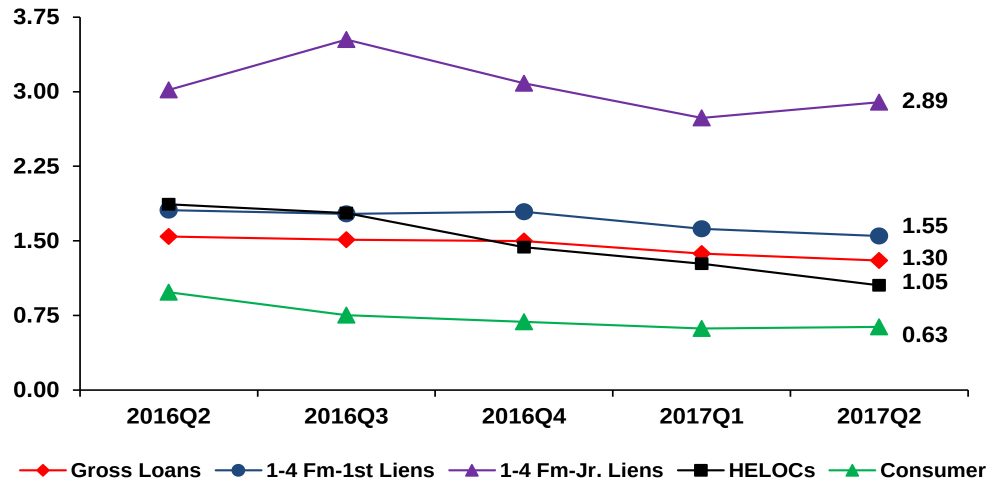
Noncurrent Loan Trends

as of June 30, 2017

FSA Year-over-Year Noncurrent Loan Comparison

Loan Type	6/30/2017			6/30/2016		
	All FSAs	Mutual	Stock	All FSAs	Mutual	Stock
Gross Loans	1.30	1.24	1.35	1.54	1.47	1.59
1-4 Fm-1st Liens	1.55	1.25	1.77	1.81	1.45	2.07
1-4 Fm-Jr. Liens	2.89	1.72	3.70	3.02	2.17	3.62
HELOCs	1.05	0.67	1.31	1.87	1.83	1.89
Consumer	0.63	0.53	0.71	0.98	0.62	1.23
C & D Loans	1.57	1.49	1.64	2.21	2.84	1.76
MultiFamily	1.32	1.09	1.49	1.35	0.76	1.75
Commercial RE	1.28	1.41	1.18	1.51	1.67	1.39
C & I Loans	1.49	1.46	1.51	2.23	1.71	2.47

FSA Retail Noncurrent Loan Trends



Ratings and Risk Assessment Analysis

as of June 30, 2017