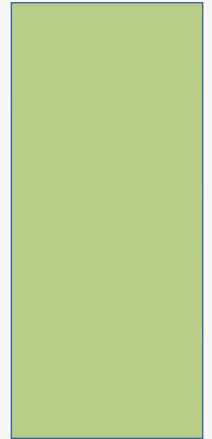


COMMUNITY BANKING BY THE NUMBERS

TIMOTHY W. KOCH



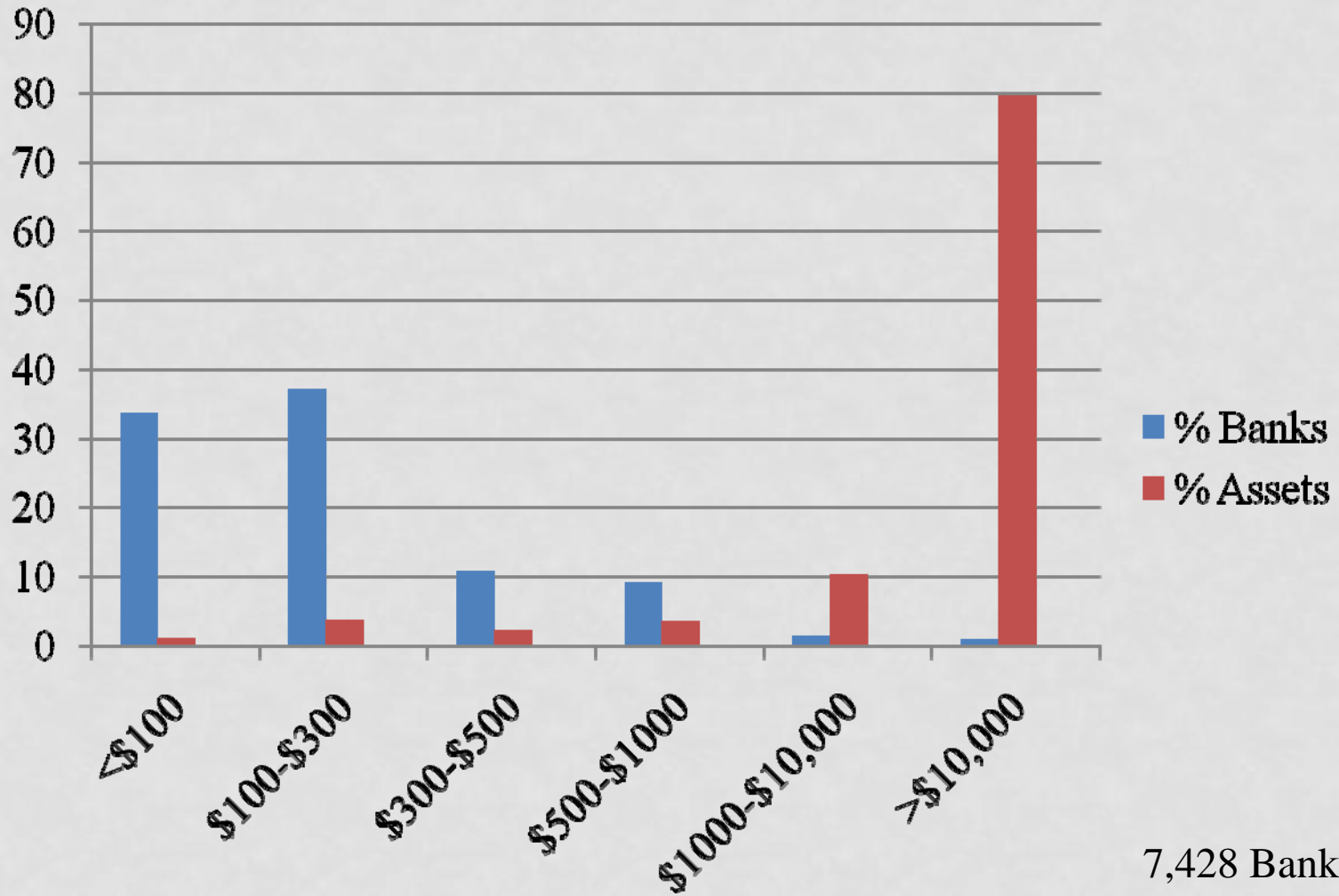
General Attributes of a Community Bank

1. Management focuses on 'high-touch' relationships with bank customers, employees and stockholders.
2. Management pursues core financial strategies:
 - a. Capital adequacy
 - b. Reliance on core deposits
 - c. Originate and hold loans
 - d. Hold sufficient liquid assets
 - e. Net interest income is the primary source of earnings
3. Bank competes in limited geographic markets.
4. There is a strong link between ownership and management.

Implications

- Size matters – at some point, the firm becomes too large and focuses on transactions efficiency. This is not ‘bad’; it represents a different business model.
- Business strategy is important – focus on long-term relationships. What is management’s/owners’ strategic objective? Growing quickly in order to sell to a larger organization is inconsistent with a focus on long-term relationships.
- Closely-held organizations likely manage risk differently. Differentiate between S Corp banks, mutual organizations, other closely-held firms and other institutions.

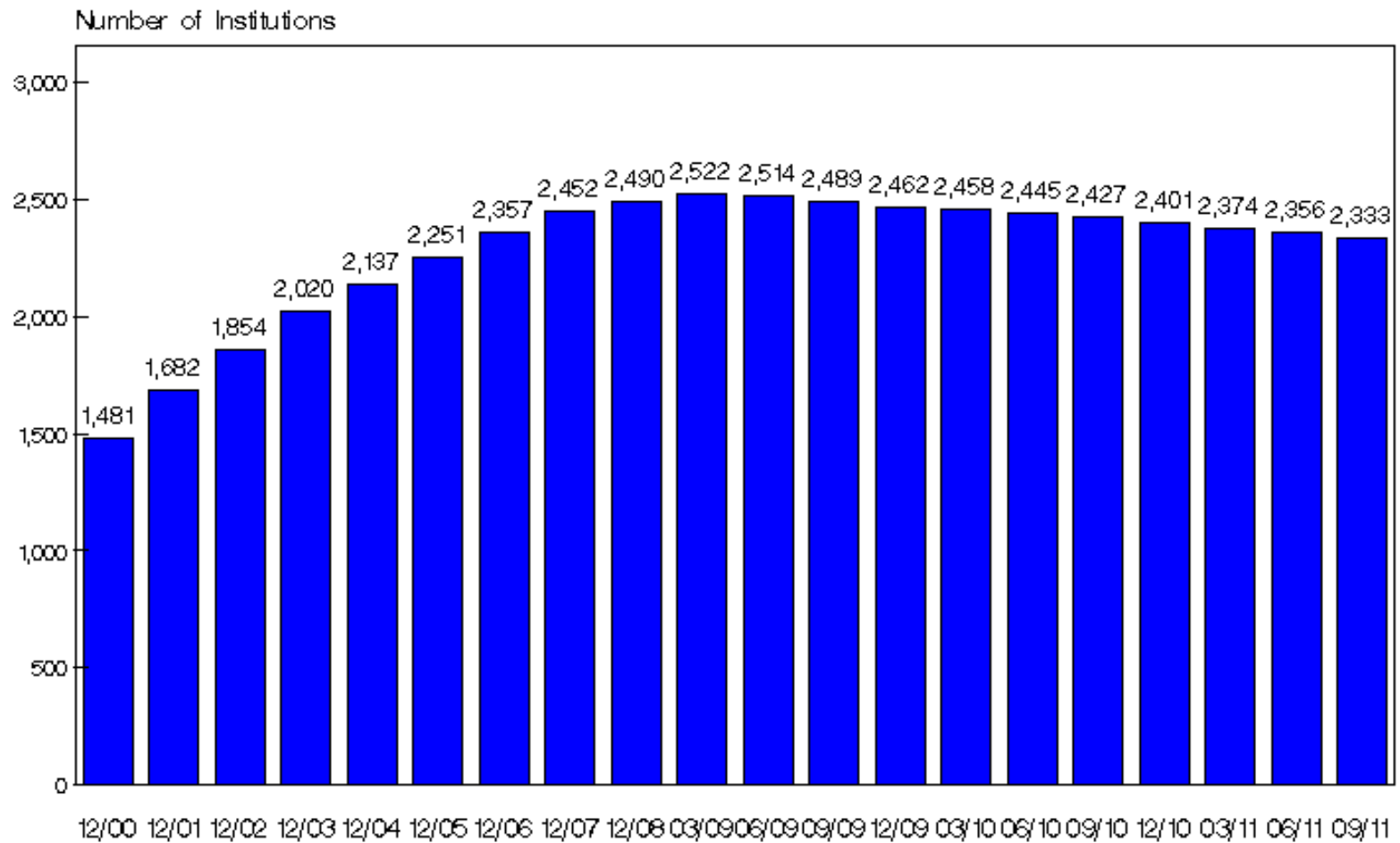
Size Distribution of U.S. Banks: Sept. 2011



Source: SNL Financial; provided by FinPro

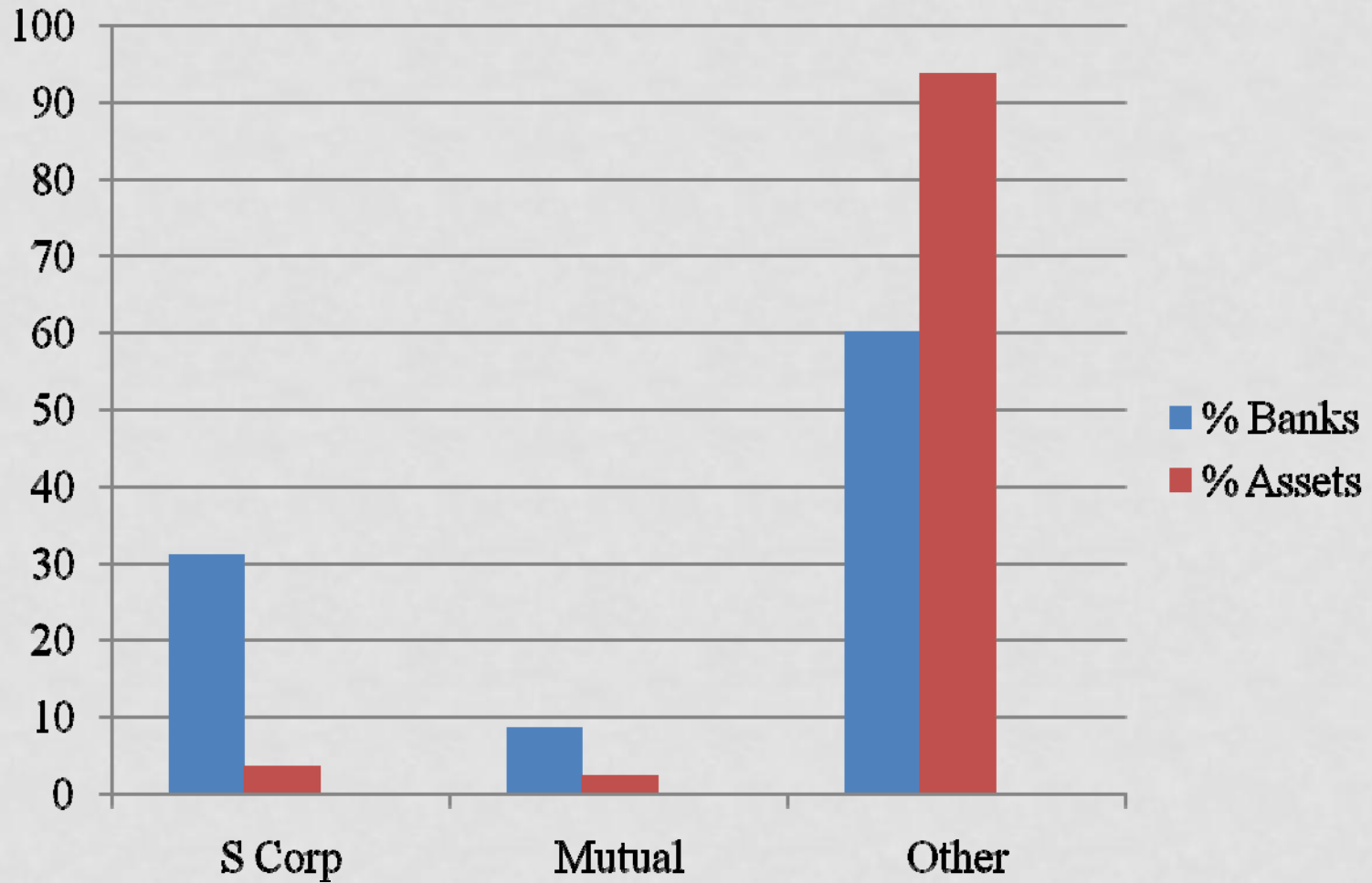
Number of Subchapter S Corporations

2000–2011



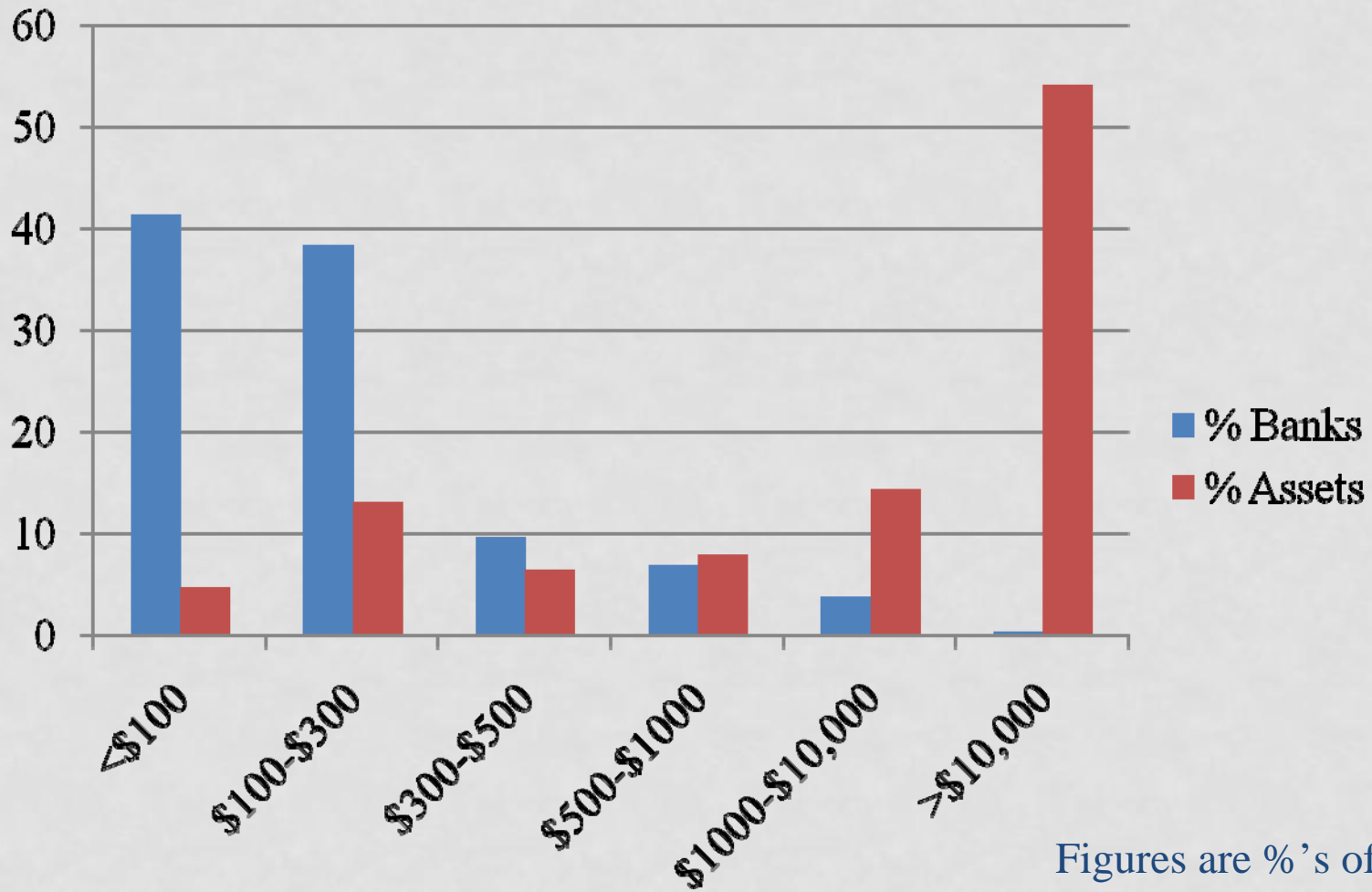
Source: www.fdic.gov; Quarterly Banking Profile, Graph Book

Distribution by Bank Ownership



Source: SNL Financial

Size Distribution of S Corp Banks & Mutuals



Figures are %'s of Totals
for S Corps & Mutuals

Source: SNL Financial, Sept. 2011