1Q 2017 NATIONAL COMMUNITY BENCHMARK FOR BANKS ($100 MIL. - $5.0 BIL.) IN ASSETS

Hello everyone. Thank you for joining us once again here at Seifried & Brew. I am Jamie Sumner, the Chief Analyst. For this week's webcast we want to review first quarter results for the ***National Community Bank Benchmark*** [Slide 2]. What the benchmark comprises, are those banks that are between the asset sizes of between $100 million and $5 billion. When we look at the community banks, we like to look at those banks that are stock trading. They have stock, aren't mutual institutions, so in essence they are stock institutions.

Let's go ahead and look at the overall ***return on average assets (ROAA)*** for the 1st quarter 2017. We can see [on Slide 3] ROAA came in at 0.83%, so no real change from where it was back in the fourth quarter of 2016, and a little higher, by just 1 basis point (bps), from where it was a year ago. We did however, have some volatility in here when we reached up to the 88 bps back in the third quarter of 2016. We had some volatility, but overall a pretty steady operating return on average assets (ROAA).

When we look at ***net interest margin*** [on Slide 4] (which would be almost the primary driver of ROAA), we can see here that the net interest margin kind of came down over the past four quarters. Right now, for the first quarter, the net interest margin is at a 3.69%, down from where it was in the fourth quarter of 2016 at 3.72%. Similarly, back in the first quarter 2016, it was at 3.72%. So, we have this downward trend here coming after that third quarter result coming in at 3.74% for 2016. So, we have seen this come down. The question is, *why did we see the overall level of net interest margin peter out within the first quarter?*

Well, overall we see the ***asset yield*** [Slide 5]. The asset yields peeked out at 4.10% for the third quarter and then made its way down to 4.05%. So, 405 bps. So, we have moved down 5 bps from the high, 2 bps from where we were back in the first quarter 2016 at that 4.07%. So, asset yields have come down a little bit.

We look at the ***cost of funds*** [Slide 6]. While there is some volatility, you need to look at the overall scale and this is only going from a 0.462 to a 0.482, so only 2 bps scale. So, when we look at it, basically it's remained unchanged in here. So, the cost of funds steadily keeping at that 0.47 - 0.48 range in here. So, this is where we are keeping our eye on with the Fed increasing their rates. The question is, *how is that going to impact the overall cost of funds? And looking out into the end of the 2017 and into 2018*.

Looking beyond this net interest margin and its components, let's look at ***net overhead*** [Slide 7]. Net overhead was kind of volatile over the past year and in the first quarter is at a 2.11%, so this is over average assets. Now recall, when we look at net overhead, that's the difference between non-interest expense and non-interest income.

Another way to look at this type of ***efficiency ratio*** [Slide 8] is to look at the efficiency ratio. For the first quarter, we come in at 67.6%. Down a little bit from the 68.56% in the fourth quarter. So, basically what we are saying is, *for every $1.00 of revenue we are generating, we are paying out $0.67 in expense.* So, the lower the better. We have been overall on a downward trend in here, which is what we want to see.

And then we look at the overall ***risk aspect*** [Slide 9] of this benchmark group and you can see this is based off of the total risk index here at Seifried & Brew. Kind of steady we are here at a 43.11% on our score back in 2016. For 2017, we are at a 42.2% so we are at the lower end of this moderate range. This would be below risk in here for this green area and then this would be the moderate. So we are right on the cusp of moderate and low risk. What we like to see are banks staying below this 50 mark in here, so we like to see banks below that.

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That's what we have for you today. This week I am traveling down to San Antonio for the ***Texas Bankers*** annual convention. So, if you happen to find yourself there, come find me. I will be in booth 304 (that's with the investment professionals down there). Hope to see you there and have a great week!

Materials set forth above are based on transcripts/slides presented from the Seifried & Brew Briefing transmitted on the above date. For further reference please click on *http://seifriedbrew.com/briefings.html*

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