

**Bank**Director  
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## 2015 Bank M&A Survey

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Sponsored by:

 Crowe Horwath.



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## Executive Summary

There's no shortage of financial institutions seeking an acquisition in 2015, but even fewer banks plan to sell, according to the bank CEOs, senior officers and board members who completed Bank Director's 2015 Bank M&A Survey, sponsored by Crowe Horwath LLP. Forty-seven percent of survey respondents reveal that they plan to purchase a healthy bank within the next 12 months, compared to a mere 3 percent who plan to sell their bank.

Are some bank boards and management just waiting for the right deal? Seventy-one percent would consider selling the bank if they received an attractive offer. As bank valuations rise, potential sellers express a growing desire for stock in return for selling the bank—often combined with cash.

There may be fewer fish in the sea—at least not enough to satisfy the appetites of growth-hungry banks—but the survey reveals several positive trends for the industry. Of the two-thirds of respondents who see a more favorable M&A environment, 55 percent cite improved credit quality and 48 percent improved stock valuations. And despite the challenges of a highly competitive growth environment and costly regulations, 64 percent of respondents expect their bank to thrive as an independent entity. Absent a compelling deal, bank leaders express a preference for self-determination: When asked about barriers to selling the bank, more than two-thirds say that the board and/or management want the organization to remain independent.

More than 200 directors and senior executives of banks nationwide responded to the survey, which was conducted by email in September.

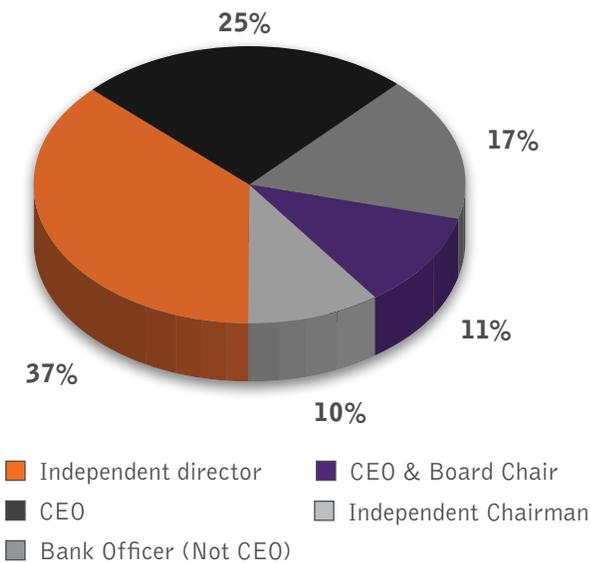
### Key Findings:

- Credit quality's adverse impact on deal-making is lessened in the minds of respondents. A little more than one-third of respondents say that concerns about the asset quality of potential targets impedes the deal, a decline of 41 percent since the 2013 survey.
- As credit quality continues to improve, 60 percent of bank leaders now reveal that post-merger integration was the most difficult aspect of their most recent deal—up by 33 percent from last year's survey.
- Price is still an issue. When asked about barriers to buying another bank, 63 percent say that the pricing expectations of potential targets are unrealistically high. Fifty-six percent say that current pricing is too low to sell the bank.
- Both buyers, at 53 percent, and sellers, at 45 percent, prefer a mix of cash and stock as payment for the purchased bank. The percentage of potential sellers that would prefer that the transaction include stock has increased by 30 percent since the 2013 Bank M&A Survey, likely a reflection of higher valuations for bank stocks.
- Eighty-three percent feel that their institution has adequate access to the capital needed to meet the demands of Basel III and fuel the bank's growth and acquisition strategy.
- Three-quarters of respondents integrated board members and/or executives from the acquired bank into the surviving institution after their most recent acquisition.

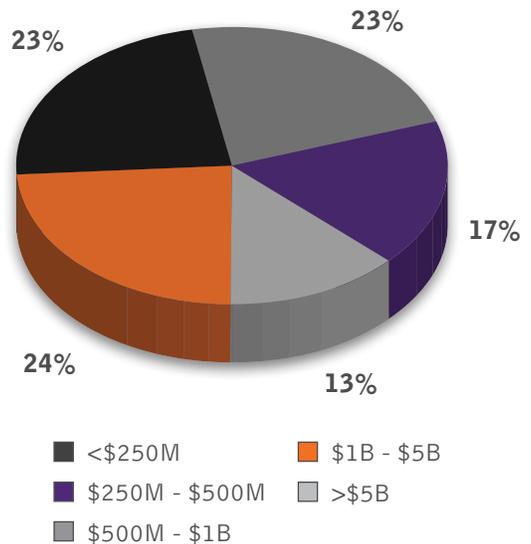
## ABOUT THE SURVEY

Bank Director's 2015 Bank M&A Survey, sponsored by Crowe Horwath LLP, surveyed online 215 independent directors, chairmen and senior executives at banks of all sizes nationwide to measure the current climate for bank deals, and to uncover the opportunities and challenges facing bank leadership as they strive to grow and position the bank for the future. Almost half of the participants in this year's survey serve as an independent director or chairmen at their bank, while one-quarter are CEOs. Sixty percent represent institutions with more than \$500 million in assets, and response is almost evenly split between publicly traded and privately held banks.

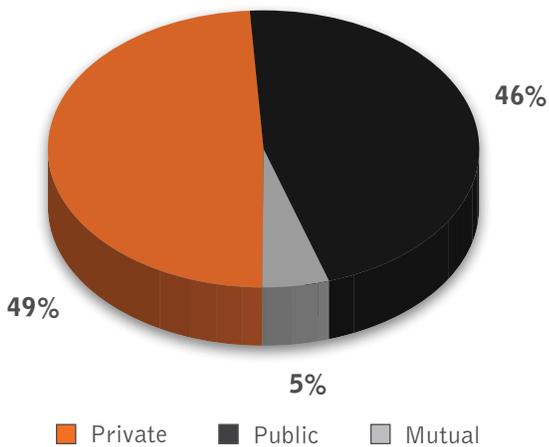
### Title Breakdown



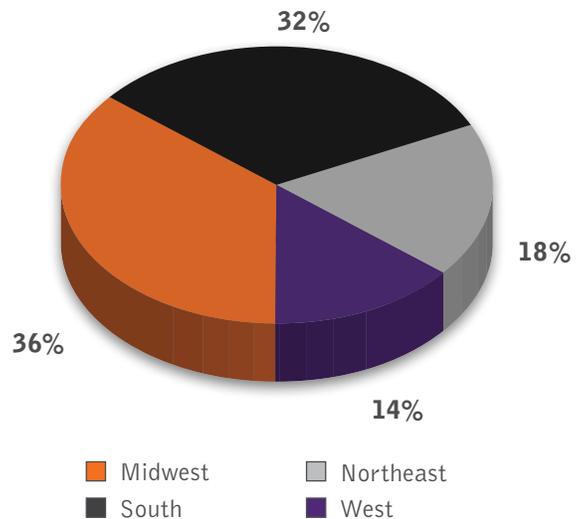
### Size of Bank



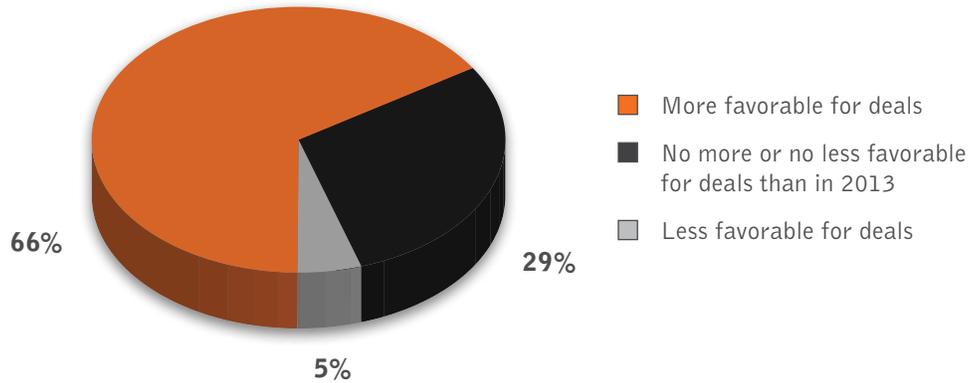
### Bank Ownership



### Region



**1. How do you feel about the current environment with regard to bank merger and acquisition (M&A) activity?**

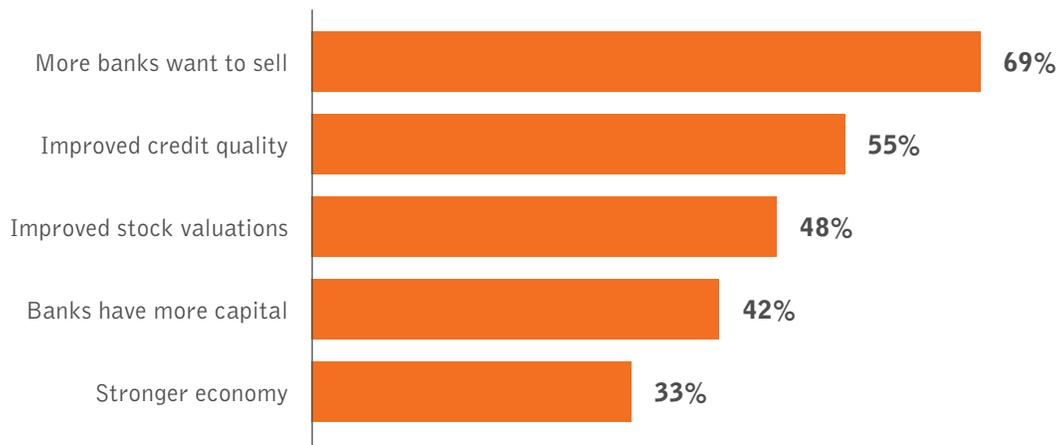


Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
More favorable for deals	65%	69%	72%	66%	57%	66%
No more or no less favorable for deals than in 2013	27%	25%	26%	29%	38%	29%
Less favorable for deals	8%	6%	2%	6%	4%	5%

Region	Midwest	Northeast	South	West	Total
More favorable for deals	74%	62%	65%	50%	66%
No more or no less favorable for deals than in 2013	21%	33%	33%	39%	29%
Less favorable for deals	5%	5%	2%	11%	5%

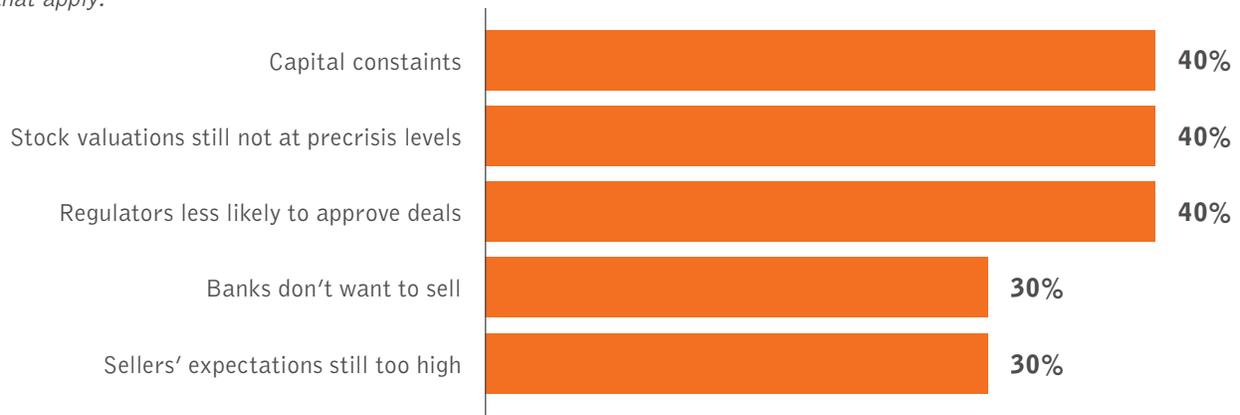
**2. Why do you think the current climate is MORE favorable for bank M&A?**

*Only asked of respondents who indicated the current climate is more favorable for bank M&A. Respondents were asked to select all that apply.*

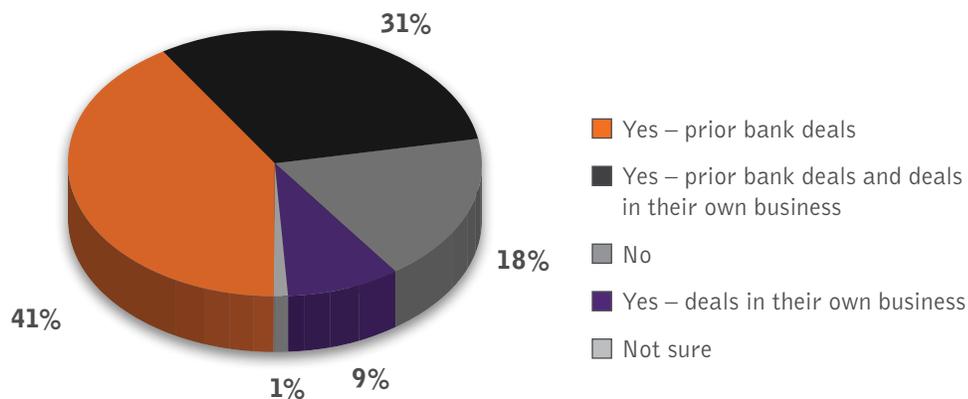


### 3. Why do you think the current climate is LESS favorable for bank M&A?

Only asked of respondents who indicated the current climate is less favorable for bank M&A. Respondents were asked to select all that apply.



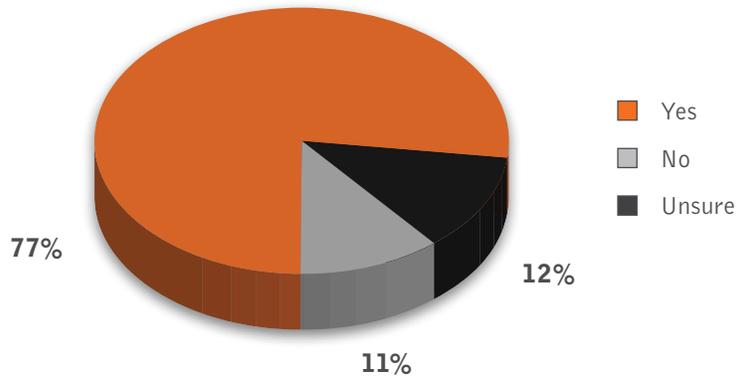
### 4. Does your board have directors with M&A experience?



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes – prior bank deals	59%	53%	38%	28%	28%	41%
Yes – prior bank deals and deals in their own business	37%	35%	25%	38%	23%	31%
No	-	4%	17%	28%	37%	18%
Yes – deals in their own business	-	8%	19%	6%	9%	9%
Not sure	4%	-	2%	-	2%	1%

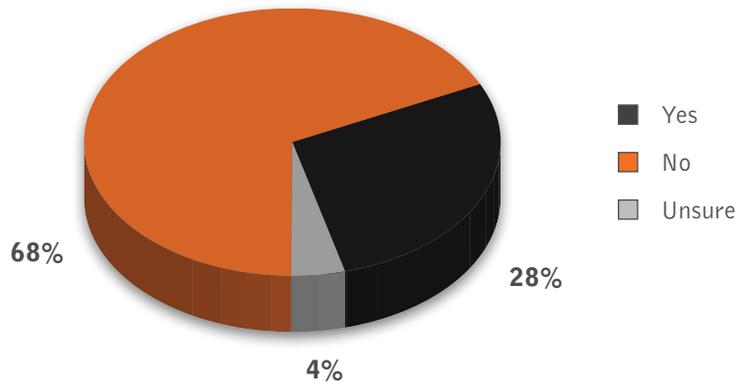
Bank Ownership	Public	Private	Mutual	Total
Yes – prior bank deals	51%	33%	20%	41%
Yes – prior bank deals and deals in their own business	30%	31%	30%	31%
No	13%	21%	30%	18%
Yes – deals in their own business	6%	11%	20%	9%
Not sure	-	3%	-	1%

**5. Do you believe that your board has enough M&A experience to meet the bank's goals?**



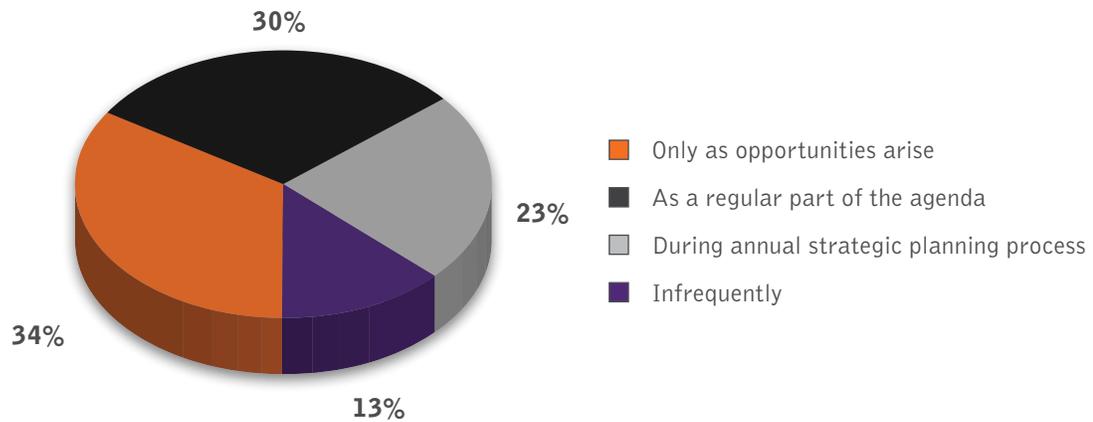
Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes	100%	94%	67%	81%	53%	77%
No	-	-	17%	9%	26%	11%
Unsure	-	6%	17%	9%	21%	12%

**6. Does your board have a formal M&A policy in place?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes	52%	42%	17%	22%	16%	28%
No	44%	52%	79%	75%	81%	68%
Unsure	4%	6%	4%	3%	2%	4%

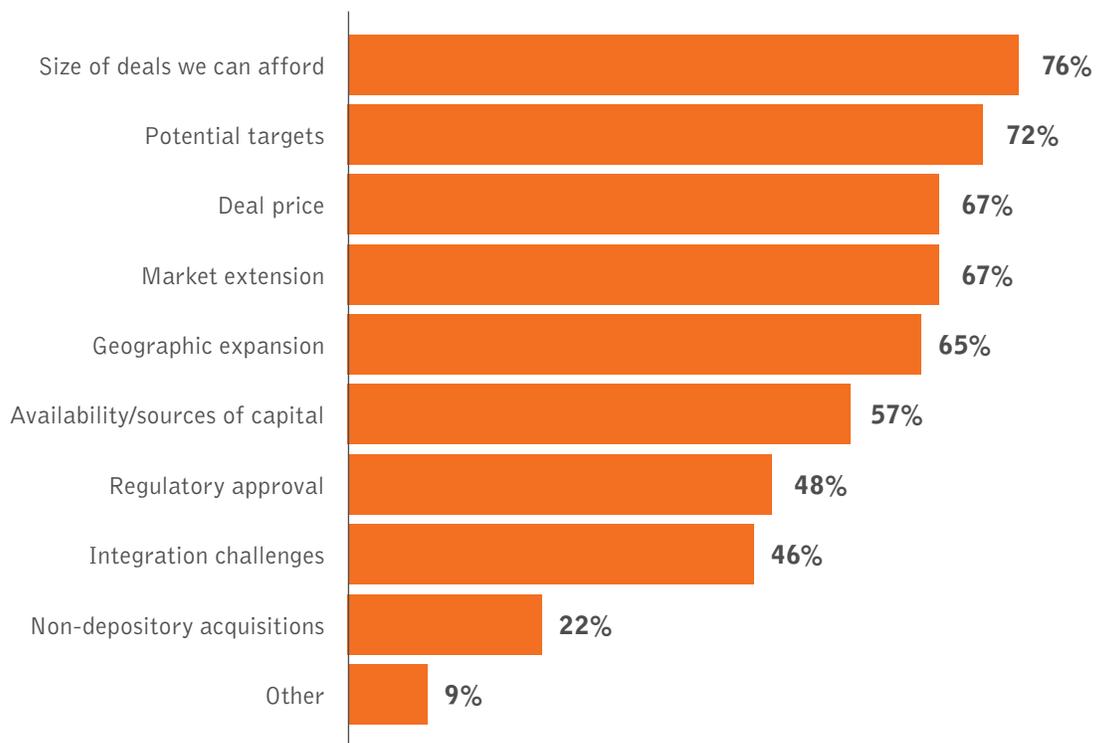
**7. With what frequency does your board discuss either an acquisition or possible sale?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Only as opportunities arise	42%	37%	31%	41%	23%	34%
As a regular part of the agenda	35%	41%	31%	16%	26%	30%
During annual strategic planning process	23%	18%	23%	22%	30%	23%
Infrequently	-	4%	15%	22%	21%	13%

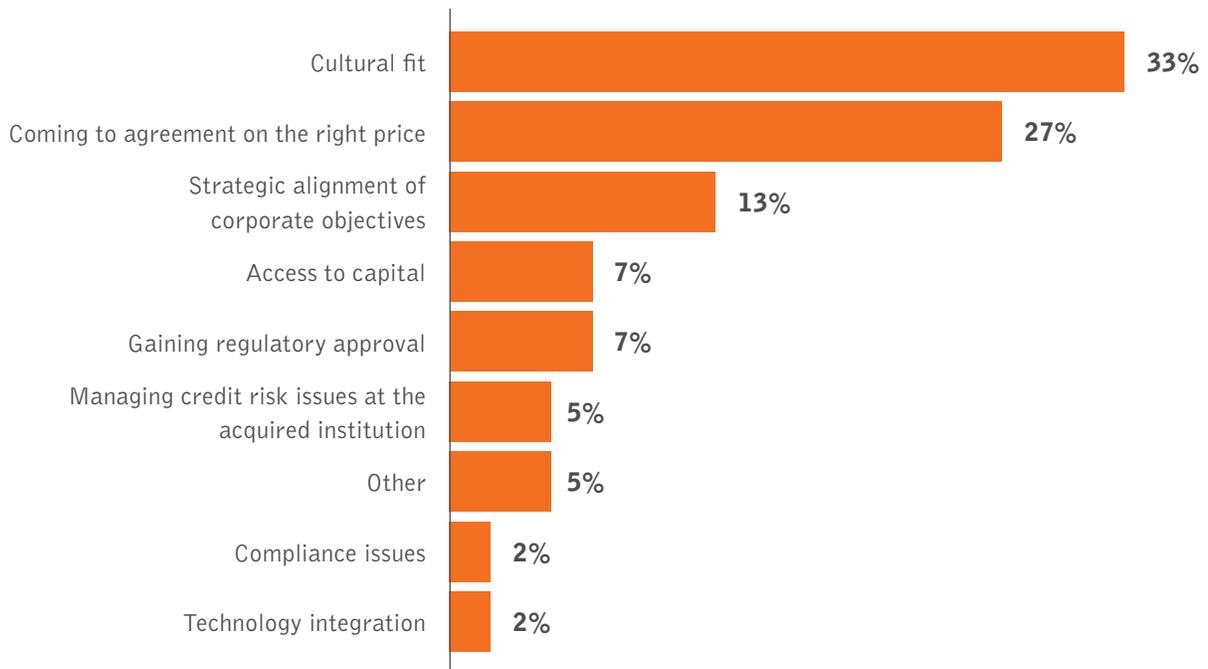
**8. When your board discusses acquisition opportunities, which of the following are analyzed?**

*Respondents were asked to select all that apply.*



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Size of deals we can afford	65%	73%	89%	78%	68%	76%
Potential targets	81%	76%	76%	66%	61%	72%
Deal price	92%	65%	70%	59%	56%	67%
Market extension	81%	76%	74%	59%	46%	67%
Geographic expansion	69%	69%	72%	53%	59%	65%
Availability/sources of capital	50%	61%	74%	41%	51%	57%
Regulatory approval	77%	53%	41%	38%	41%	48%
Integration challenges	62%	49%	50%	47%	29%	46%
Non-depository acquisitions	23%	31%	26%	16%	10%	22%
Other	8%	8%	9%	16%	5%	9%

**9. What do you see as the greatest challenge your board faces when considering an acquisition or merger of equals?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Cultural fit	27%	38%	33%	28%	33%	33%
Coming to agreement on the right price	27%	32%	27%	31%	17%	27%
Strategic alignment of corporate objectives	15%	8%	15%	16%	14%	13%
Access to capital	-	-	8%	9%	17%	7%
Gaining regulatory approval	19%	4%	4%	-	10%	7%
Managing credit risk issues at the acquired institution	4%	8%	4%	3%	5%	5%
Other, please specify:	-	2%	8%	9%	5%	5%
Compliance issues	8%	2%	-	3%	-	2%
Technology integration	-	6%	-	-	-	2%

#### 10. When did your bank last acquire or merge with another institution?



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
2014	56%	25%	12%	9%	9%	20%
2013	15%	29%	4%	9%	2%	12%
2011-2012	11%	8%	10%	3%	4%	8%
2008-2010	4%	17%	17%	16%	-	11%
2007 or prior	15%	15%	25%	9%	21%	18%
Our bank has never acquired or merged with another institution	-	6%	31%	53%	63%	31%

Bank Ownership	Public	Private	Mutual	Total
2014	29%	11%	20%	20%
2013	17%	8%	-	12%
2011-2012	6%	9%	-	8%
2008-2010	11%	10%	20%	11%
2007 or prior	16%	18%	30%	18%
Our bank has never acquired or merged with another institution	20%	43%	30%	31%

Region	Midwest	Northeast	South	West	Total
2014	23%	24%	15%	24%	20%
2013	10%	21%	10%	12%	12%
2011-2012	4%	5%	14%	-	8%
2008-2010	19%	8%	8%	4%	11%
2007 or prior	19%	18%	16%	20%	18%
Our bank has never acquired or merged with another institution	26%	24%	37%	40%	31%

**11. Regarding its most recent acquisition or merger, please indicate if your bank's strategic goals were met in the following areas:**

*Only asked of respondents who indicated that the bank has made an acquisition.*

Growth in Market Share						
Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes	100%	91%	80%	100%	83%	90%
No	-	9%	20%	-	17%	10%

Improved earnings per share						
Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes	100%	85%	75%	83%	50%	80%
No	-	15%	25%	17%	50%	20%

<b>Improved book value and/or market multiple</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Yes	93%	74%	70%	100%	75%	79%
No	7%	26%	30%	-	25%	21%

<b>Credit quality</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Yes	93%	71%	80%	58%	67%	74%
No	7%	29%	20%	42%	33%	26%

<b>Cultural fit</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Yes	93%	79%	80%	67%	67%	78%
No	7%	21%	20%	33%	33%	22%

<b>Technology integration</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
Yes	93%	85%	90%	92%	75%	87%
No	7%	15%	10%	8%	25%	13%

<b>Growth in Market Share</b>			
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Total</b>
Yes	94%	85%	90%
No	6%	15%	10%

<b>Improved earnings per share</b>			
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Total</b>
Yes	90%	70%	80%
No	10%	30%	20%

Improved book value and/or market multiple			
Bank Ownership	Public	Private	Total
Yes	78%	80%	79%
No	22%	20%	21%

Credit quality			
Bank Ownership	Public	Private	Total
Yes	76%	70%	74%
No	24%	30%	26%

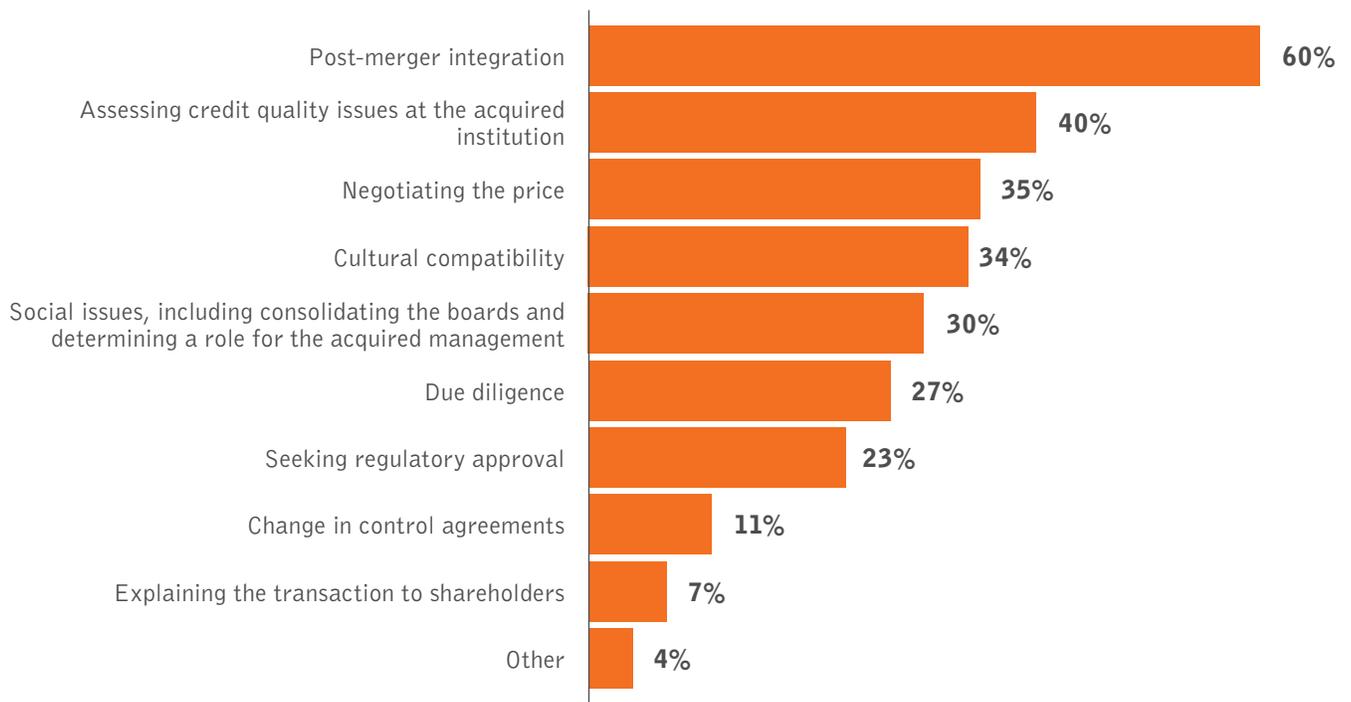
Cultural fit			
Bank Ownership	Public	Private	Total
Yes	86%	68%	78%
No	14%	32%	22%

Technology integration			
Bank Ownership	Public	Private	Total
Yes	86%	88%	87%
No	14%	12%	13%

**12. If your bank has done an acquisition during your time of service on the board, what were the top three most difficult aspects of the most recent acquisition?**

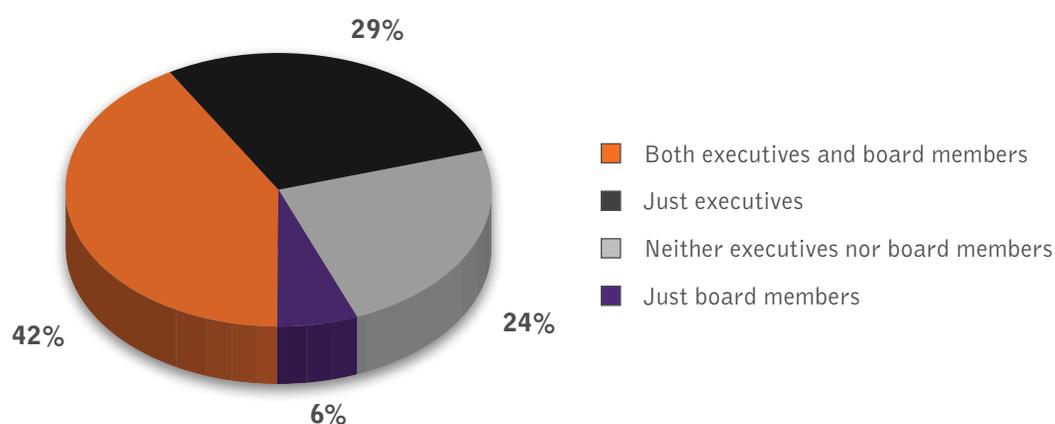
*Only asked of respondents who indicated that the bank has made an acquisition. Respondents were asked to select no more than three.*



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Post-merger integration	58%	56%	75%	50%	54%	60%
Assessing credit quality issues at the acquired institution	33%	38%	39%	57%	38%	40%
Negotiating the price	38%	26%	46%	36%	31%	35%
Cultural compatibility	12%	51%	36%	29%	23%	34%
Social issues, including consolidating the boards and determining a role for the acquired management	21%	33%	32%	36%	23%	30%
Due diligence	21%	21%	32%	36%	38%	27%
Seeking regulatory approval	38%	23%	4%	7%	54%	23%
Change in control agreements	17%	8%	7%	7%	23%	11%
Explaining the transaction to shareholders	4%	8%	4%	14%	8%	7%
Other	4%	5%	7%	-	-	4%

### 13. Following your most recent acquisition or merger, did you integrate members of the purchased bank's board or senior executives into the surviving institution?

Only asked of respondents who indicated that the bank has made an acquisition.

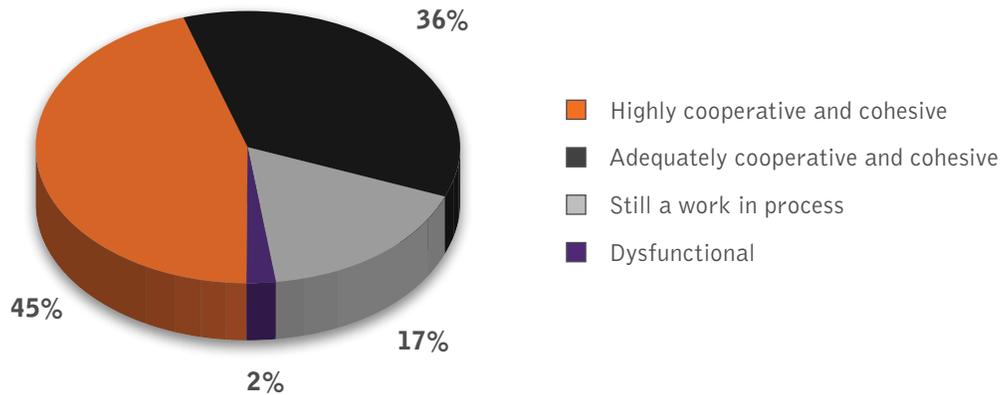


Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Both executives and board members	46%	52%	21%	33%	54%	42%
Just executives	29%	24%	36%	27%	31%	29%
Neither executives nor board members	17%	14%	39%	40%	15%	24%
Just board members	8%	10%	4%	-	-	6%

Bank Ownership	Public	Private	Total
Both executives and board members	47%	31%	42%
Just executives	19%	44%	29%
Neither executives nor board members	25%	23%	24%
Just board members	9%	2%	6%

**14. How would you describe the level of cooperation and cohesion of the merged board and/or senior management team after the transaction?**

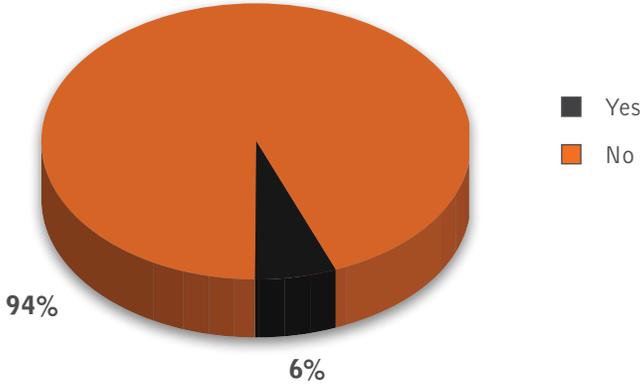
*Only asked of respondents who indicated that their institution integrated members of the purchased bank’s board or management into their most recent acquisition.*



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Highly cooperative and cohesive	70%	54%	35%	11%	9%	45%
Adequately cooperative and cohesive	20%	34%	47%	67%	27%	36%
Still a work in process	10%	11%	18%	22%	45%	17%
Dysfunctional	-	-	-	-	18%	2%

Bank Ownership	Public	Private	Total
Highly cooperative and cohesive	56%	22%	45%
Adequately cooperative and cohesive	30%	49%	36%
Still a work in process	14%	24%	17%
Dysfunctional	-	5%	2%

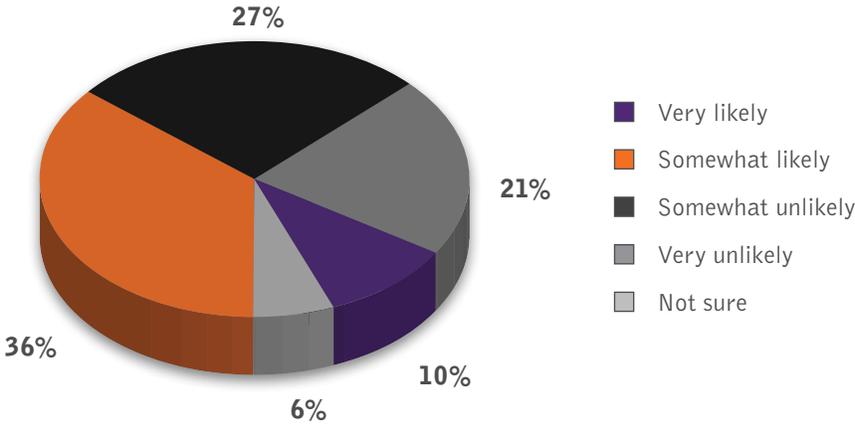
**15. Has your bank participated in a merger of equals in the past 12 months?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes	24%	4%	4%	-	2%	6%
No	76%	96%	96%	100%	98%	94%

**16. If not, how likely would you be to consider a merger of equals?**

*Only asked of respondents whose bank did not participate in a merger of equals within the past 12 months.*

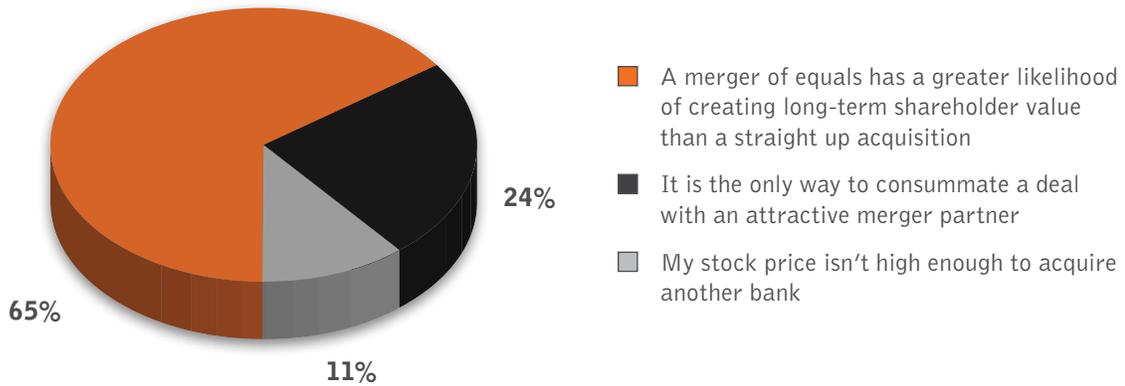


Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Very likely	5%	10%	5%	6%	22%	10%
Somewhat likely	16%	33%	43%	34%	42%	36%
Somewhat unlikely	37%	33%	23%	22%	22%	27%
Very unlikely	26%	19%	30%	28%	8%	21%
Not sure	16%	5%	-	9%	5%	6%

Bank Ownership	Public	Private	Total
Very likely	5%	12%	10%
Somewhat likely	48%	29%	36%
Somewhat unlikely	30%	21%	27%
Very unlikely	13%	30%	21%
Not sure	4%	7%	6%

**17. Which of the following describes the primary reason why you WOULD consider a merger of equals?**

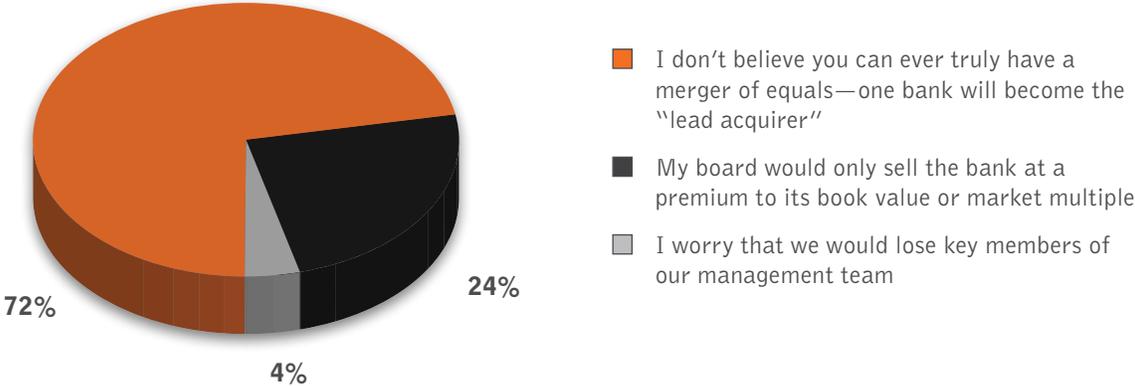
*Only asked of respondents who indicated that they are likely to consider a merger of equals.*



Bank Ownership	Public	Private	Total
A merger of equals has a greater likelihood of creating long-term shareholder value than a straight up acquisition	64%	65%	65%
It is the only way to consummate a deal with an attractive merger partner	26%	22%	24%
My stock price isn't high enough to acquire another bank	10%	14%	11%

**18. Which of the following describes the primary reason why you would NOT consider a merger of equals?**

*Only asked of respondents who indicated that they are unlikely to consider a merger of equals.*



Bank Ownership	Public	Private	Total
I don't believe you can ever truly have a merger of equals—one bank will become the "lead acquirer"	76%	69%	72%
My board would only sell the bank at a premium to its book value or market multiple	21%	27%	24%
I worry that we would lose key members of our management team	3%	4%	4%

**19. How many of the following types of acquisitions have your institution done in the past 12 months?**

<b>Healthy-whole bank</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
None	46%	69%	98%	93%	92%	85%
1	38%	26%	2%	7%	8%	13%
2	8%	6%	-	-	-	2%
3	-	-	-	-	-	-
4	8%	-	-	-	-	1%
5 or more	-	-	-	-	-	-

<b>Branches</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
None	92%	86%	88%	93%	95%	90%
1	-	6%	7%	7%	5%	6%
2	8%	6%	5%	-	-	3%
3	-	-	-	-	-	-
4	-	-	-	-	-	-
5 or more	-	3%	-	-	-	1%

<b>Non-depository line(s) of business</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
None	85%	80%	88%	100%	95%	90%
1	15%	11%	7%	-	5%	7%
2	-	9%	5%	-	-	3%
3	-	-	-	-	-	-
4	-	-	-	-	-	-
5 or more	-	-	-	-	-	-

<b>Loan portfolio</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
None	77%	94%	93%	93%	100%	94%
1	23%	6%	5%	4%	-	5%
2	-	-	2%	-	-	1%
3	-	-	-	4%	-	1%
4	-	-	-	-	-	-
5 or more	-	-	-	-	-	-

<b>Healthy-whole bank</b>				
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Mutual</b>	<b>Total</b>
None	78%	89%	89%	85%
1	16%	11%	11%	13%
2	5%	-	-	2%
3	-	-	-	-
4	2%	-	-	1%
5 or more	-	-	-	-

<b>Branches</b>				
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Mutual</b>	<b>Total</b>
None	90%	90%	89%	90%
1	2%	8%	11%	6%
2	6%	1%	-	3%
3	-	-	-	-
4	-	-	-	-
5 or more	2%	-	-	1%

<b>Non-depository line(s) of business</b>				
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Mutual</b>	<b>Total</b>
None	87%	92%	89%	90%
1	8%	6%	11%	7%
2	5%	2%	-	3%
3	-	-	-	-
4	-	-	-	-
5 or more	-	-	-	-

<b>Loan portfolio</b>				
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Mutual</b>	<b>Total</b>
None	90%	95%	100%	94%
1	8%	4%	-	5%
2	2%	-	-	1%
3	-	1%	-	1%
4	-	-	-	-
5 or more	-	-	-	-

<b>Healthy-whole bank</b>					
<b>Region</b>	<b>Midwest</b>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Total</b>
None	84%	79%	86%	90%	85%
1	16%	21%	8%	5%	13%
2	-	-	4%	5%	2%
3	-	-	-	-	-
4	-	-	2%	-	1%
5 or more	-	-	-	-	-

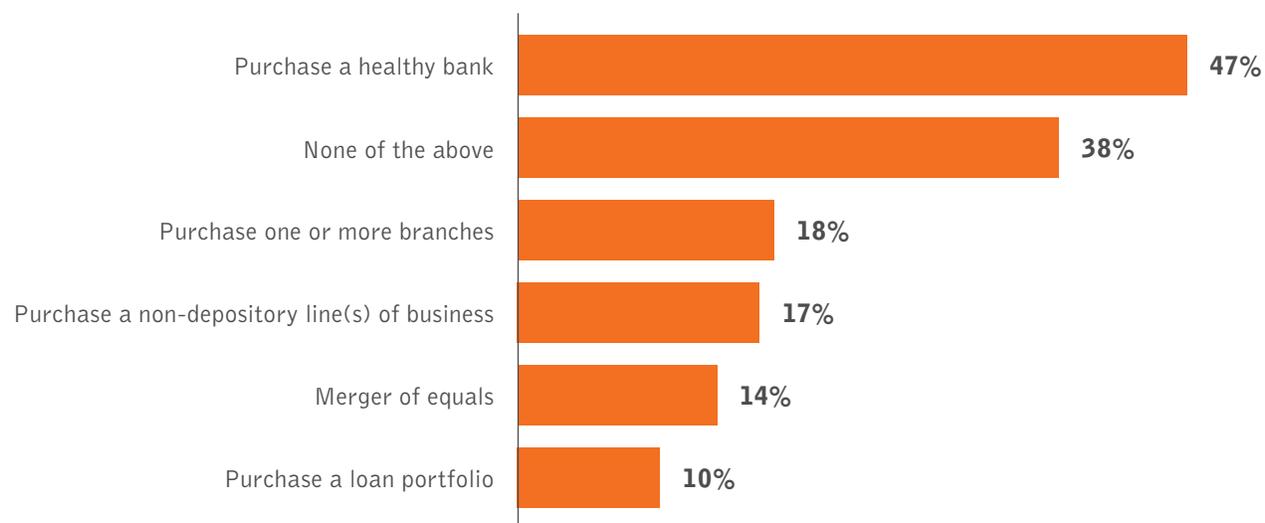
<b>Branches</b>					
<b>Region</b>	<b>Midwest</b>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Total</b>
None	91%	93%	88%	90%	90%
1	7%	4%	8%	-	6%
2	2%	-	4%	10%	3%
3	-	-	-	-	-
4	-	-	-	-	-
5 or more	-	4%	-	-	1%

<b>Non-depository line(s) of business</b>					
<b>Region</b>	<b>Midwest</b>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Total</b>
None	89%	89%	88%	95%	90%
1	5%	7%	10%	5%	7%
2	5%	4%	2%	-	3%
3	-	-	-	-	-
4	-	-	-	-	-
5 or more	-	-	-	-	-

<b>Loan portfolio</b>					
<b>Region</b>	<b>Midwest</b>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Total</b>
None	96%	89%	90%	100%	94%
1	4%	7%	8%	-	5%
2	-	-	2%	-	1%
3	-	4%	-	-	1%
4	-	-	-	-	-
5 or more	-	-	-	-	-

## 20. Over the next 12 months, is your institution intending to participate in any of the following?

Respondents were asked to select all that apply.



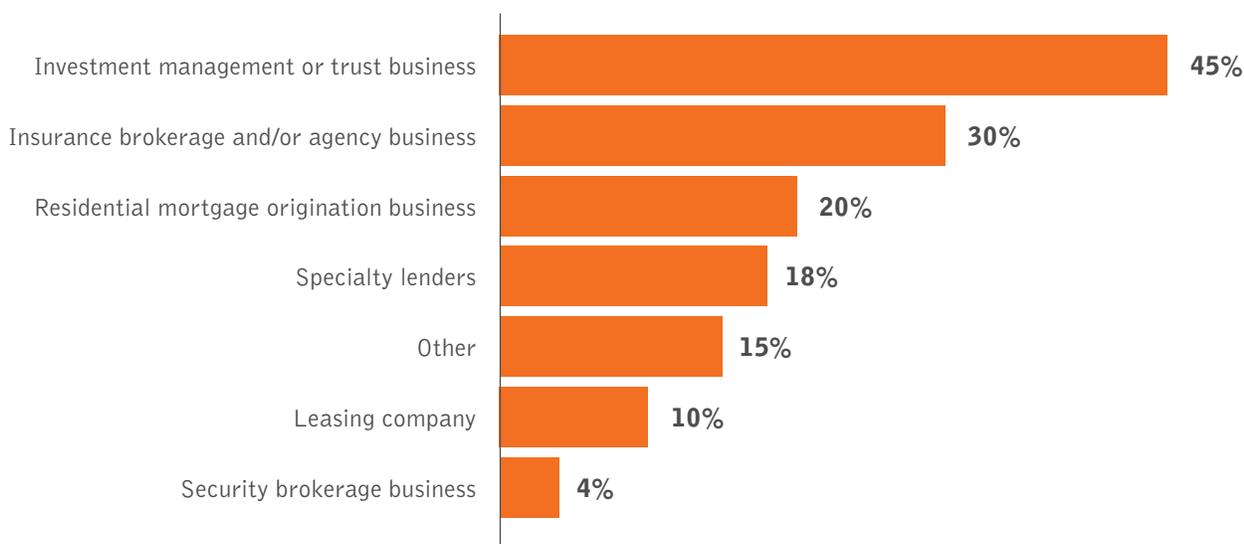
Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Purchase a healthy bank	68%	59%	57%	42%	15%	47%
None of the above	16%	32%	31%	50%	60%	38%
Purchase one or more branches	24%	20%	17%	12%	18%	18%
Purchase a non-depository line(s) of business	32%	29%	19%	4%	2%	17%
Merger of equals	8%	15%	12%	4%	25%	14%
Purchase a loan portfolio	24%	10%	10%	8%	5%	10%

Bank Ownership	Public	Private	Total
Purchase a healthy bank	59%	40%	47%
None of the above	28%	47%	38%
Purchase one or more branches	21%	17%	18%
Purchase a non-depository line(s) of business	25%	11%	17%
Merger of equals	16%	12%	14%
Purchase a loan portfolio	16%	4%	10%

Region	Midwest	Northeast	South	West	Total
Purchase a healthy bank	52%	41%	47%	46%	47%
None of the above	36%	35%	45%	33%	38%
Purchase a non-depository line(s) of business	20%	26%	15%	8%	18%
Purchase one or more branches	21%	15%	15%	21%	17%
Merger of equals	12%	12%	13%	21%	14%
Purchase a loan portfolio	4%	21%	11%	8%	10%

**21. Over the next 12 months, is your institution intending to make any of the following non-depository acquisitions outside of your core branch banking franchise?**

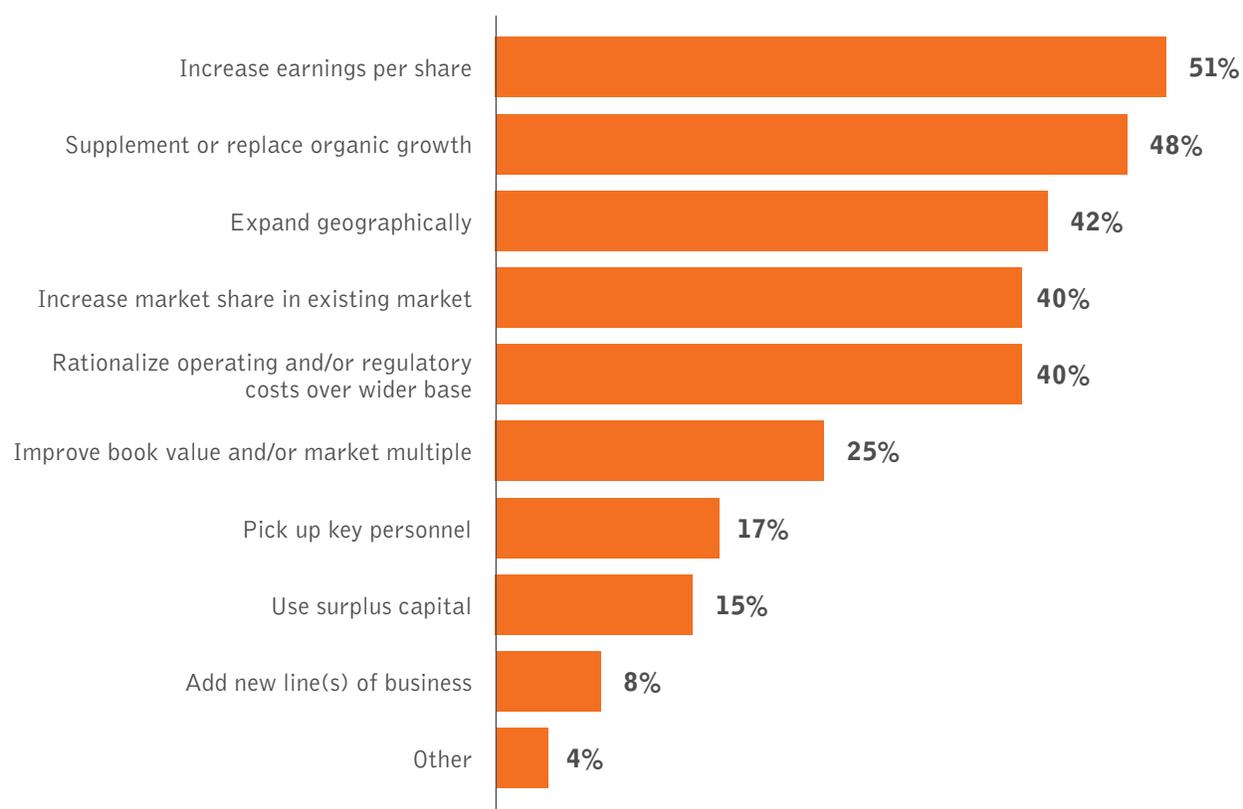
*Respondents were asked to select all that apply.*



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Investment management or trust business	43%	62%	47%	29%	29%	45%
Insurance brokerage and/or agency business	29%	29%	47%	29%	14%	30%
Residential mortgage origination business	7%	14%	20%	43%	29%	20%
Specialty lenders	36%	24%	13%	-	7%	18%
Other	14%	-	7%	14%	50%	15%
Leasing company	14%	10%	20%	-	-	10%
Security brokerage business	7%	10%	-	-	-	4%

**22. In considering buying another bank and/or participating in a merger of equals, what would you consider the top three reasons your institution might make an acquisition?**

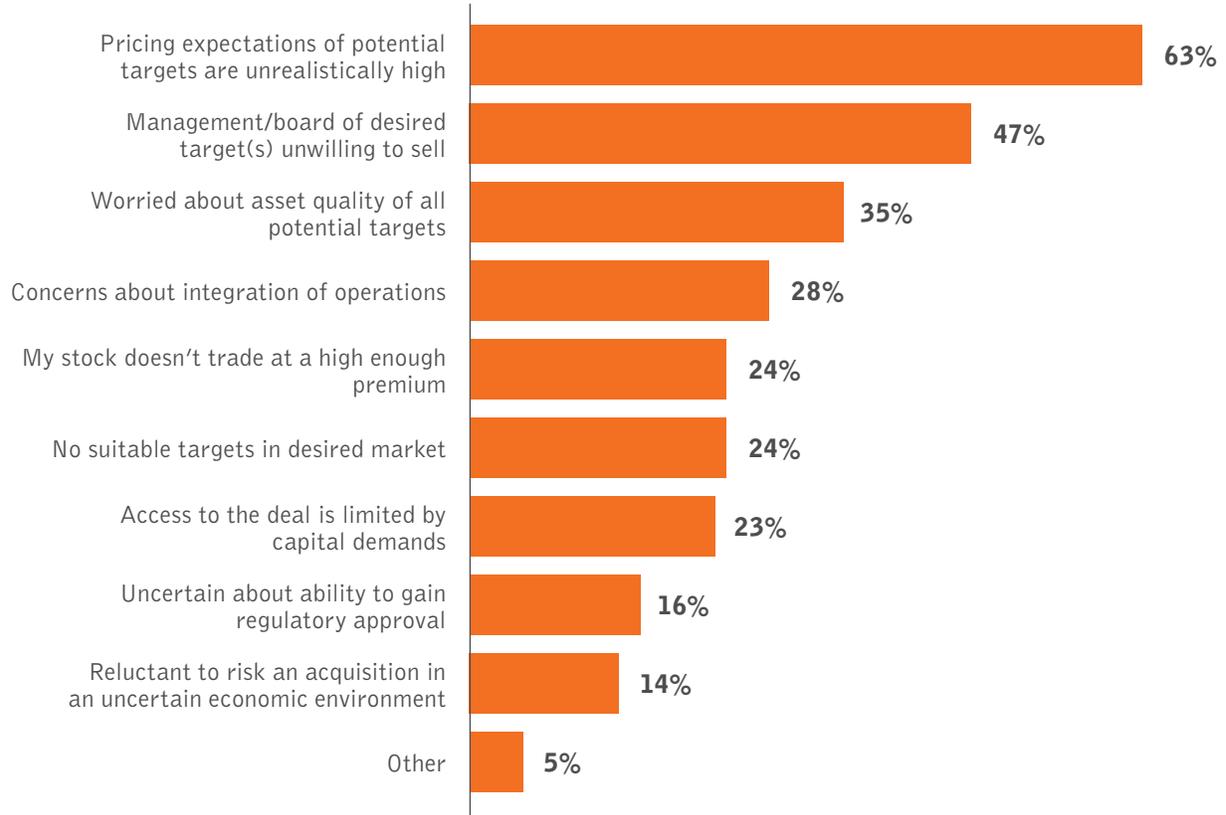
*Respondents were asked to select no more than three.*



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Increase earnings per share	62%	63%	50%	40%	40%	51%
Supplement or replace organic growth	33%	46%	48%	60%	50%	48%
Expand geographically	33%	41%	55%	32%	42%	42%
Increase market share in existing market	50%	49%	26%	56%	28%	40%
Rationalize operating and/or regulatory costs over wider base	33%	20%	38%	52%	58%	40%
Improve book value and/or market multiple	17%	24%	33%	24%	22%	25%
Pick up key personnel	12%	20%	14%	16%	22%	17%
Use surplus capital	33%	22%	10%	16%	2%	15%
Add new line(s) of business	8%	12%	10%	-	8%	8%
Other	-	2%	5%	4%	8%	4%

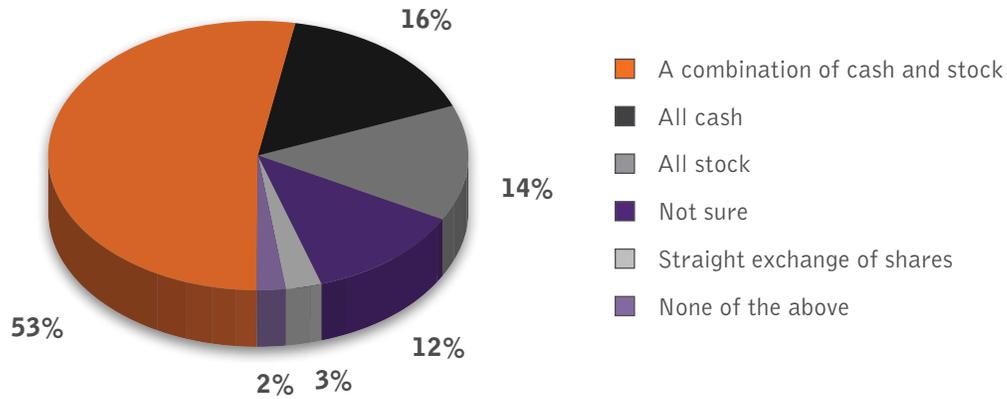
**23. In considering buying another bank and/or participating in a merger of equals, what would you consider the top three barriers to making an acquisition?**

*Respondents were asked to select no more than three.*



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Pricing expectations of potential targets are unrealistically high	75%	73%	66%	52%	50%	63%
Management/board of desired target(s) unwilling to sell	54%	37%	49%	48%	52%	47%
Worried about asset quality of all potential targets	25%	51%	27%	36%	30%	35%
Concerns about integration of operations	12%	37%	29%	36%	22%	28%
My stock doesn't trade at a high enough premium	8%	29%	22%	28%	28%	24%
No suitable targets in desired market	29%	24%	27%	32%	12%	24%
Access to the deal is limited by capital demands	4%	10%	37%	20%	38%	23%
Uncertain about ability to gain regulatory approval	29%	10%	10%	12%	25%	16%
Reluctant to risk an acquisition in an uncertain economic environment	17%	7%	20%	8%	18%	14%
Other	-	2%	5%	12%	5%	5%

**24. If your institution were to acquire another bank, how would you want to structure the transaction?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
A combination of cash and stock	52%	67%	51%	48%	44%	53%
All cash	8%	14%	30%	16%	5%	16%
All stock	28%	10%	2%	16%	23%	14%
Not sure	12%	10%	12%	8%	18%	12%
Straight exchange of shares	-	-	5%	12%	3%	3%
None of the above	-	-	-	-	8%	2%

Bank Ownership	Public	Private	Total
A combination of cash and stock	65%	46%	53%
All cash	5%	23%	16%
All stock	18%	12%	14%
Not sure	6%	14%	12%
Straight exchange of shares	4%	4%	3%
None of the above	2%	1%	2%

**25. During the last 12 months, has your bank sold any of the following?**

<b>Branches</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
None	82%	95%	100%	100%	97%	96%
1	9%	-	-	-	3%	2%
2	-	-	-	-	-	-
3	5%	5%	-	-	-	2%
4	-	-	-	-	-	-
5 or more	5%	-	-	-	-	1%

<b>Non-depository line(s) of business</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
None	86%	95%	100%	96%	97%	96%
1	14%	5%	-	4%	3%	4%
2	-	-	-	-	-	-
3	-	-	-	-	-	-
4	-	-	-	-	-	-
5 or more	-	-	-	-	-	-

<b>Loan portfolio</b>						
<b>Bank Asset Size</b>	<b>&gt;\$5B</b>	<b>\$1B - \$5B</b>	<b>\$500M - \$1B</b>	<b>\$250M - \$500M</b>	<b>&lt;\$250M</b>	<b>Total</b>
None	86%	87%	98%	96%	100%	94%
1	14%	11%	-	4%	-	5%
2	-	-	-	-	-	-
3	-	3%	2%	-	-	1%
4	-	-	-	-	-	-
5 or more	-	-	-	-	-	-

<b>Branches</b>			
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Total</b>
None	92%	99%	96%
1	3%	1%	2%
2	-	-	-
3	4%	-	2%
4	-	-	-
5 or more	1%	-	1%

<b>Non-depository line(s) of business</b>			
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Total</b>
None	93%	98%	96%
1	7%	2%	4%
2	-	-	-
3	-	-	-
4	-	-	-
5 or more	-	-	-

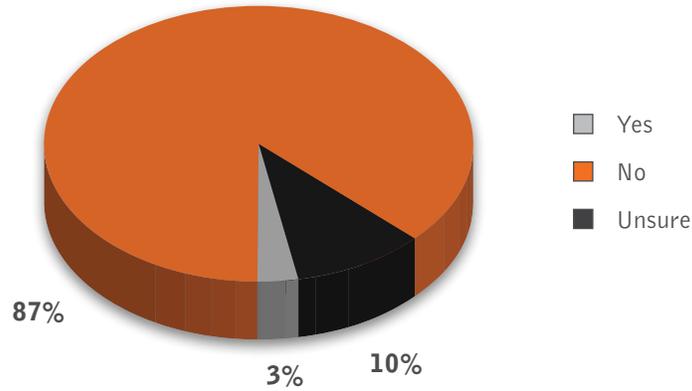
<b>Loan portfolio</b>			
<b>Bank Ownership</b>	<b>Public</b>	<b>Private</b>	<b>Total</b>
None	89%	98%	94%
1	9%	1%	5%
2	-	-	-
3	1%	1%	1%
4	-	-	-
5 or more	-	-	-

<b>Branches</b>					
<b>Region</b>	<b>Midwest</b>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Total</b>
None	100%	94%	96%	88%	96%
1	-	3%	2%	4%	2%
2	-	-	-	-	-
3	-	3%	-	8%	2%
4	-	-	-	-	-
5 or more	-	-	2%	-	1%

<b>Non-depository line(s) of business</b>					
<b>Region</b>	<b>Midwest</b>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Total</b>
None	98%	91%	96%	96%	96%
1	2%	9%	4%	4%	4%
2	-	-	-	-	-
3	-	-	-	-	-
4	-	-	-	-	-
5 or more	-	-	-	-	-

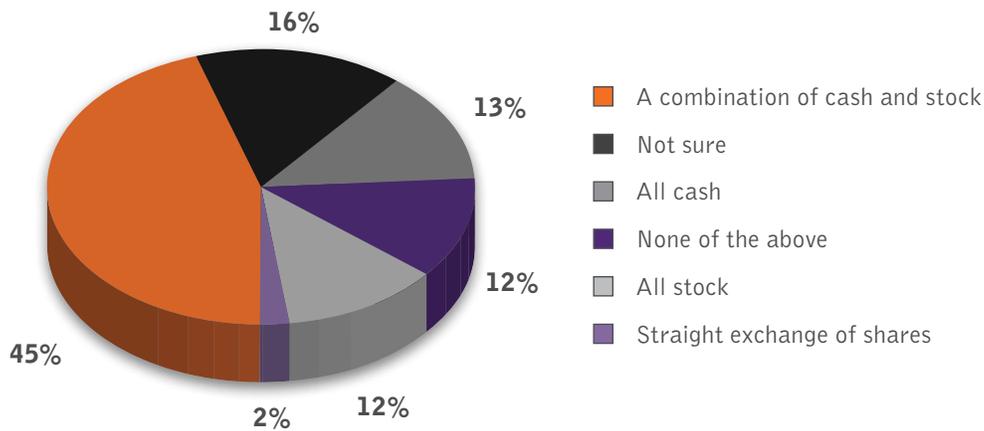
<b>Loan portfolio</b>					
<b>Region</b>	<b>Midwest</b>	<b>Northeast</b>	<b>South</b>	<b>West</b>	<b>Total</b>
None	98%	85%	92%	100%	94%
1	-	12%	8%	-	5%
2	-	-	-	-	-
3	2%	3%	-	-	1%
4	-	-	-	-	-
5 or more	-	-	-	-	-

**26. Does your board intend to sell the bank over the next 12 months?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes	-	-	5%	-	8%	3%
No	100%	100%	91%	88%	62%	87%
Unsure	-	-	5%	12%	30%	10%

**27. If your institution were to sell itself to another bank, how would you want to structure the transaction?**

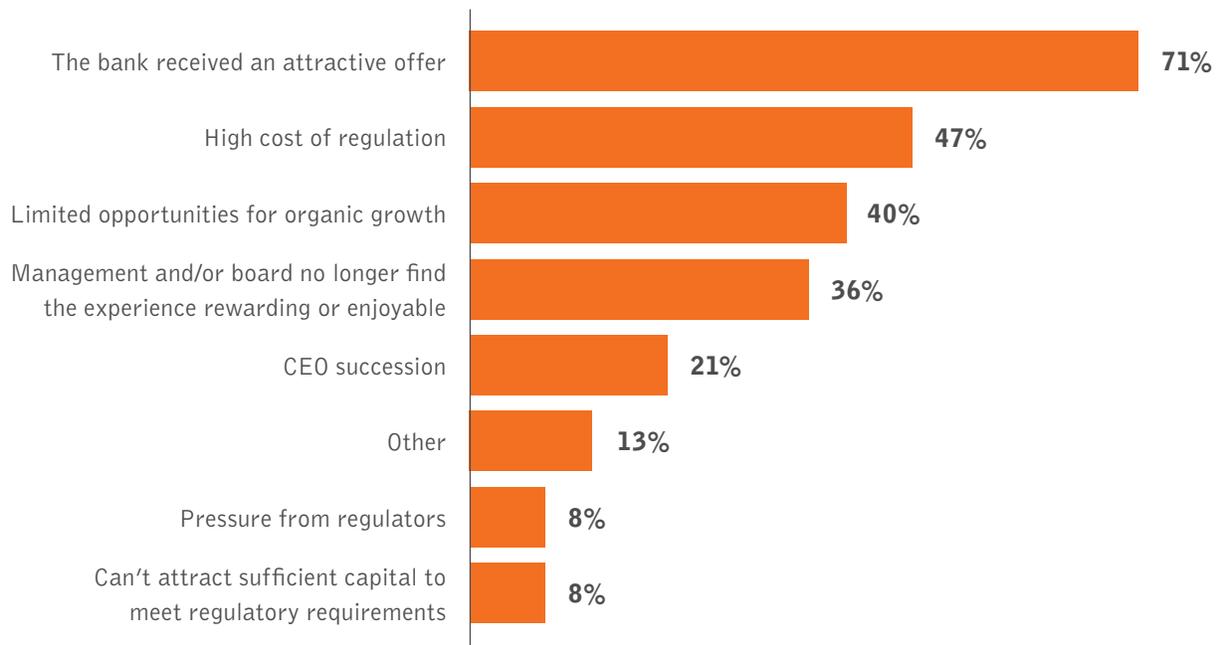


Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
A combination of cash and stock	45%	43%	42%	50%	49%	45%
Not sure	9%	24%	19%	12%	13%	16%
All cash	-	-	21%	17%	21%	13%
None of the above	18%	19%	9%	12%	3%	12%
All stock	27%	11%	2%	8%	15%	12%
Straight exchange of shares	-	3%	7%	-	-	2%

Bank Ownership	Public	Private	Total
A combination of cash and stock	55%	41%	45%
Not sure	17%	14%	16%
All cash	6%	20%	13%
None of the above	8%	12%	12%
All stock	13%	10%	12%
Straight exchange of shares	1%	4%	2%

**28. What would you consider the top three reasons you might sell your institution?**

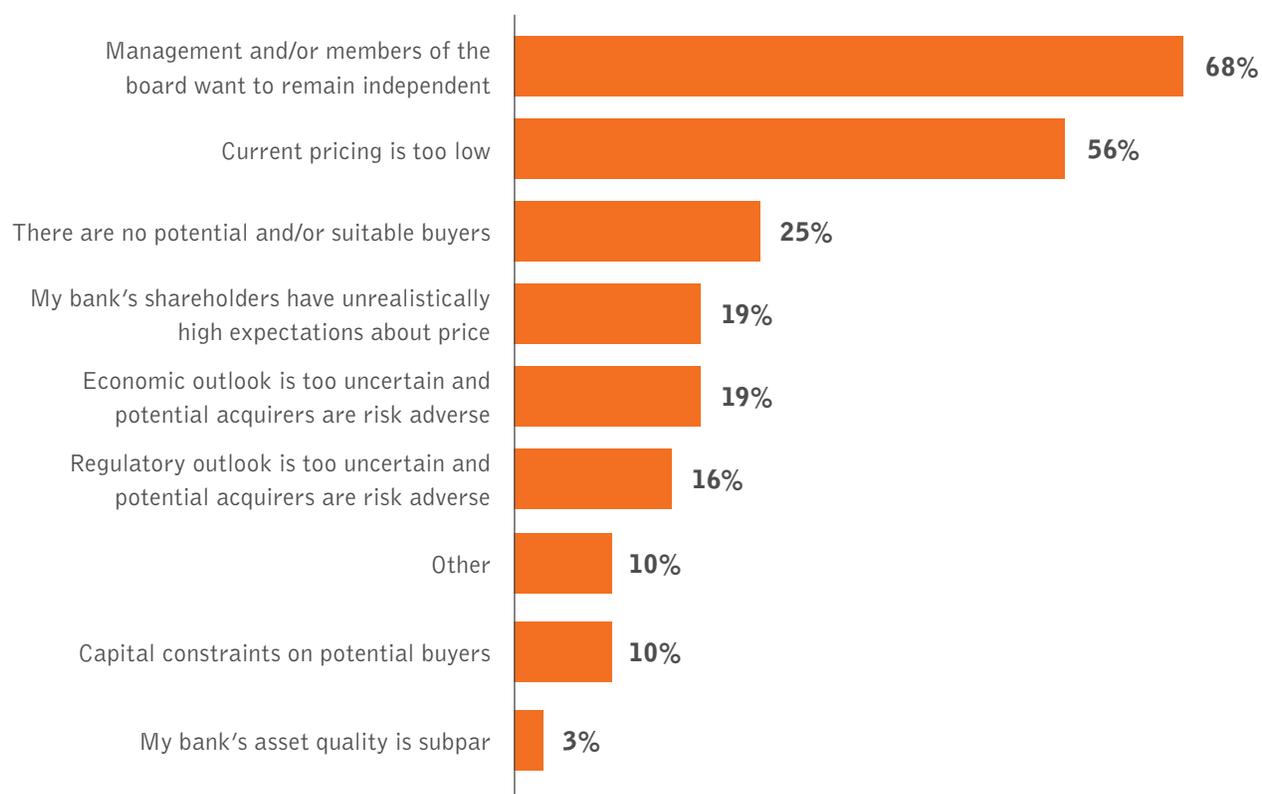
*Respondents were asked to select no more than three.*



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
The bank received an attractive offer	89%	60%	69%	74%	74%	71%
High cost of regulation	28%	37%	44%	48%	67%	47%
Limited opportunities for organic growth	44%	49%	36%	35%	36%	40%
Management and/or board no longer find the experience rewarding or enjoyable	11%	26%	59%	39%	31%	36%
CEO succession	22%	14%	18%	30%	23%	21%
Other	6%	14%	21%	9%	10%	13%
Pressure from regulators	11%	6%	5%	4%	15%	8%
Can't attract sufficient capital to meet regulatory requirements	11%	9%	8%	4%	10%	8%

## 29. What are the top three barriers to selling your bank?

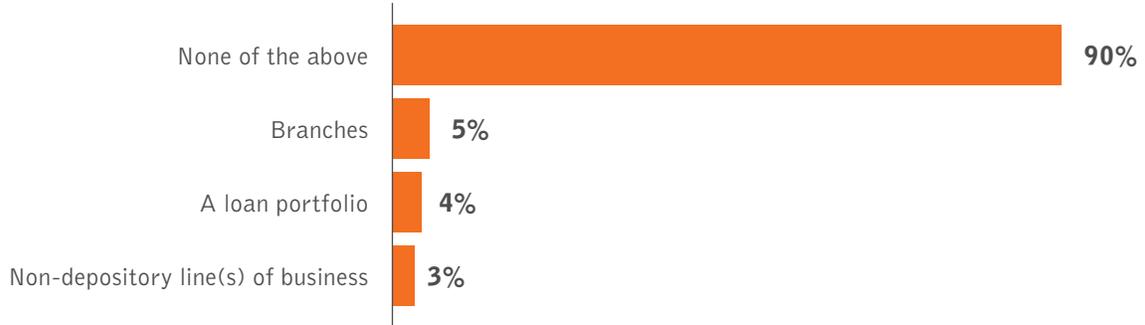
Respondents were asked to select no more than three.



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Management and/or members of the board want to remain independent	74%	61%	80%	59%	62%	68%
Current pricing is too low	47%	48%	50%	73%	65%	56%
There are no potential and/or suitable buyers	53%	24%	25%	14%	20%	25%
My bank's shareholders have unrealistically high expectations about price	-	12%	22%	32%	25%	19%
Economic outlook is too uncertain and potential acquirers are risk adverse	11%	21%	18%	18%	25%	19%
Regulatory outlook is too uncertain and potential acquirers are risk adverse	16%	21%	15%	-	20%	16%
Other	5%	12%	8%	23%	8%	10%
Capital constraints on potential buyers	16%	18%	5%	9%	5%	10%
My bank's asset quality is subpar	-	-	5%	5%	5%	3%

**30. Over the next 12 months, is your institution intending to sell any of the following?**

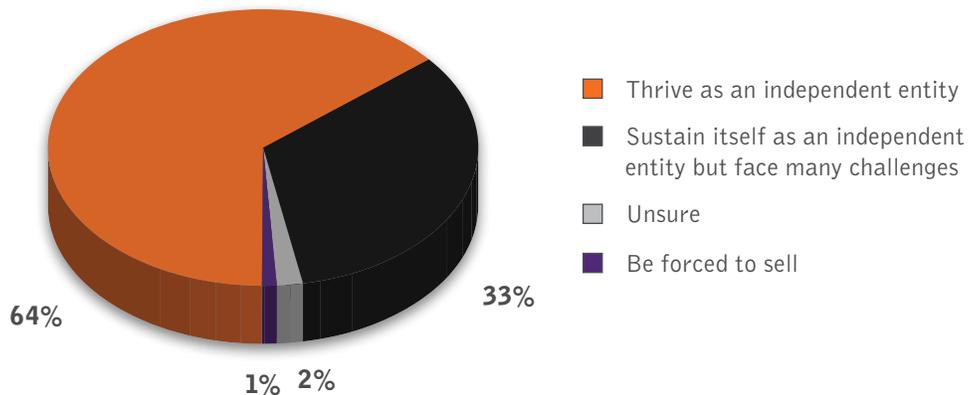
Respondents were asked to select all that apply.



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
None of the above	79%	92%	98%	83%	92%	90%
Branches	4%	3%	2%	17%	2%	5%
A loan portfolio	4%	3%	2%	4%	8%	4%
Non-depository line(s) of business	12%	3%	-	-	2%	3%

Region	Midwest	Northeast	South	West	Total
None of the above	93%	84%	89%	95%	90%
Branches	2%	3%	9%	5%	5%
A loan portfolio	2%	9%	4%	5%	4%
Non-depository line(s) of business	3%	6%	-	5%	3%

**31. How do you think your bank will perform over the next 24 months?**

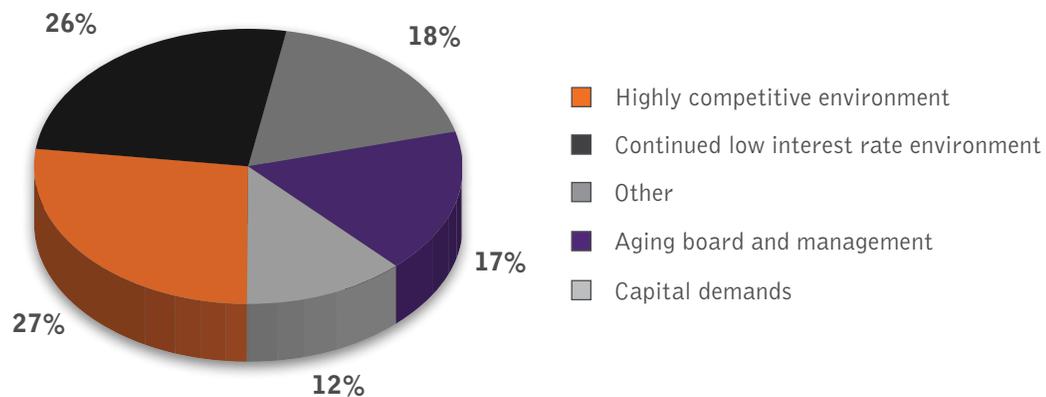


Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Thrive as an independent entity	83%	74%	53%	71%	51%	64%
Sustain itself as an independent entity but face many challenges	12%	26%	42%	29%	44%	33%
Unsure	4%	-	5%	-	-	2%
Be forced to sell	-	-	-	-	5%	1%

Bank Ownership	Public	Private	Total
Thrive as an independent entity	71%	58%	64%
Sustain itself as an independent entity but face many challenges	27%	39%	33%
Unsure	1%	3%	2%
Be forced to sell	1%	-	1%

Region	Midwest	Northeast	South	West	Total
Thrive as an independent entity	67%	70%	60%	70%	64%
Sustain itself as an independent entity but face many challenges	32%	27%	35%	30%	33%
Unsure	2%	-	4%	-	2%
Be forced to sell	-	3%	2%	-	1%

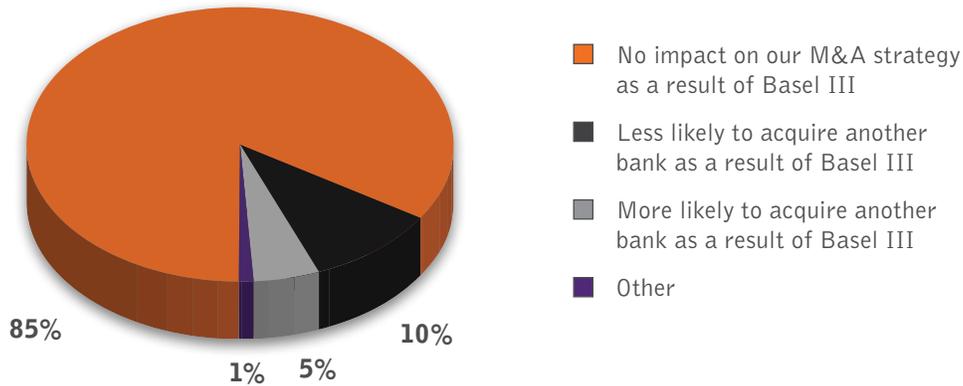
### 32. What is the primary barrier that could prevent your bank from staying independent?



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Highly competitive environment	30%	36%	19%	26%	26%	27%
Continued low interest rate environment	35%	33%	22%	22%	21%	26%
Other	15%	19%	16%	22%	18%	18%
Aging board and management	10%	8%	16%	30%	21%	17%
Capital demands	10%	3%	27%	-	13%	12%

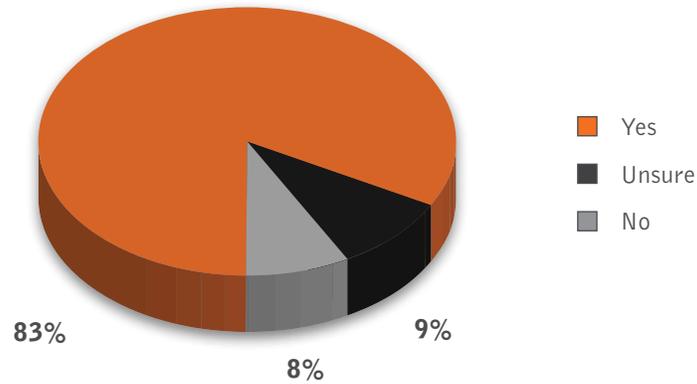
Region	Midwest	Northeast	South	West	Total
Highly competitive environment	28%	31%	31%	15%	27%
Continued low interest rate environment	21%	38%	20%	35%	26%
Other	13%	21%	27%	10%	18%
Aging board and management	25%	3%	14%	25%	17%
Capital demands	13%	7%	8%	15%	12%

**33. How have the Basel III rules affected your bank's M&A strategy?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
No impact on our M&A strategy as a result of Basel III	83%	95%	72%	88%	90%	85%
Less likely to acquire another bank as a result of Basel III	12%	3%	16%	8%	8%	10%
More likely to acquire another bank as a result of Basel III	4%	3%	9%	4%	3%	5%
Other	-	-	2%	-	-	1%

**34. Do you feel that your bank has adequate access to capital to meet the demands of Basel III and drive your bank's growth and acquisition strategy?**



Bank Asset Size	>\$5B	\$1B - \$5B	\$500M - \$1B	\$250M - \$500M	<\$250M	Total
Yes	96%	97%	79%	88%	62%	83%
Unsure	4%	3%	9%	8%	21%	9%
No	-	-	12%	4%	18%	8%

Bank Ownership	Public	Private	Total
Yes	93%	72%	83%
Unsure	5%	15%	9%
No	2%	12%	8%

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