cutting through complexity

Community Banking Survey: **Seeking strategic advantage**

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CONTENTS


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IT'S TIME TO PLAN FOR GROWTH: PAINS AND GAINS AHEAD

As community banks keep up their sense of growing optimism, they remain challenged with keeping up with hefty regulatory demands while at the same time needing to take concrete steps to better plan and grow their business. There will be continued growth pains in the 12 to 36 months ahead, but those community banks who can strike a balance to maneuver through the regulatory demands while investing for future growth will gain a *strategic advantage*.

I am pleased to present KPMG LLP's (KPMG) Community Banking Survey, which provides candid perspectives and insights from 100 CEOs and other senior executives of regional and community banks. This report includes both a snapshot of current conditions and impressions of what the future may hold for this financial sector.

While pervasive regulatory concerns have been an expensive burden from the operating costs side, we see community banks have survived this until now, and are currently moving into enhancing their risk management programs and seeking robust operational improvement. The sector is starting to look at Enterprise Risk Management (ERM) again as banks are evaluating risk more broadly across the organization. But this time, are there ways to plan better and to be smarter when executing a strategy?

In our view, it's now crucial to have an optimal plan for taking the right steps and making the right risk management, operational, and information technology investments. Community banks need to ask themselves the

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deeper assessment questions to figure out their new strategic trajectory, such as:

- *How are they addressing anti money laundering (AML) and other regulatory compliance requirements, which have the biggest impact on operating costs?*
- *How are they automating, simplifying, and upgrading their IT platform?*
- *Are they targeting various customer segments to grow their business? How do they use social media and mobile banking to target them?*
- *In preparation for M&A transactions, are they hiring people with the right regulatory risk skills? Are they prepared for regulators, by making the infrastructure investment in risk management in addition to operations?*
- *Are they planning for what steps to take as they aim to grow into the next larger segment?*

Where there may be a lack of in-house resources, community banks need to be more nimble and creative in order to receive more value for their infrastructure investments and regulatory support. Rather than waiting too long and then playing catch-up, the proper investment balance now will allow for spending time growing customer business instead. In a nutshell, investing in risk management and the IT infrastructure in the right way today, will pay off for years of future growth ahead—and result in having that coveted strategic advantage.

On behalf of KPMG, I would like to thank those who participated in the survey. I hope the findings are useful to you in addressing the challenges and opportunities in the year ahead. I also welcome the chance to discuss this study and its implications for your business in the coming months.

John Depman
National Leader for Regional and Community Banking, KPMG LLP

STRATEGIC RISK AND REGULATORY PLANNING PAYS OFF

Banks, along with many other financial institutions, have been confronted with a host of regulatory requirements and prohibitions in recent years: the Dodd-Frank Act; the Volker Rule; and the Basel III framework being among the most notable.

In this regulatory environment, it's important for community banks to implement robust risk management programs and to ensure regulatory compliance measures are up to date so that they aren't held back in a regulatory "penalty box" just when they need to grow. Community banks that have been strategic about risk and regulatory planning will not miss out on future growth opportunities; they will be ready to proceed toward a winning strategy that focuses on revenue growth, particularly in their niche markets.

There's significant concern that the current challenging regulatory environment and the risk management issues it's raised will have a negative impact on growth. In fact, this year's survey reveals about one third of all respondents cited regulatory and legislative pressures as the most significant growth barrier facing their bank over the next 12 months, with risk management concerns not far behind (at 26 percent).

Q: Which of the following are the most significant growth barriers facing your bank over the next 12 months?*

Regulatory and legislative pressures	32%
Interest rate pressures	27%
Risk management issues	26%
Performance of commercial and industrial market	20%
Staying on top of emerging technologies	19%
Employee-related costs	18%
Lack of qualified workforce	14%
Performance of residential real estate market	14%
Increased taxation	11%
Lack of customer demand	11%
Access to and managing capital	10%
Performance of commercial real estate market	8%
Lack of creditworthy borrowers	8%

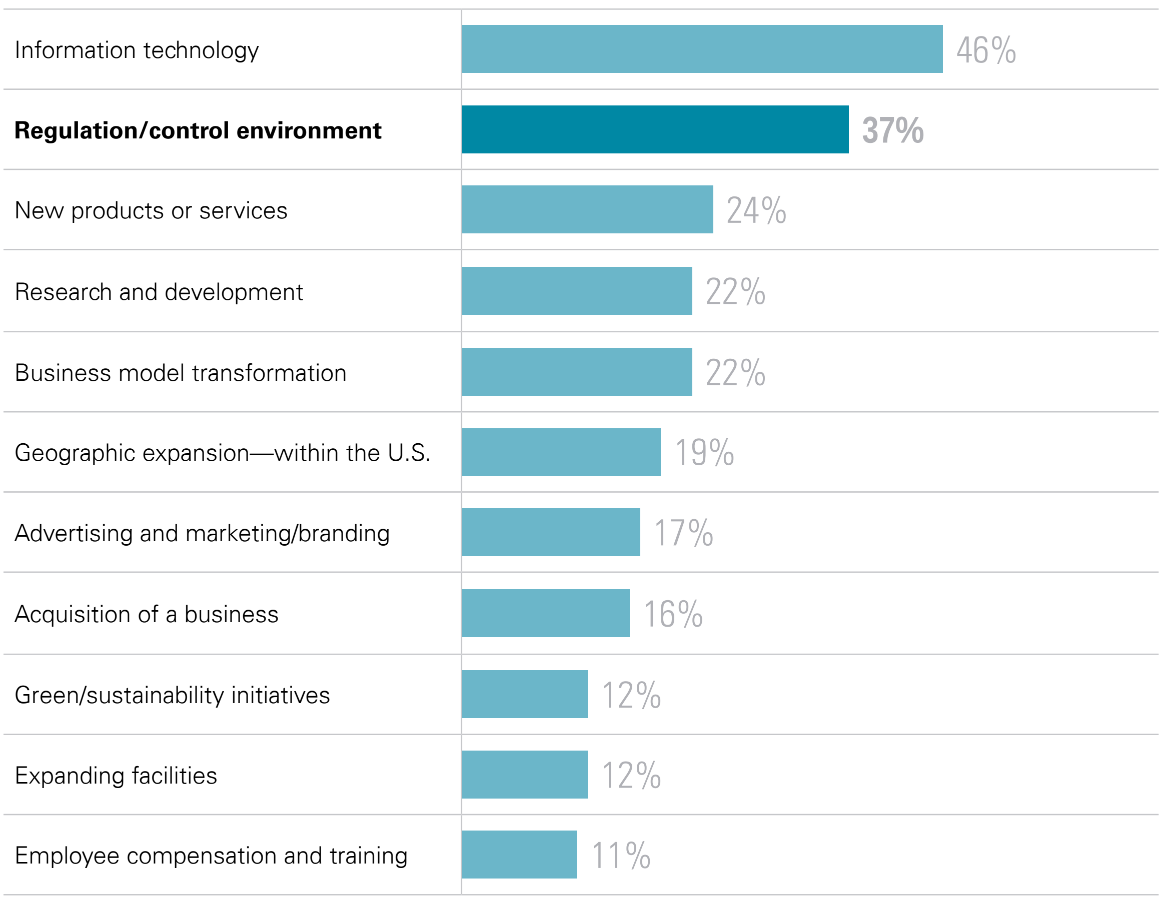
*Multiple responses allowed

The high costs of compliance

The costs of complying with this host of regulatory requirements have proven to be quite burdensome. For example, regulation has forced banks to hire compliance specialists and support personnel, as well as retain consultants and independent third parties, in order to implement and review policies and procedures, monitor operations, test systems, and verify results. What's more, many banks have had to purchase expensive technology and/or update their current systems in order to meet the new requirements.

And these costs continue to grow, as borne out by the following chart, which reveals that 37 percent of banks expect to increase their spending on regulation and control environment issues; this was second only to information technology spending (46 percent).

Q: In which areas do you expect your bank to increase spending the most over the next 12 months?*



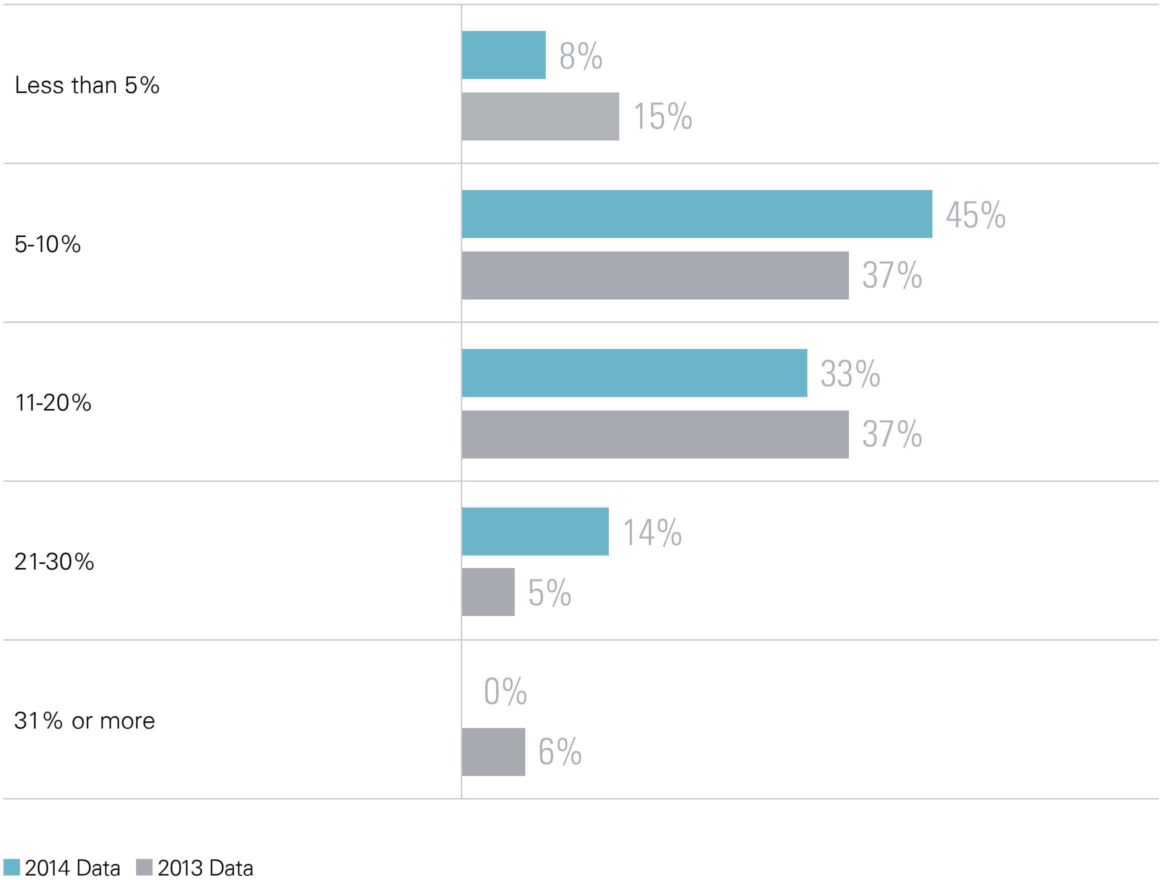
*Multiple responses allowed

As noted, the effort to comply with the deluge of new regulatory requirements is far-ranging—and expensive.

Amounts spent on record-keeping and reporting rules, risk management practices, and now, the new stress testing and mortgage rule, are trending up.

Nearly 80 percent of respondents said that regulatory compliance costs comprise anywhere between 5 and 20 percent of total operating costs.

Q: Approximately what percentage of your total operating costs is driven by regulatory compliance requirements?

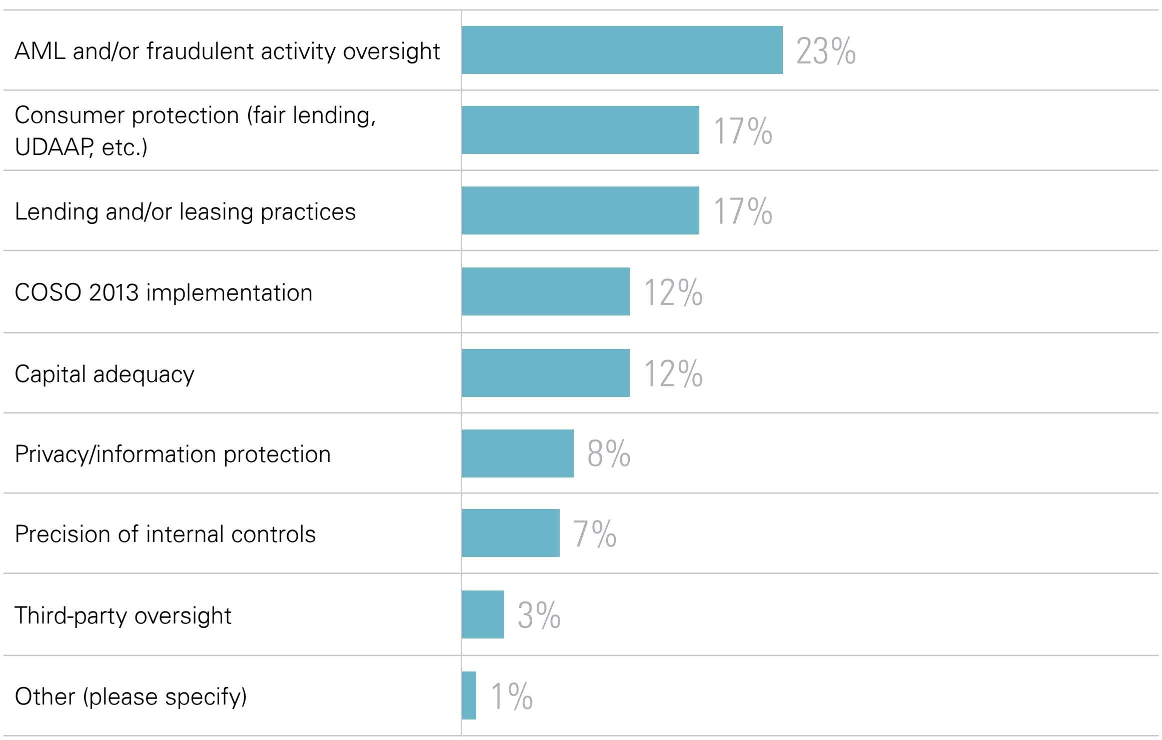


AML weighs down on operating costs

There have been increasing regulatory actions taken against—and sanctions imposed on—banks for violations of the Know Your Customer (KYC) and anti-money laundering (AML) rules. The prospect of individuals being criminally prosecuted for AML violations has become a reality. Perhaps that is why the regulatory compliance issue that has caused the biggest increase to a community bank's operating costs is AML and/or fraud regulatory oversight.

AML (and/or fraudulent activity oversight) is the number one regulatory compliance area that is impacting and increasing operating costs, said 23 percent of community banking executives surveyed.

Q: Which of the regulatory compliance areas is having the biggest impact/increase to your operating costs?



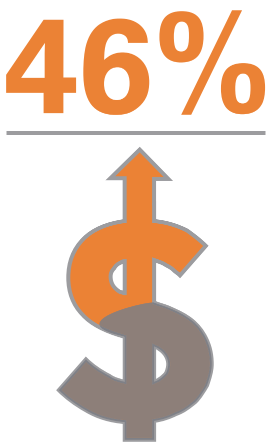
As some community banks approach the $10 billion asset class and anticipate outpacing their competitors, we think it is important to get ready ahead of time. Regulators are suggesting that banks implement regulatory requirements as best practices even before crossing the $10 billion threshold. Having strategic regulatory planning in place—such as implementing new or updating current operating and risk models to comply with growing assets—will make it easier to comply with enhanced regulations down the road. With premeditated planning for regulatory growth, community banks are in a better position to complete a merger and can stay ahead of their competitors.

INFORMATION TECHNOLOGY (IT) PAVES THE WAY TO EFFICIENT GROWTH STRATEGY

IT is at the heart of the community bank's inner workings, beating strongly and steadily in all functions of a community bank.

A new and/or improved IT infrastructure does its job to help meet compliance requirements and achieve operational efficiencies throughout the institution. Also, it helps to better connect with customers—whether they are banking online, by mobile phone, or by visiting a brick-and-mortar location. After a community bank is up to speed from a strategic risk and regulatory planning standpoint, it is ready to integrate IT in a tailored way that aligns with their customer service and growth strategy. Many respondents said they are doing just that.

Nearly half of all respondents (46 percent) said that they expect their bank to increase spending in information technology (IT).



Fifty-five percent of community banks in the $10 billion to $20 billion segment said they were making IT a priority. Having a robust IT infrastructure enables community banks to boost operational efficiency while creating leaner operating models. A wide variety of enterprise software systems, for example, can help integrate siloed systems and data to increase productivity, reduce workflow, and streamline processes for numerous front- and back-end functions, including: core banking activities; customer relationship management; human resources; business intelligence; corporate governance; risk management; and accounting.

In many cases, strategically simplifying and upgrading these systems may also lead to cost-savings. For example, using technology solutions to automate accounting and reporting processes or other aspects of financial operations can help reduce the headcount needed to handle increasingly time consuming and complex regulatory compliance activities, thereby minimizing expense. This is no small benefit. An industry study by the Federal Reserve and the Conference of State Bank Supervisors found that nearly all community banks cope with increased compliance needs by increasing overall personnel and third-party vendor costs.[1]

[1] Community Banking in the 21st Century (Federal Reserve and the Conference of State Bank Supervisors, September 2014)

Integral improvements to core platforms

A combined half of all respondents said the most important focus for their bank in the next year as it relates to infrastructure and compliance would be either platform simplification (including IT infrastructure and applications) and/or core platform upgrade. Back-end systems that process daily banking transactions, and post updates to accounts and other financial records need to be migrated from legacy systems, or need to be enhanced with the latest technological capabilities. Core banking systems typically include crucial deposit, loan, and credit-processing capabilities, with interfaces to general ledger systems and reporting tools. Strategic spending on these systems will pay off for the future because they help avoid redundancies, errors, and delays. Real-time posting is increasingly of interest to banks, and satisfies demand for speedy customer service. Overall, improving IT along with decreasing operational risk creates a chain reaction that leads to better products, and from there, increased fee generation for community banks.

Q: Which of the following IT-related projects will be the most important focus for your bank in the next year as it relates to infrastructure and compliance?

27% Core platform upgrade

26% Real-time posting

23% Platform simplification (IT infrastructure, applications)

15% Leveraging data more effectively for regulatory requirements

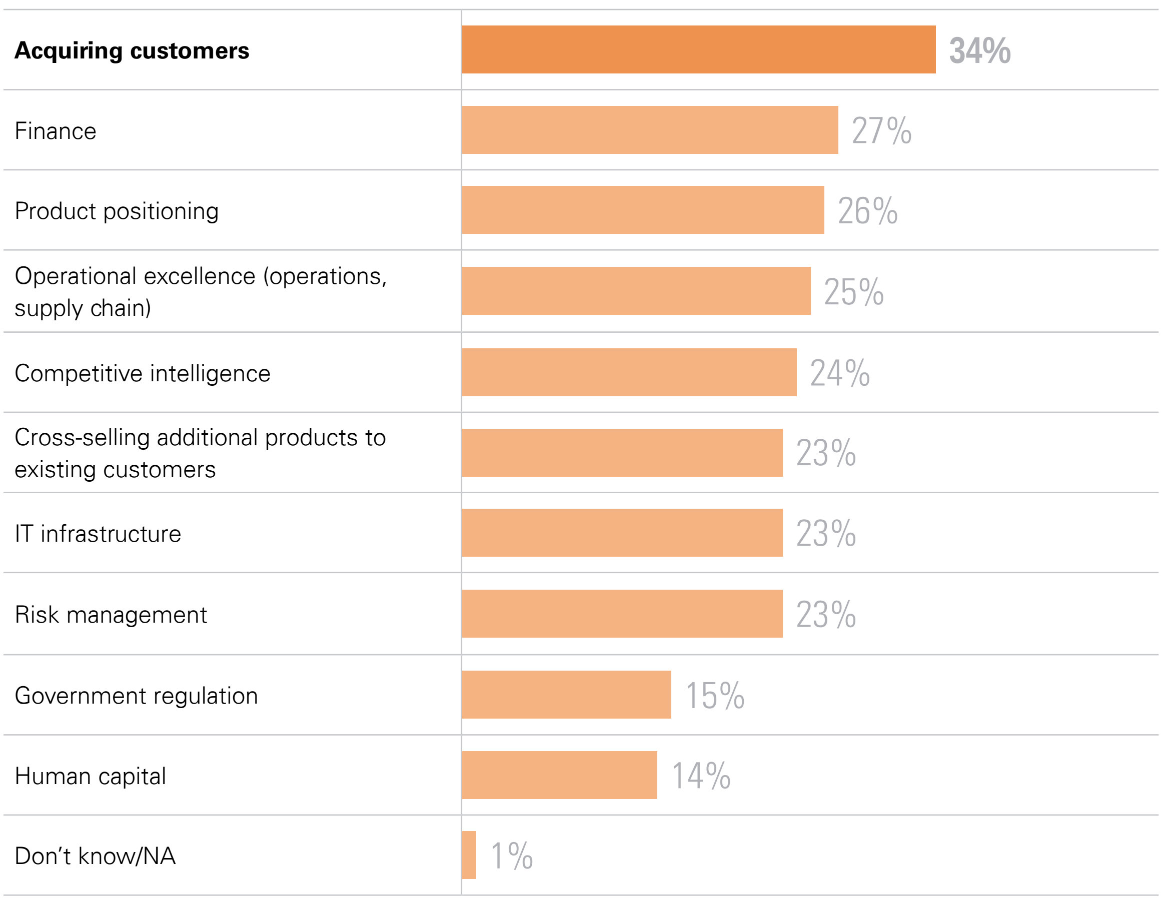
9% Investing in mobile banking/payment platform

Data and analytics drives insights

The advantage of leveraging data and analytics (D&A) for community banks is enabling disparate functions of an institution to come together and share data to uncover new correlations, valuable insights, and improve customer retention and acquire new customers (34 percent). These findings will also help banks with their plan to achieve growth by creating a more informed and well-planned strategy that is a step ahead of their competitors.

D&A is a technological issue *and* a business issue. One key tenet of the successful use of data is that the business strategy should be the key driver of the data and analytics strategy. Employing big data for the sake of the technology will not deliver the value that the organization needs. Community banks must tie their big data strategy to their business strategy actions to deliver business value every few months. They can start with small questions, and slowly expand them to deliver incremental value over time and create enterprise-wide value that is recognized by many different bank functions and constituencies. Ultimately D&A insight can be used to improve products and services to retain and attract new customers.

Q: Considering the relevance of data and analytics at your company, which of the following items represents the best use of data and analytics in driving actionable insights?*



*Multiple responses allowed

FOCUSING ON GROWTH

Current regulatory pressures and increased competition, as well as the continued sluggish economy, have forced community banks to rethink their operating models

A streamlined and efficient operating model goes hand-in-hand with a robust risk management program for smooth coordination across the institution. Community banks have turned to innovative ways of adjusting their operating models to their local marketplace. This innovation and change in how a bank operates can require taking a chance, which may be challenging for some. However, innovation has been a necessary means of surviving and thriving in the community banking industry.

Q: What areas of your bank's operating model changed as a result of the economy and regulatory pressures?*

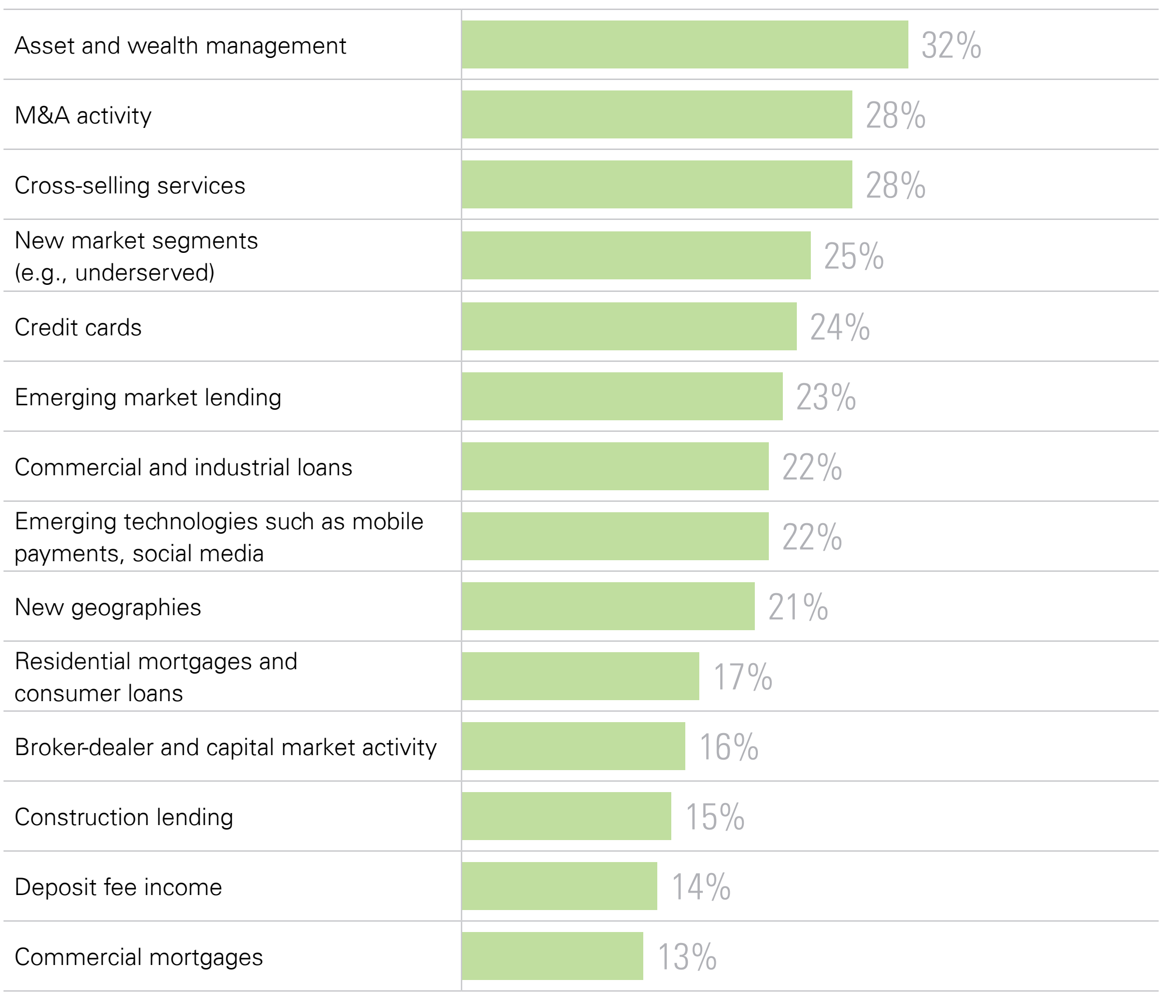
Expand to a new or different customer segments	41%
Reengineered internal processes and systems	40%
Offered new products to customer base	34%
Divesting businesses	33%
Expanded in new geographies	32%
Enhancing or expanding mobile delivery channel	24%
We have not started reexamining the operating model	2%

*Multiple responses allowed

In order to survive, community banks need to have a viable growth plan and that involves the ability to grow revenues. Following years of cutting costs to offset increased regulatory costs, some community banks have relied on their core strengths—local market knowledge and personalized service—to see them through. But that is not enough amid changing market dynamics and the increasingly competitive landscape, which calls for smaller banks to look for new as well as enhance existing methods to grow revenue.

As our survey results reveal, many community banks are mirroring their larger-sized counterparts by focusing on opportunities to drive revenue through targeting the wealth management sector. In fact, nearly one-third (32 percent) of survey respondents believe asset and wealth management will be the biggest revenue driver for their bank over the next one to three years, followed by M&A activity (28 percent) and the cross-selling of services (28 percent).

Q: Which of the following areas do you believe will be the three biggest drivers of your company's revenue growth in the next 1-3 years?*



*Multiple responses allowed

Diversification strategies

Interestingly, nearly half (46 percent) of the community bank executives surveyed say they have diversified significant income streams into wealth management to generate fee income. Given the low interest rate environment and the aging population, banks are looking to capitalize on this strategy. Although more than half (59 percent) say they've seen a positive return, a combined 37 percent of respondents say their return on investment (ROI) on the fee income stream yielded zero-to-negative ranges. We believe bankers are not yet receiving the maximum return on fee-based products they are expecting to see.

Just 8 percent have yielded a more than 6 percent ROI on the fee income stream. While the remaining respondents may feel positive about the expansion in this endeavor, they are reporting a return on investment below what they anticipated when making the acquisition. We believe there needs to be greater focus on driving ROI and an ongoing measuring capability (including cost accounting). To get the right synergy out of an acquisition, it will be important to establish the correct incentives to align with the new cross-selling. Ideally, there should be employment agreements to prevent leakage and incentivize appropriate behavior. Additionally, to make the most of their investment, community banks should consider using their new scale and technology to provide a better client experience than the independent agencies acquired could provide alone.

Q: Have you diversified significant income into any of the streams below to generate fee income?

46%	Wealth management
23%	Insurance companies
12%	Broker dealer
12%	We have not diversified
4%	Trust department
3%	Mortgage brokers

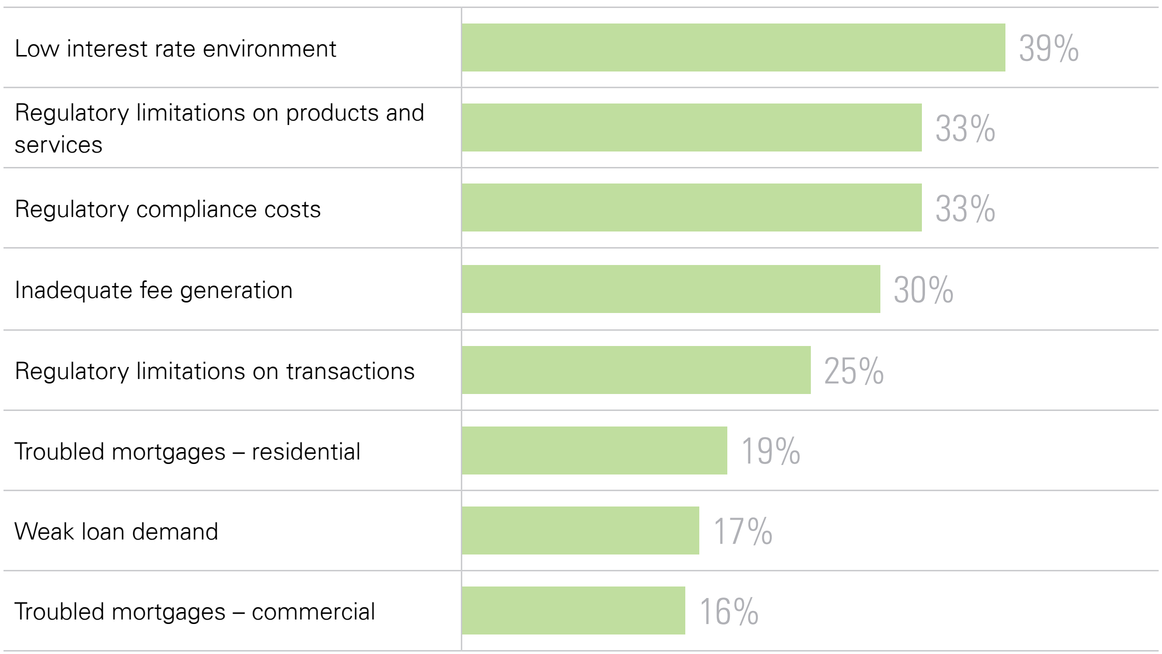
Q: Based on your answer to the previous question, what has your return on investment on the fee income stream yielded?

Positive 1%-3%	38%
Positive 4%-6%	13%
Positive over 6%	8%
No change, zero yield at this point	25%
Negative 1%-3%	3%
Negative 4%-6%	9%
Not sure/don't know (don't allocate all overhead costs)	5%

The impact of interest rates

Interest rate pressures continue to challenge community banks. In this year's survey, the low interest rate environment is considered to have the greatest negative impact on growth, according to 39 percent of community bank executives in our survey.

Q: Which of the following are having the greatest negative impact on growth for your bank?*



*Multiple responses allowed

However, the real possibility of rising interest rates in the near term may also bring significant operating challenges for community banks. According to a recent Fitch Ratings report[2], earning of community banks will likely lag the large regional banks as rates rise, since balance sheets appear much less asset sensitive based on both quarterly disclosures and regulatory data. As community banks have diversified their loan portfolios beyond traditional real estate lending, Fitch cites concerns over their growth in commercial and industrial (C&I) lending because some of these banks may not have adequate back office infrastructure or experience to effectively identify, monitor, and mitigate any associated credit rate risk. Moreover, Fitch views community bank's exposure to C&I lending with caution, especially due to current interest rate levels and the amount of competition surrounding this lending space.

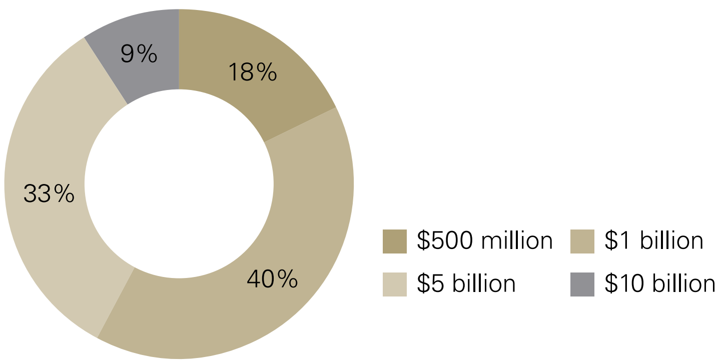
[2] www.businesswire.com, October 9, 2014

RESILIENT AMID CONSOLIDATION

The future of the community bank sector will be determined by consolidation among community banks and acquisitions of community banks by larger banking organizations.

Fortunately, community banks remain resilient amid consolidation, according to the FDIC[3]. Despite consolidation, since 1985 the number of banks with assets between $1 billion and $10 billion increased by 5 percent, and the assets of banks between $1 billion and $10 billion grew by 4 percent.[4]

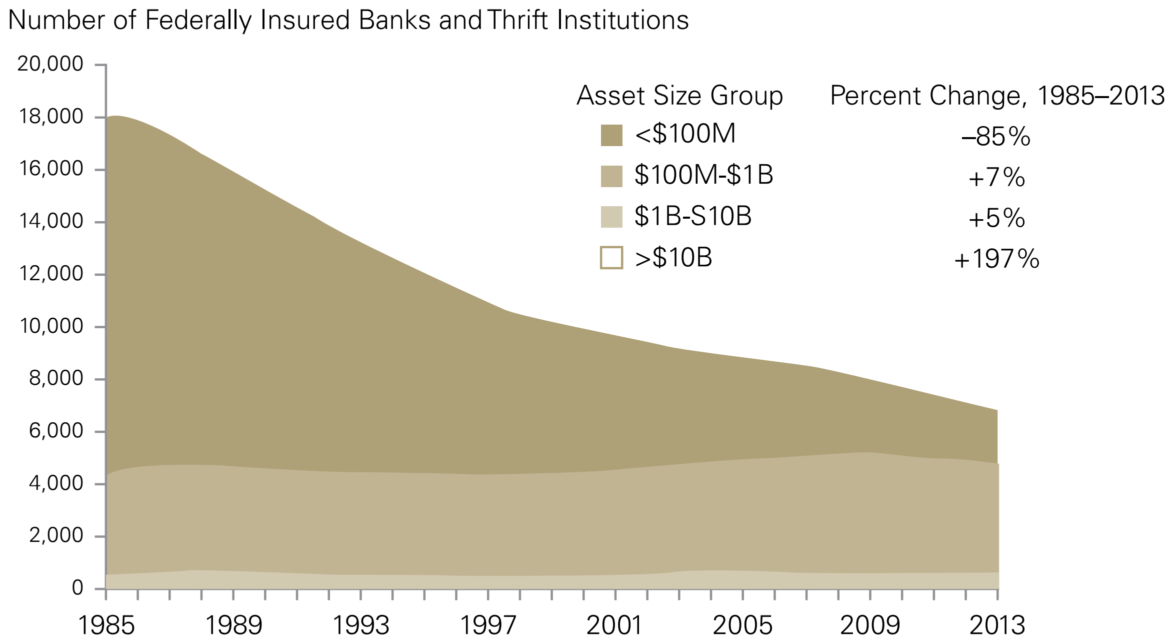
Q: In your opinion, what is the minimum asset level a community bank needs to remain independent?



[3] FDIC Quarterly, May 2014, Volume 8, No. 2, "Community Banks Remain Resilient Amid Industry Consolidation," p. 33.

[4] Ibid.

All Net Consolidation in Charters Since 1985 Has Occurred Among Banks with Assets Less Than $100 Million



Source: FDIC.

Source: FDIC Quarterly, May 2014, Volume 8, No. 2, p. 36.

The FDIC reported in May 2014: "Consolidation has had its biggest net effect on the very smallest and the largest banks. The number of institutions with assets less than $100 million declined by 85 percent between 1985 and 2013. Meanwhile, institutions with assets greater than $10 billion have seen their number almost triple, while their total assets have increased more than ten-fold."[5]

[5] Ibid.

Number of FDIC-Insured Institutions By Size Group

1985		2010
13,631	Assets < $100 million	2,625
2,547	Assets $100 million to $250 million	2,474
1,289	Assets $250 million to $1 billion	1,893
530	Assets $1 billion to $10 billion	559
36	Assets > $10 billion	107
18,033		7,658

Source: FDIC, Community Banking by the Numbers, The FDIC Community Banking Research Project, presented at FDIC Future of Community Banking Conference, Feb. 16, 2 012. https://www.fdic.gov/news/conferences/communitybanking/community_banking_by_the_numbers_clean.pdf

With consolidation plans on the agenda for many community bankers, analysis of the 2,579 community bank charters that were acquired between year-end 2003 and year-end 2013 shows that 65 percent were acquired by other community banks.[6]

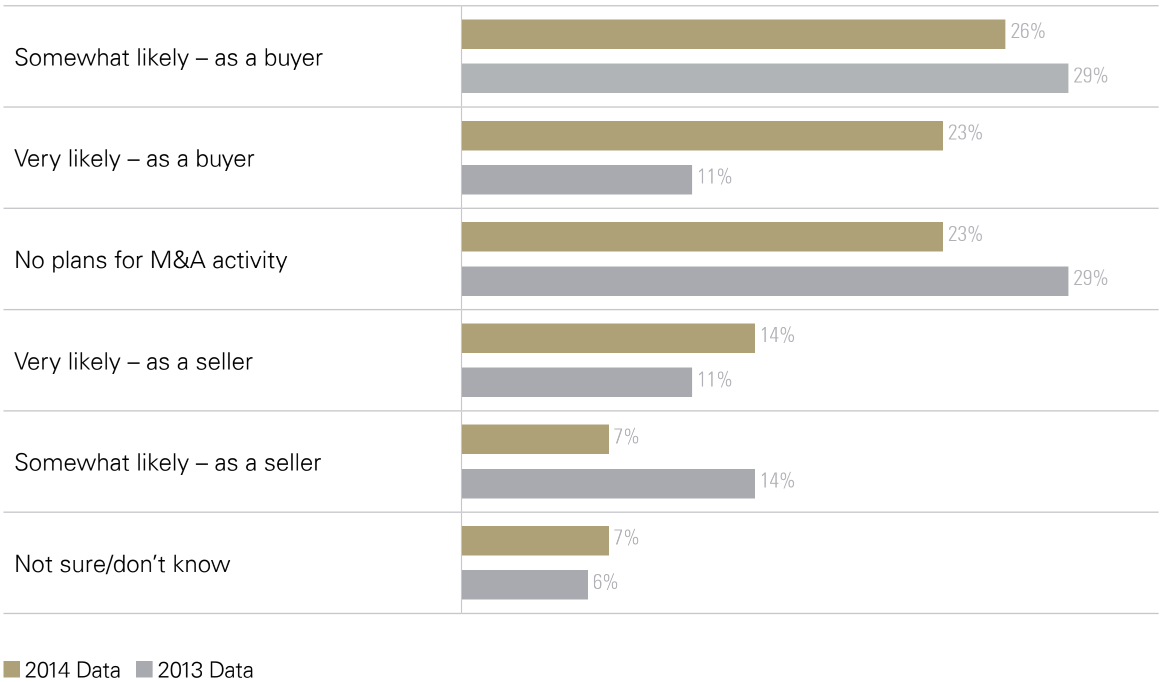
As community banks seek growth and attempt to stay ahead of competition, they are buying other community banks, which often raises them to the next asset class.

Our survey shows that the environment around bank deals is shifting to the buyers, as about half of all community banking execs in our survey foresee the likelihood of being involved as a buyer in a merger/acquisition in the next year.

This is an uptick from our 2013 survey, which said 40 percent of respondents thought it was either very likely or somewhat likely their bank would be involved in a merger or acquisition as a buyer. For 2014, this percentage increase was particularly pronounced in the $5 billion to $10 billion asset class. Thirty-six percent say they are very likely (compared to 7 percent in 2013), and 7 percent indicate they are somewhat likely (compared to 21 percent in 2013), that they will be involved in a merger/acquisition in the next year. Just a combined 21 percent said they will be very likely or somewhat likely to be as a seller in 2014 (compared to 25 percent in 2013).

[6] Ibid, with footnote from FDIC, p. 41: "Only 158 (6 percent) of the 2,579 community banks that were acquired between 2003 and 2013 held total assets of more than $1 billion at the time of acquisition."

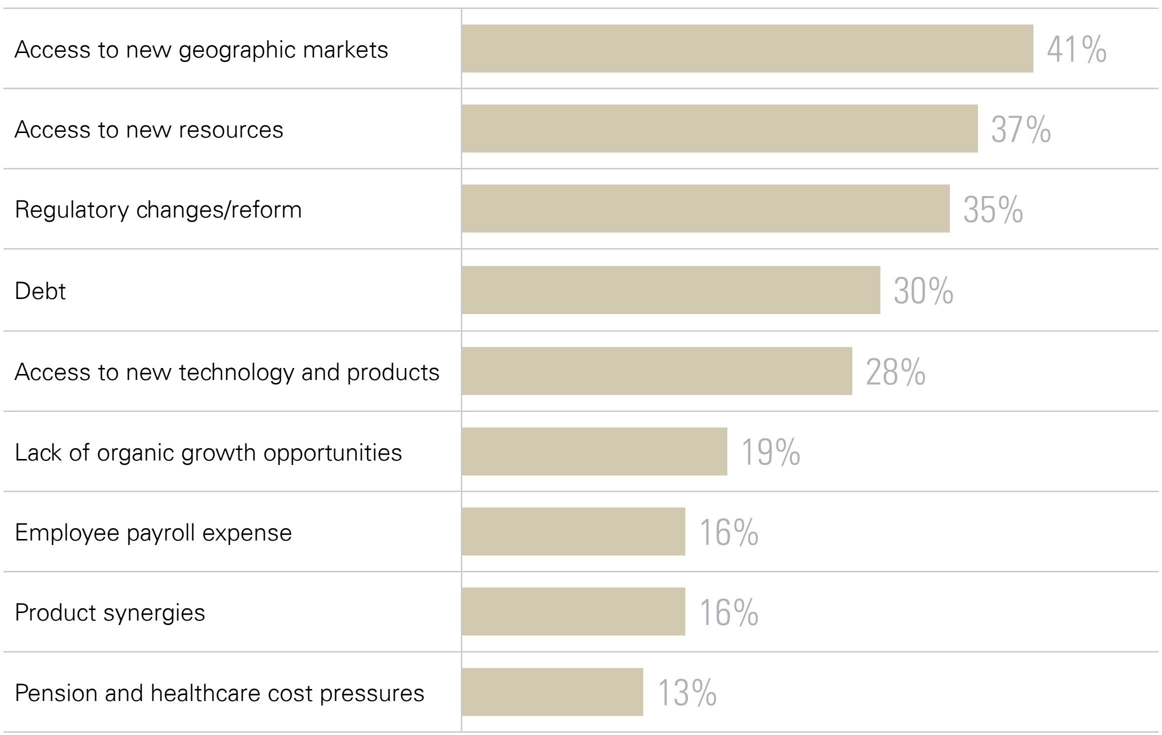
Q: What is the likelihood that your bank will be involved in a merger/acquisition in the next year?



Key M&A drivers

With increased competition from community bank peers, regional banks, and credit unions, community banks will continue to feel pressure to merge in 2015. Survey respondents cited access to new geographic markets, followed by access to new resources, and then regulatory changes/reform, as the three most important drivers of alliances, mergers, and acquisitions throughout the industry. Access to resources was chosen by 57 percent of execs in the $5 billion to $10 billion asset class as the key driver.

Q: Which of the following do you think will be among the most important drivers of alliances, mergers and acquisitions in the industry?*



*Multiple responses allowed

Customers are crucial

While access to geographic markets is an important driver for deals, the nature of the customer base was cited as the criteria most likely to be used when selecting a specific target for planning an M&A transaction in the coming year, according to 46 percent of all community bank respondents (and 57 percent of banks in the $5 billion to $10 billion range).

Q: If your bank is planning an M&A transaction in the next year, what criteria will be used in selecting your target?*

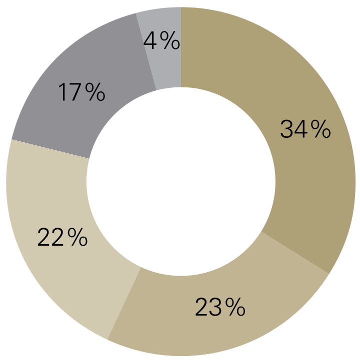
Nature of customer base	46%
Asset size	36%
Geography	25%
Opportunity for cost savings	25%
Not applicable	23%
To offer new products to customer base	15%

*Multiple responses allowed

The regulatory restriction roadblock

Regulatory restriction is the greatest impediment to M&A in the banking industry, and was especially noted by community banks in the $10 billion to $20 billion range (37 percent). As regulatory expectations are high, banks are often forced to wait before they can take next steps in a deal.

Q: What do you believe has been the greatest impediment to M&A in the banking industry?



- Regulatory restrictions
- Sellers' demands too high
- Targets' balance sheet issues
- Buyers' offers are not reasonable
- Stock price

MOBILE KEY TO STRATEGIC GROWTH POTENTIAL

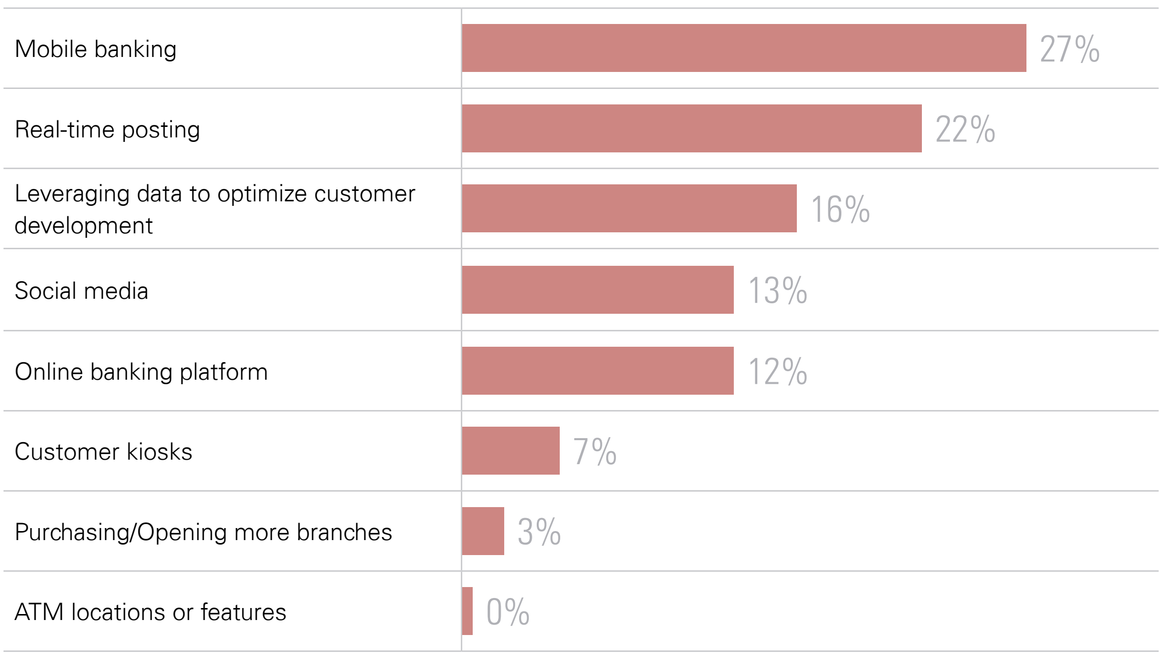
Personalized, local service as opposed to a one-size-fits-all approach is a primary reason many consumer and commercial banking customers choose community banks in the first place.

However, even as more and more community banks offer some level of electronic banking services, their lack of scale makes meeting the expectations of 21st century customers an ongoing challenge. Going beyond online banking to providing enhanced mobile banking services is an ongoing journey that mutually benefits community banks in their strategic growth and consumers with real-time banking demands.

Mobile banking: Priority IT initiative

Mobile banking and related enhancements are starting to gain ground, with 27 percent of all community banks responding that they will significantly invest in this IT-related area over the next one to three years to improve customer experience. The larger a bank segment is in terms of revenue, the greater the emphasis placed on mobile banking. We believe that mobile banking, and other IT-innovated areas, have not yet been implemented to their fullest potential within the community banking industry. As online banking increasingly gives way to mobile banking, we see this as an untapped opportunity.

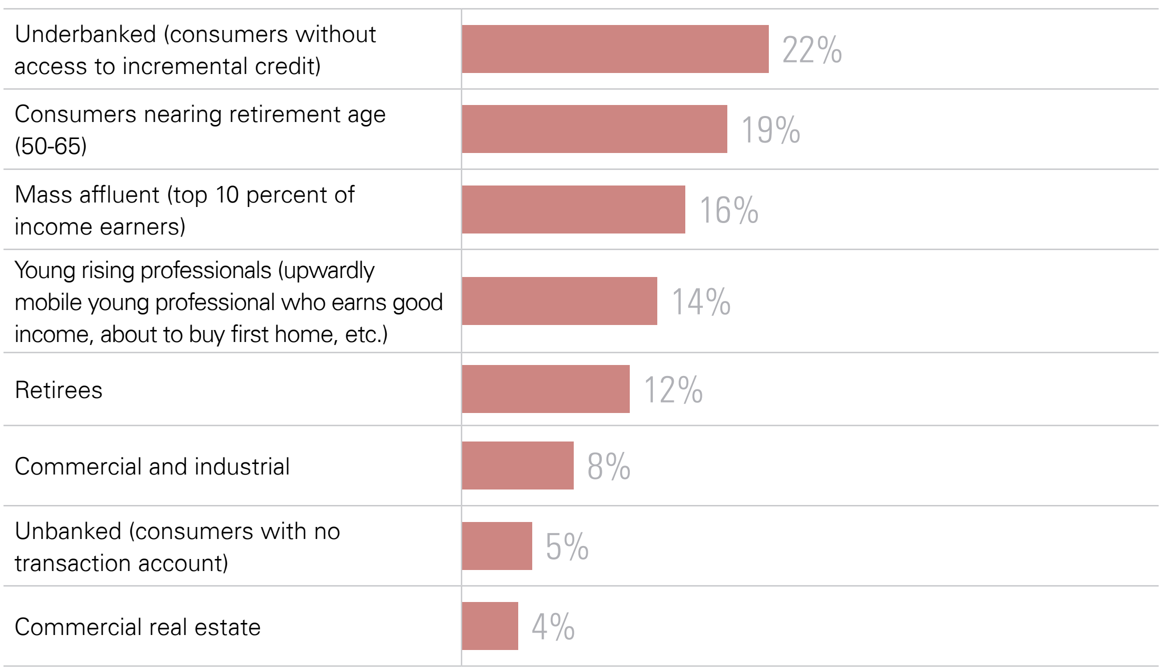
Q: Which of the following IT-related projects do you envision your organization investing in over the next 1-3 years to improve customer experience?



Mobile reaches targeted customers

Moreover, the mobile banking environment is a way for community banks to reach out to customer segments where they see their greatest growth opportunity. Overall, they see the potential in underbanked consumers (22 percent), which is especially noted by banks in the $10 billion to $20 billion range (29 percent). Customers nearing retirement, retirees, the mass affluent, and young rising professionals are the additional customer segments that are eyed for future growth. Baby-boomers who are retiring, in particular, are being targeted in the wealth management area.

Q: Which of the following customer segments presents the greatest growth opportunity for your bank?



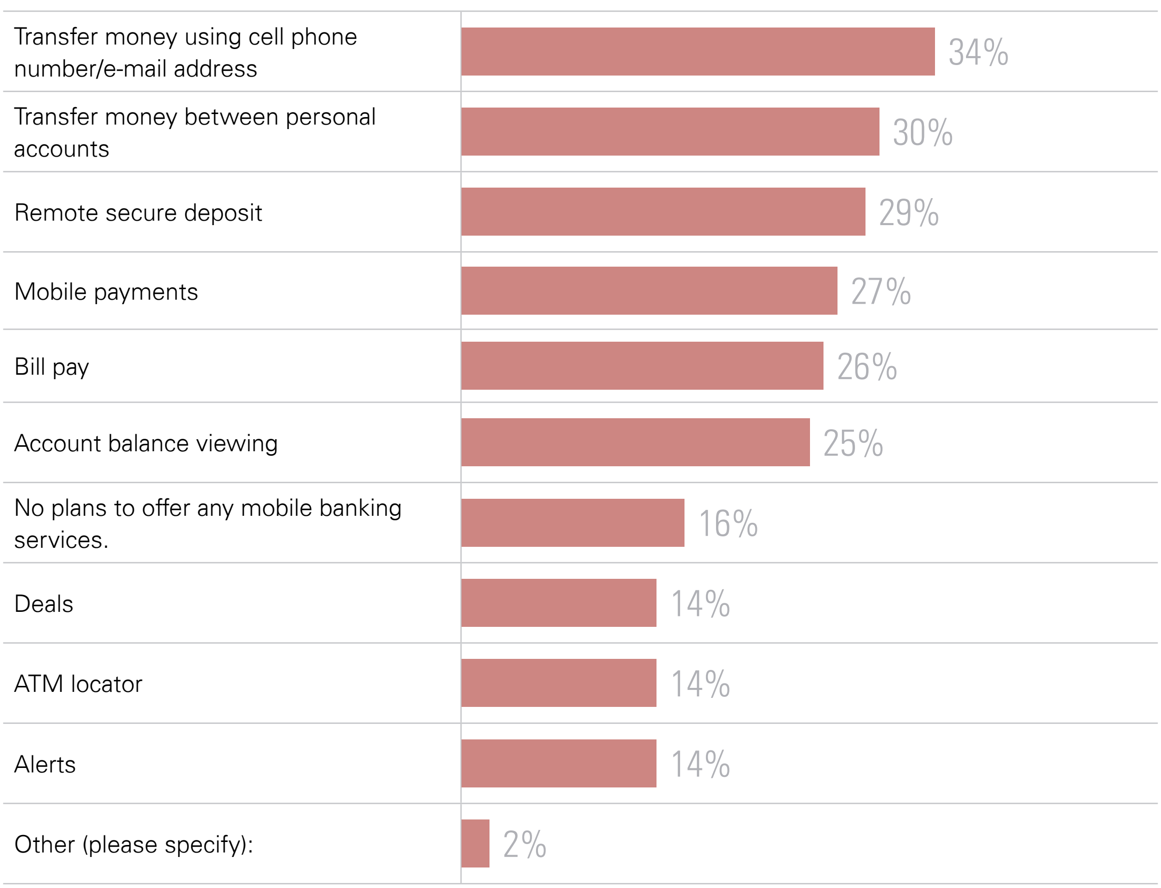
Looking to mobile in 2015

We see that the potential for mobile banking services–ranging from account balance viewing, to bill pay, mobile payments, ATM locators, and more–although moving forward, has not yet reached the critical mass that would boost the community banking industry.

Consider, for example, the ease with which a customer of a megabank can find a branch or ATM to deposit a check, almost wherever they are. With apps that enable customers to deposit checks through a smart phone, community banks can offer the same level of convenience and service that customers receive from much larger institutions.

We believe community banks need to continually embrace mobile banking innovations. As such, an overwhelming combined response says that they will offer some type of mobile banking service next year that they do not currently offer.

Q: What types of mobile banking services do you plan to offer in the next year if not currently offered?*



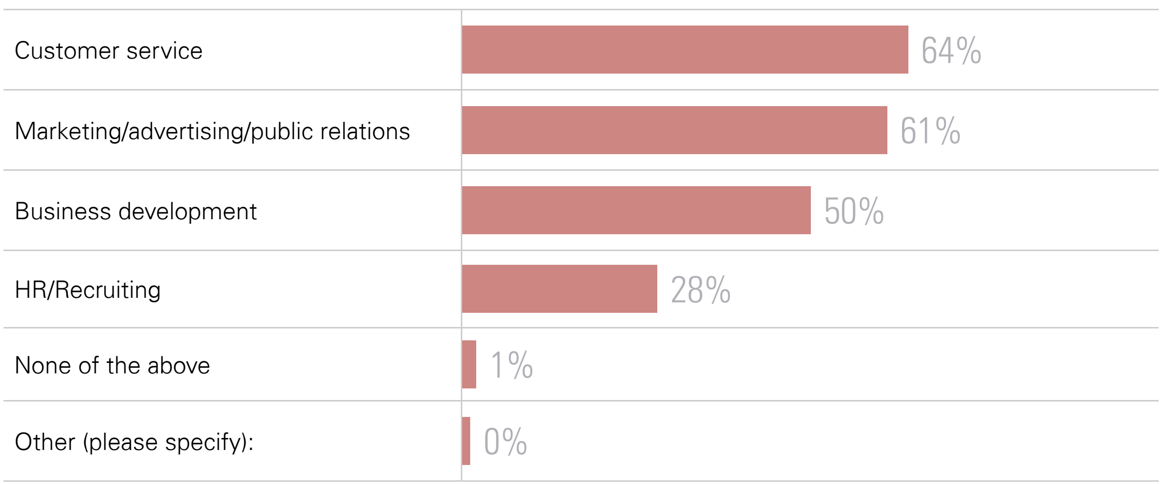
*Multiple responses allowed

Social media leveraged for different purposes

As for social media, community banks have found helpful ways to include social media in their operations, from customer service, to marketing/advertising/public relations, business development, and more. A whopping 78 percent of community banks in the $10 billion to $20 billion segment have been implementing social media for customer service. Sixty-one percent of $5 billion to $10 billion banks rely on social media for marketing and advertising.

Although purposes differ by bank size segment, social media is nonetheless helping to keep "community spirit" in community banking. Thanks to social media, community banks are building stronger ties and staying connected with customers in new ways—all while listening, learning, and responding to their needs. In turn, customers also are proactively staying connected with the community banks.

Q: In what ways is your bank currently using social media?*



*Multiple responses allowed

CONCLUSION

In today's competitive landscape, now is the time for community banks to move beyond any regulatory compliance and risk management issues that are stalling their growth process.

Moving forward, community banks need to take swift action to improve their growth, efficiency and compliance efforts, and from there, devise their next-sector growth strategy.

This year's survey results reveal the potential for community banking executives to seize various growth opportunities if they first take stock of the areas where operations and infrastructure need to be improved and enhanced from the risk, regulatory, and IT perspectives.

From there, by having a renewed plan to invest their capital spending strategically throughout the institution—on various initiatives from enterprise risk management to IT infrastructure—community banks will be much better poised to capitalize on near future opportunities, for example, in offering more lucrative fee-based products and services. They will be ready to pursue their goals of growing—including reaching the next asset size class—and targeting specific desired demographics using the latest savvy technological capabilities.

A well-thought-out plan will include knowing the right steps to take, and also, having the right people in place with specialized skills. With such a plan, community banks can obtain new and improved revenue streams that lead the way to efficient growth. The result for these banks will signify the strategic advantage in the community banking sector.

KEY TAKEAWAYS FOR EFFICIENT GROWTH

In summary, our survey report highlights these key points for community banks to consider:

- **Strategic risk and regulatory planning comes first**. Regulatory and legislative pressures are the most significant growth barrier facing community banks over the next 12 months, with risk management concerns not far behind. Community banks should consider planning for and implementing robust risk management programs and stay up to date with regulatory compliance as a priority as the bank grows, so they will not be waiting on the sidelines and missing out on future revenue growth opportunities as asset class milestones are reached.

- **Enhanced IT infrastructure is key to efficient growth strategy**. Nearly half of all respondents said that they expect their bank to increase spending in information technology. A new and/or improved IT infrastructure helps community banks meet compliance requirements and achieve operational efficiencies throughout the institution—and also, it helps to better connect with customers.

- **Banks sharpen focus on growing revenues in innovative ways**. Nearly one-third of survey respondents believe asset and wealth management will be the biggest revenue driver for their bank over the next one to three years, followed by M&A activity and the cross-selling of services. Once risk, regulatory, and IT updates and enhancements are in place, it's time to grow the business. Amid changing market dynamics and the increasingly competitive landscape, smaller banks must look for new, as well as enhance existing, methods to grow revenue.

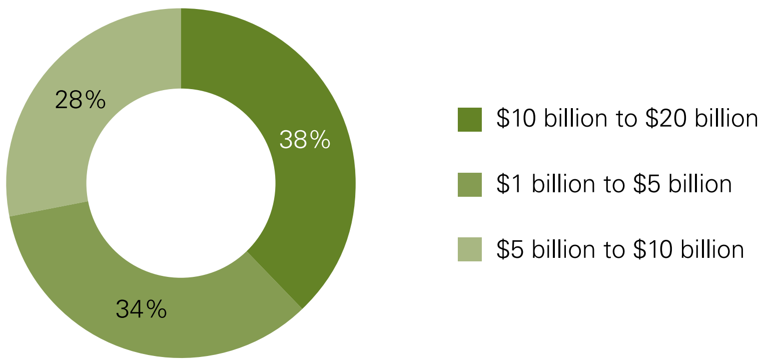
- **As consolidation increases, community banks remain resilient**. M&A activity increased in 2014, and the deals environment is shifting to the buyers, as about half of all community banking execs foresee the likelihood of being involved as a buyer in a merger/acquisition in the next year.

- **Mobile banking is a priority IT initiative**. Mobile banking is an ongoing journey that mutually benefits community banks as they strategically grow, and consumers as they demand real-time banking. More than a quarter of all community banks responded that they will significantly invest in this IT-related area over the next one to three years to improve customer experience.

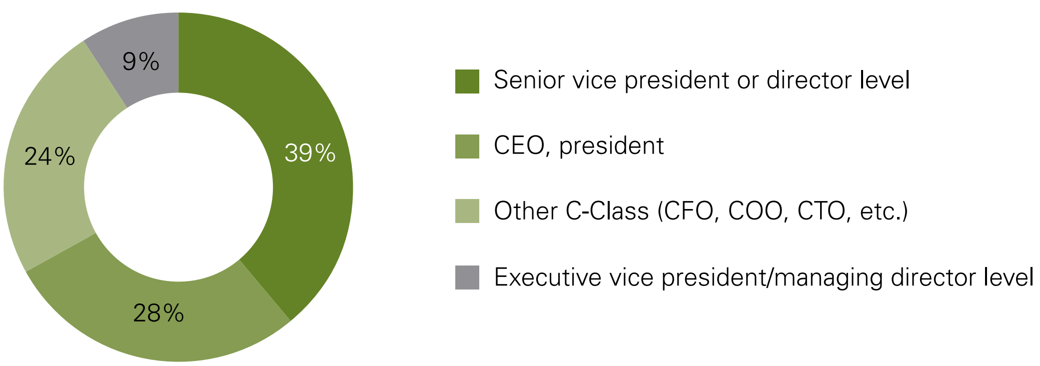
Demographics and methodology

KPMG's Community Banking survey was conducted in October 2014 and reflects the responses of 100 CEOs and other senior executives in the community banking industry. Based on asset size, 34 percent of respondents work for institutions with $1 billion to $5 billion in assets; 28 percent with $5 billion to $10 billion in assets; and 38 percent with $10 billion to $20 billion in assets.

Q: What is the size of your bank by asset size?



Q: What is your title?



About the Author

John Depman is KPMG's national leader for Regional and Community Banking. With 25 years of experience in the banking industry, John has extensive experience working with public companies in an audit and advisory capacity, and has assisted several clients to successfully complete debt offerings, initial public offerings, and mergers and acquisitions.

KPMG LLP's Banking & Capital Markets Practice.

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