

Bank Performance and Peer Analysis

**Sample Bank
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Consultants to the Financial Industry

Young & Associates, Inc.

121 E. Main Street
P.O. Box 711
Kent, OH 44240

Phone: 330.678.0524
Fax: 330.678.6219
www.younginc.com

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Introduction

The Bank Performance and Peer Analysis Report is designed to be used by bank management as an aid in evaluating current financial condition of banks and thrifts, analyzing trends in their financial performance, and performing comparisons with the performance of their peers.

The report is computer-generated from a database including financial information from the Reports of Condition and Reports of Income (Call Reports), Thrift Financial Reports, and other public sources. The financial data contained in the report is updated quarterly and includes information for the most current year and four historical years. The information is presented in the form of financial ratios and charts displaying the trend lines for each of the analyzed components. The ratio calculations replicate the format of the Uniform Bank Performance Report, which is widely used by the regulatory agencies. The ratio definitions are included at the end of this report.

The peer group information reflects a composite performance for the group of banks that you have selected. While the peer group averages provide important insight into the performance of similar financial institutions across the country, they may or may not be appropriate goals for a given bank or thrift. Each bank has its own unique operating characteristics that affect both its balance sheet composition and its income stream. No single ratio or trend is indicative of a financial institution's condition. A given bank may be above or below the peer group average for a given ratio; however, that information must be considered in combination with other related facts before its importance can be determined. If you would like to discuss the unique results of your Bank Performance and Peer Analysis, or the potential conditions that might require further analysis and investigation, please call Young & Associates, Inc. at 1.800.525.9775.

Peer Group Information

PEER GROUP 1	
Number of Institutions in Peer Group:	19
Institution Type:	Savings Institutions
Asset Size:	\$100 Million - \$125 Million
Geographical Location:	Midwest
Ownership Type:	Mutual
PEER GROUP 2	
Number of Institutions in Peer Group:	63
Institution Type:	Savings Institutions
Asset Size:	\$100 Million - \$125 Million
Geographical Location:	U.S.A.

Peer Comparison Summary and Impact Analysis

The following table highlights differences between your bank's performance and the average peer performance. The impact column illustrates in dollar terms how your earnings and the balance sheet would be affected if your performance ratios matched the peer averages.

As an example, a bank with an average asset size of \$100 million generated \$3 million in net interest income - a margin of 3.0 percent. The average peer group margin is 4.0 percent. To reach the comparable net interest margin with the existing asset size, the bank would need to generate a net interest income of \$4 million. Therefore, the below-average net interest margin has a negative impact on the bank's earnings of -\$1.0 million.

Sample Bank Actual YTD Performance Vs. Peer Averages

Performance Ratios	Bank	Peer Averages		IMPACT ON EARNINGS (\$000)		
		Peer 1	Peer 2	+ positive impact	- negative impact	
Earnings & Profitability						
Interest Income/Avg. Assets	5.52%	5.54%	5.72%	(\$21)	(\$229)	Interest Margin
Interest Expense/Avg. Assets	2.72%	2.71%	2.69%	(\$8)	(\$30)	Interest Margin
Net Interest Income/Avg. Assets	2.80%	2.83%	3.02%	(\$29)	(\$259)	Interest Margin
Non-Interest Income/Avg. Assets	0.47%	0.32%	0.47%	\$174	\$0	Net Income
Non-Interest Expense/Avg. Assets	2.40%	2.71%	2.83%	\$355	\$493	Net Income
Net Provision for Losses/Avg. Assets	0.03%	0.16%	0.20%	\$148	\$196	Net Income
Net Income (Sub-S Adj)/Avg. Assets	0.43%	0.11%	0.32%	\$369	\$133	Net Income
Net Income (Sub-S Adj)/Avg. Equity	4.94%	0.66%	2.85%	\$433	\$211	Net Income
Margin Analysis - Interest Income						
Net Loans/Assets	85.79%	80.50%	74.21%	\$248	\$542	Interest Margin
Avg. Earning Assets/Avg. Assets	96.27%	95.80%	95.12%	\$30	\$73	Interest Margin
<i>Yield on Loans</i>						
Mortgage Loans	6.06%	6.30%	6.57%	(\$237)	(\$502)	Interest Margin
Commercial Loans	5.61%	6.20%	6.36%	(\$549)	(\$682)	Interest Margin
Consumer Loans	7.29%	7.92%	8.28%	(\$14)	(\$22)	Interest Margin
Consumer Loans	15.82%	8.21%	7.94%	\$312	\$328	Interest Margin
<i>Loan Mix (% of Avg. Loans)</i>						
Mortgage Loans	93.56%	93.37%	86.52%	(\$1)	(\$31)	Interest Margin
Commercial Loans	2.23%	2.04%	3.75%	\$2	(\$19)	Interest Margin
Consumer Loans	4.20%	3.50%	3.58%	\$68	\$60	Interest Margin
Yield on Deposits & Invest. Securities	1.99%	2.82%	3.19%	(\$91)	(\$132)	Interest Margin
Yield on Mortgage-Backed Securities	6.02%	3.69%	3.93%	\$4	\$3	Interest Margin

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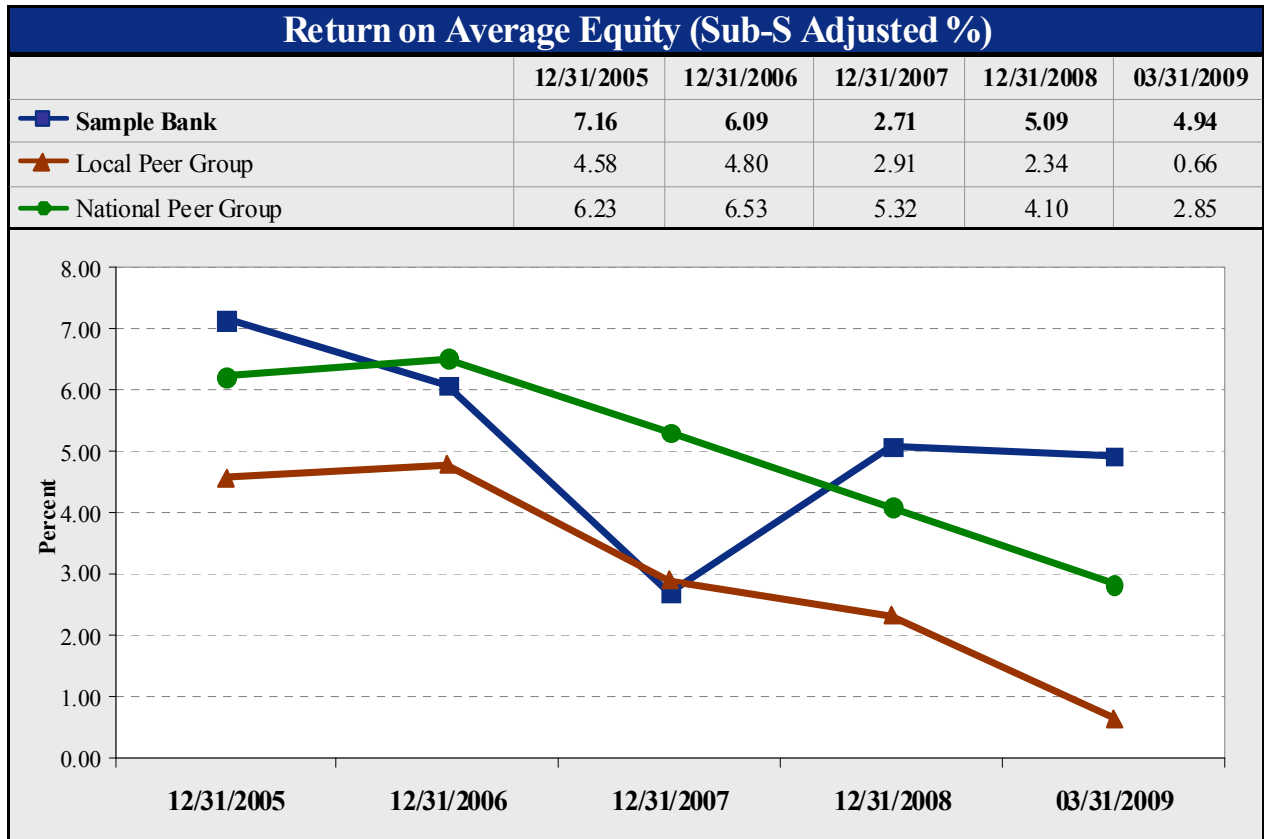
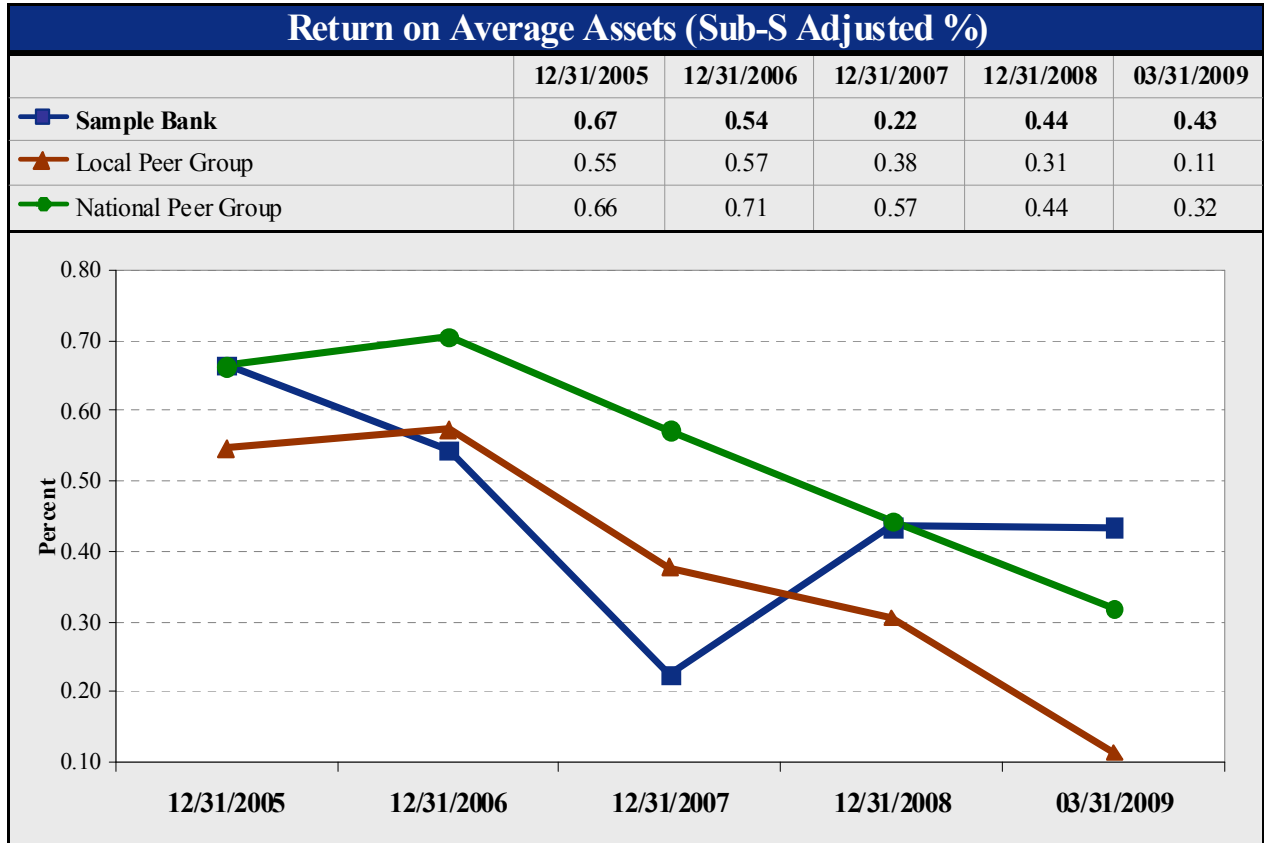
Performance Ratios	Bank	Peer Averages		IMPACT ON EARNINGS (\$000)		
				+ positive impact	- negative impact	
Margin Analysis - Interest Expense		Peer 1	Peer 2	Peer 1	Peer 2	
<i>Cost of All Interest-Bearing Funds</i>	3.16%	3.24%	3.23%	\$88	\$72	Interest Margin
Cost of Deposits (Incl. Escrows)	2.95%	3.19%	3.16%	\$228	\$197	Interest Margin
Cost of Borrowings	4.93%	4.15%	4.01%	(\$82)	(\$96)	Interest Margin
<i>Funding Mix (% of Avg. Assets)</i>						
Deposits (Incl. Escrows)	81.38%	79.20%	75.27%	\$5	\$15	Interest Margin
Borrowings	9.22%	5.76%	8.06%	(\$70)	(\$24)	Interest Margin
Overhead Analysis						
Overhead Efficiency Ratio	73.55%	85.48%	79.62%	\$449	\$229	Net Income
Personnel Expense / Avg. Assets	1.34%	1.55%	1.60%	\$245	\$299	Net Income
Personnel Expense / Employee	\$78,000	\$66,000	\$65,000	(\$216)	(\$234)	Net Income
Assets per Employee (\$Million)	\$6.40	\$4.44	\$4.33	\$619	\$671	Net Income
Occupancy Expense / Avg. Assets	0.48%	0.57%	0.58%	\$103	\$119	Net Income
Mktg & Prof. Services / Avg. Assets	0.12%	0.11%	0.13%	(\$14)	\$15	Net Income
Other Expense / Avg. Assets	0.46%	0.42%	0.45%	(\$45)	(\$15)	Net Income

Performance Ratios	Bank	Peer Averages		IMPACT ON BALANCE SHEET (\$000)		
				+ level above peer	- level below peer	
Capital Adequacy		Peer 1	Peer 2	Peer 1	Peer 2	
Tier 1 Leverage Ratio	8.97%	12.21%	10.34%	(\$3,739)	(\$1,583)	Tier 1 Capital
Total Risk-Based Capital Ratio	14.62%	21.96%	18.51%	(\$5,307)	(\$2,813)	Risk-Based Capital
Liquidity						
Liquidity Ratio	12.70%	17.76%	23.95%	(\$5,304)	(\$11,777)	Liquid Assets
Wholesale Funding/Total Funding	9.66%	7.71%	10.83%	\$2,027	(\$1,222)	Wholesale Funds
Asset Quality						
90+ Days PD Lns/Total Lns & Ls	0.74%	0.48%	0.20%	\$253	\$528	90+ Days PD Lns
Nonaccrual Loans/Total Lns & Ls	0.01%	1.08%	0.80%	(\$1,058)	(\$783)	Non-Accrual Loans
Net Charge-Offs/Total Lns & Ls	0.05%	0.07%	0.08%	(\$16)	(\$31)	Net Charge-Offs
Loan Loss Reserves/Total Lns & Ls	0.25%	0.56%	0.69%	(\$306)	(\$438)	Loan Loss Reserves
Assets Per Employee (\$Million)	\$6.40	\$4.44	\$4.33	(\$8)	(\$9)	Number of Employees

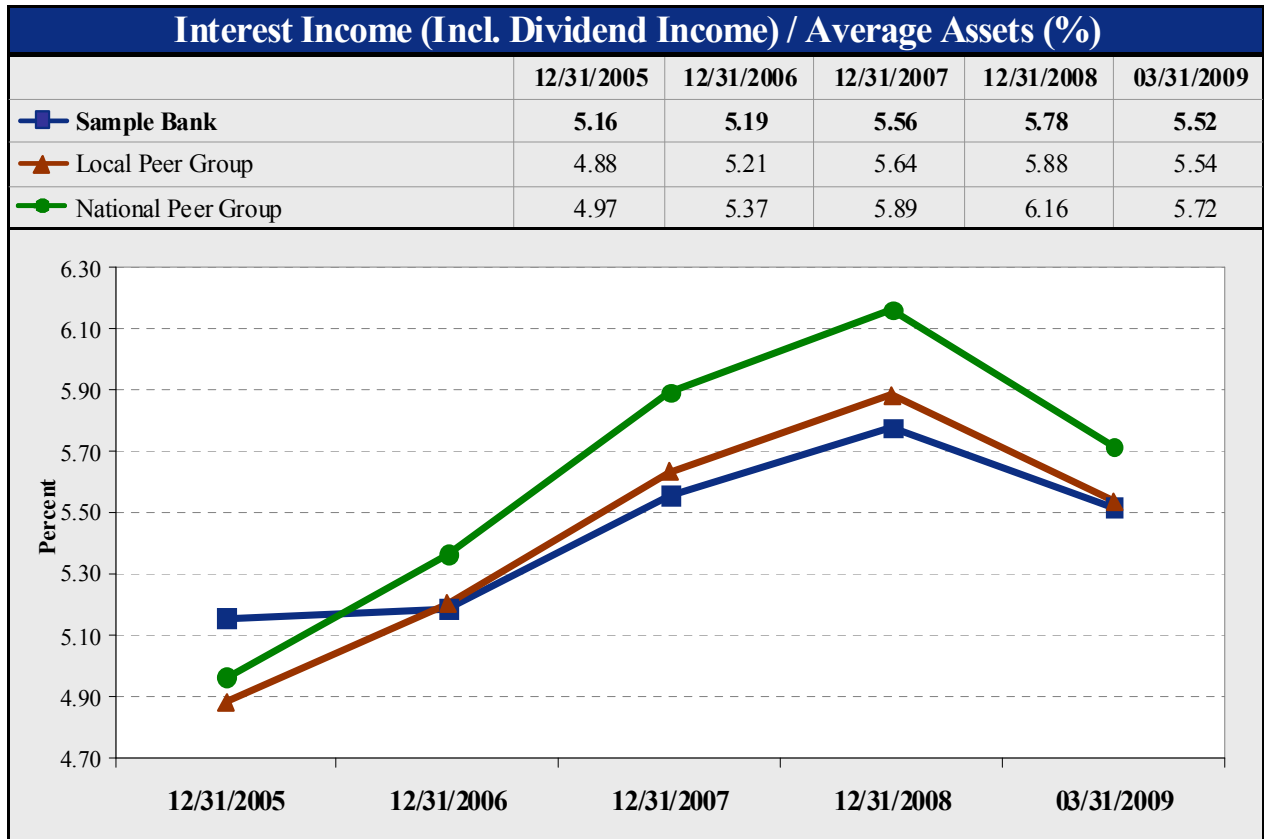
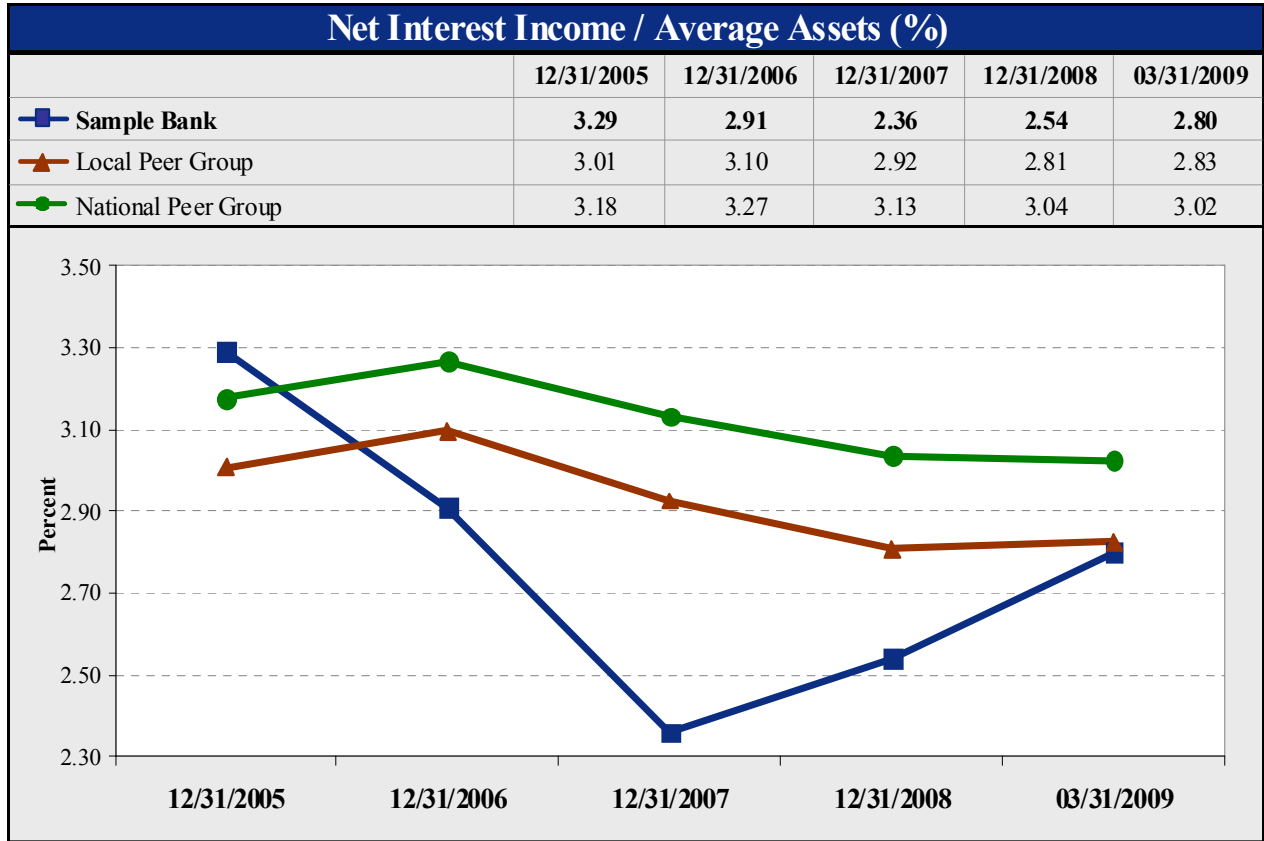
Note: To calculate the impact, the peer ratios are applied to the bank's existing asset, liability, and equity levels, and the resulting income statement and balance sheet items are then compared with the bank's actual figures.

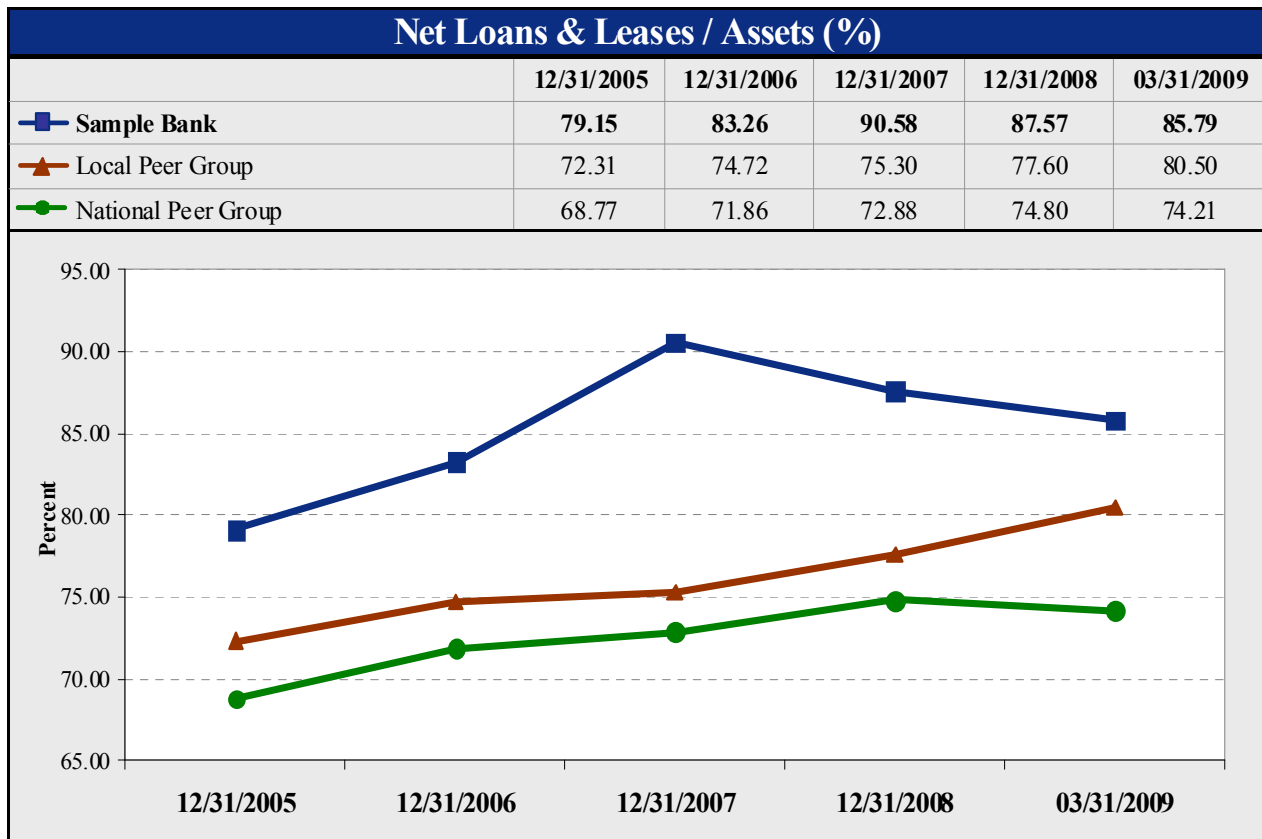
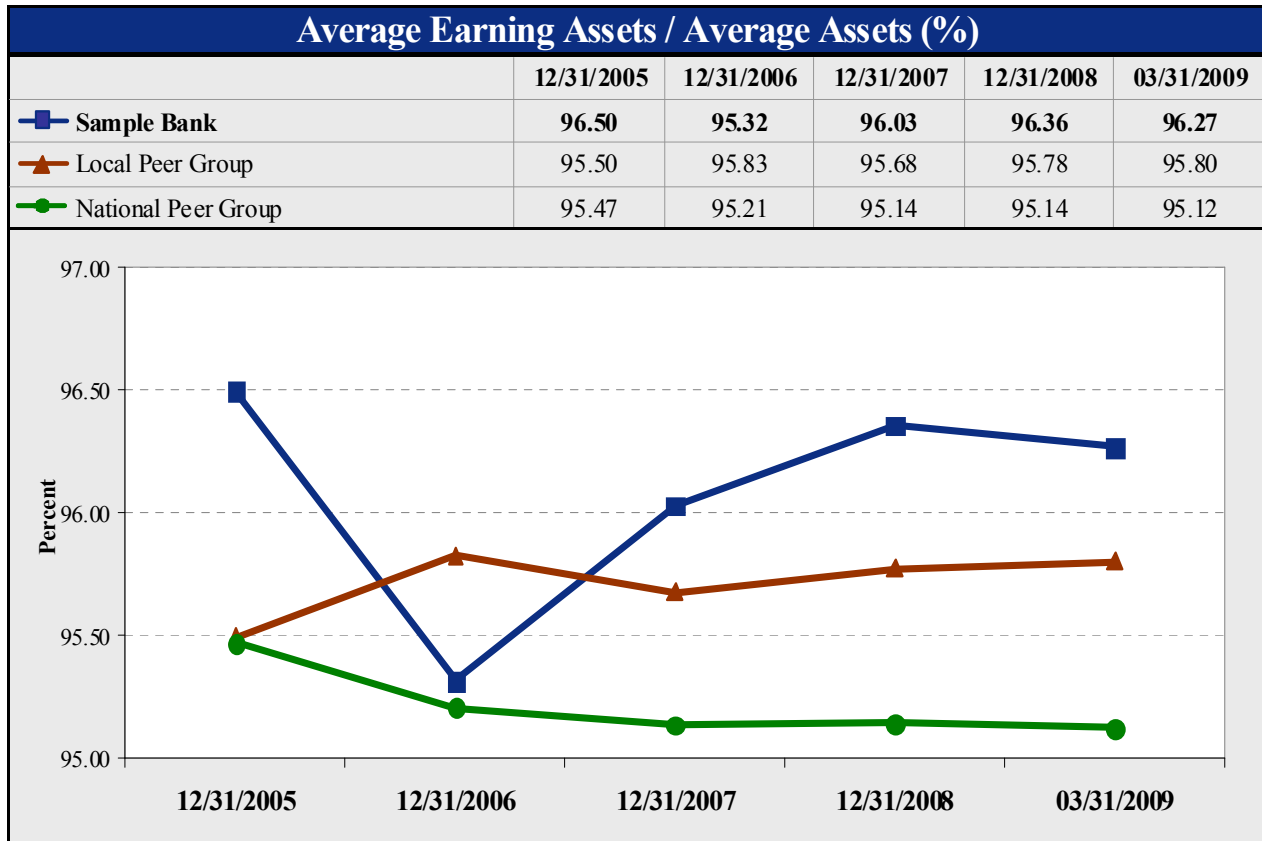
Computing Peer Group Averages: The peer average for a given ratio is trimmed to eliminate the effect of outliers or financial institutions above the 90th or below the 10th percentile. Please note that averages for separate ratios cannot be added or otherwise combined.

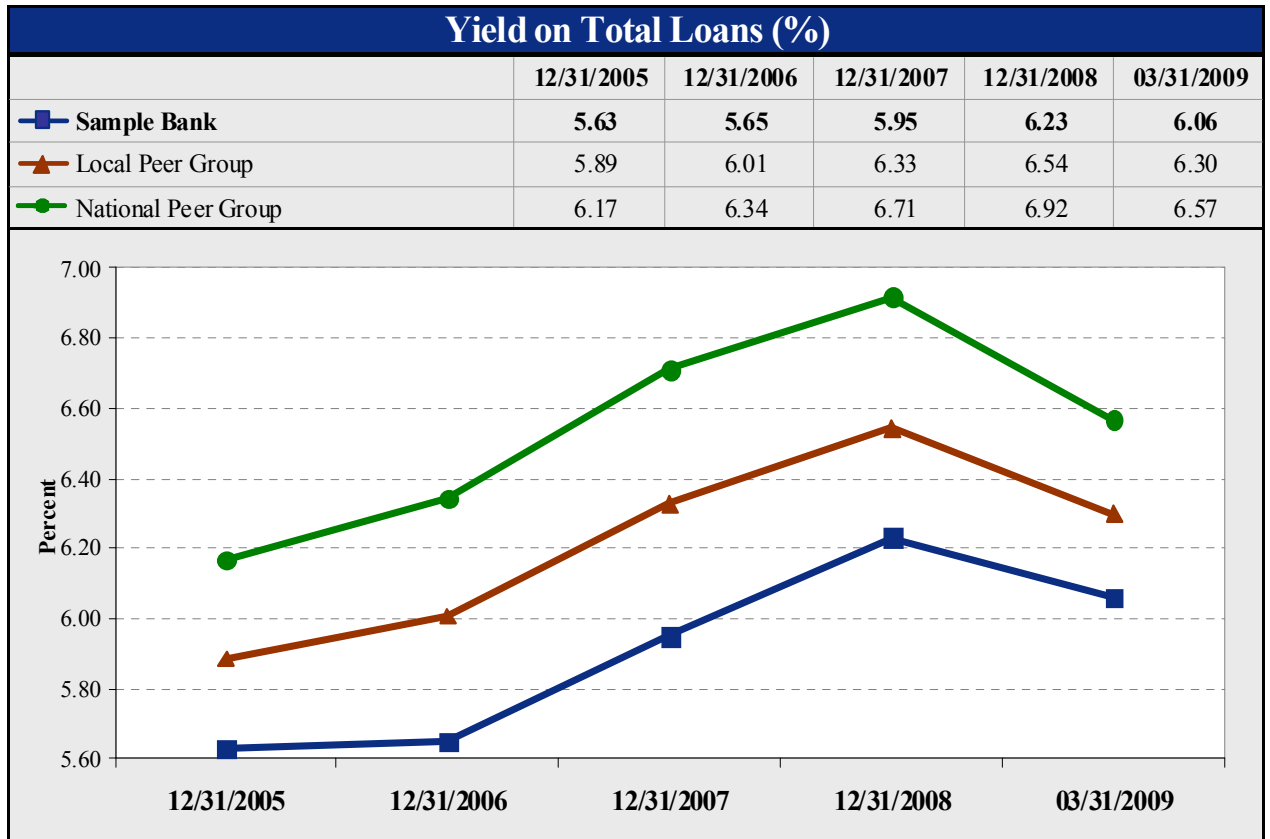
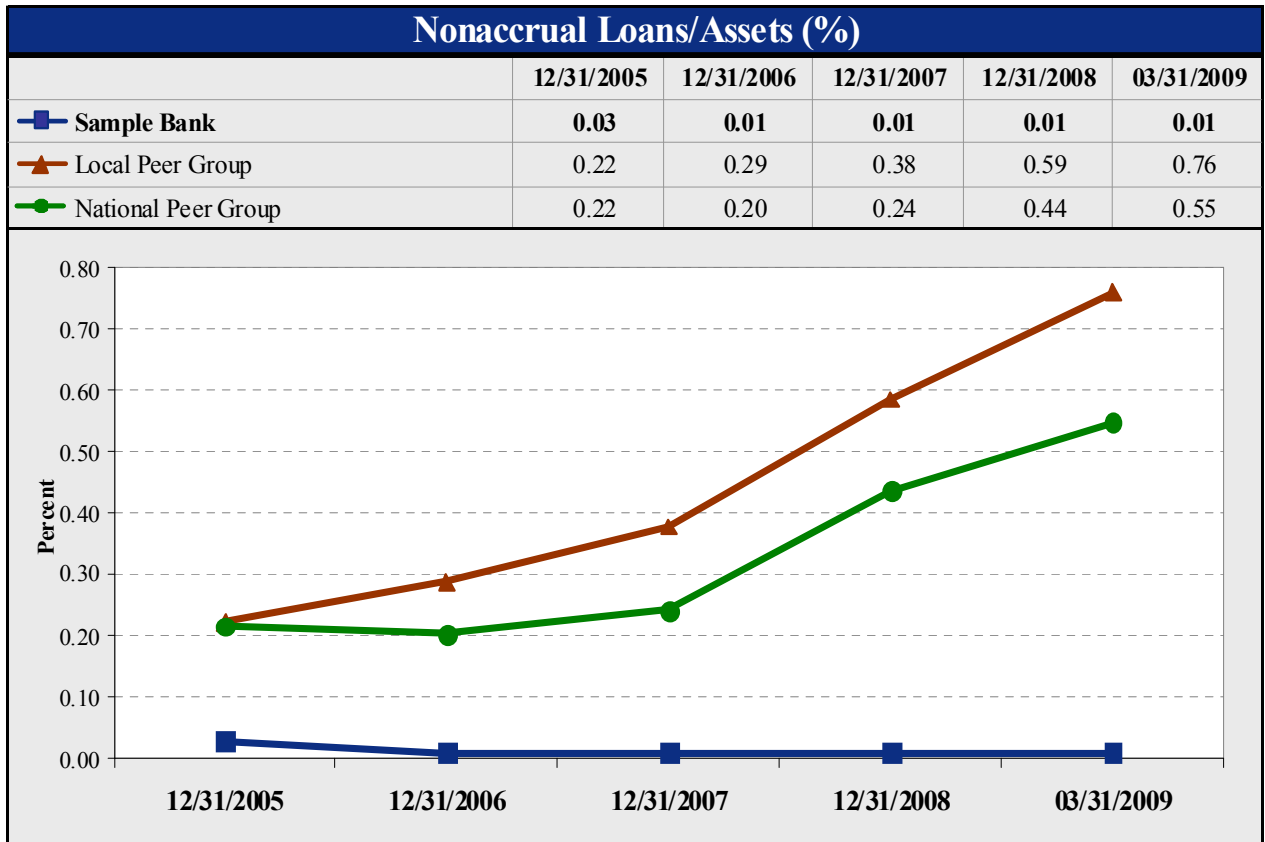
Overall Performance Measures

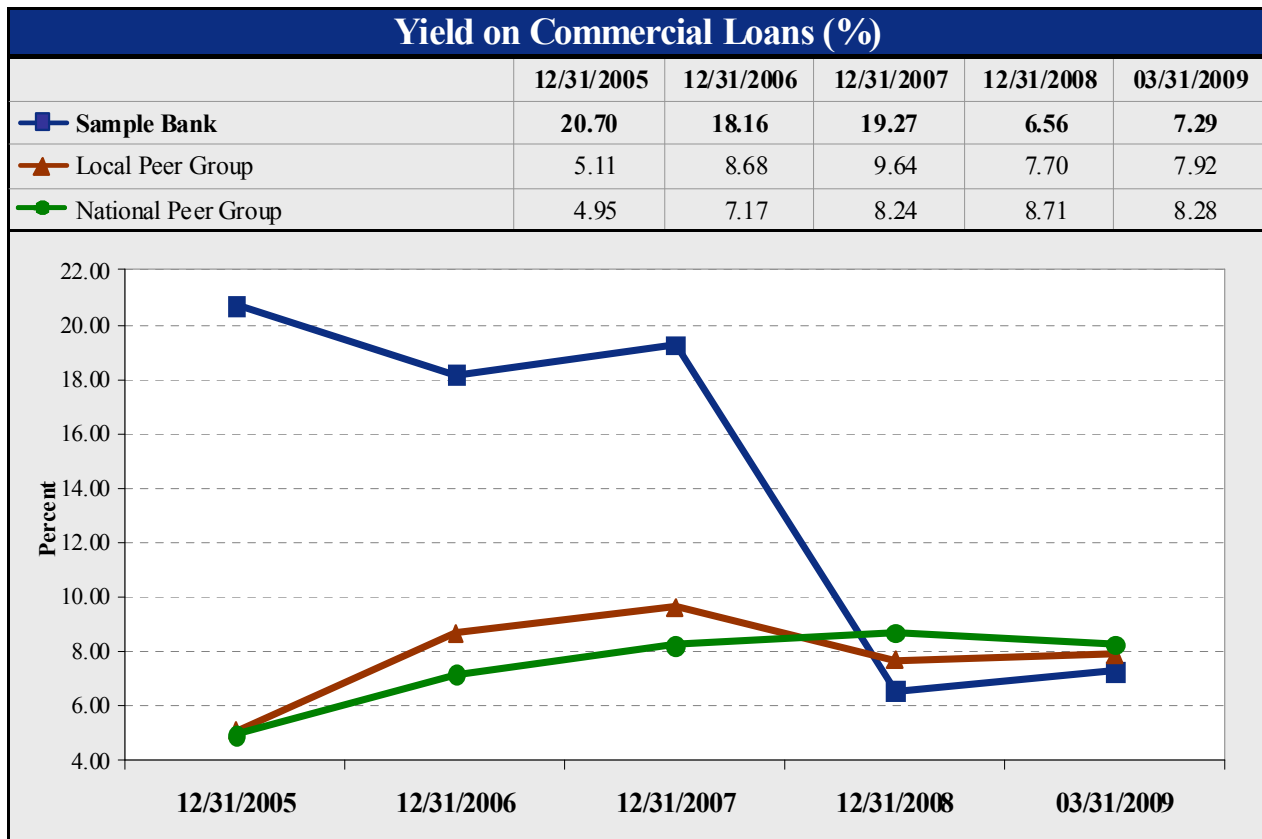
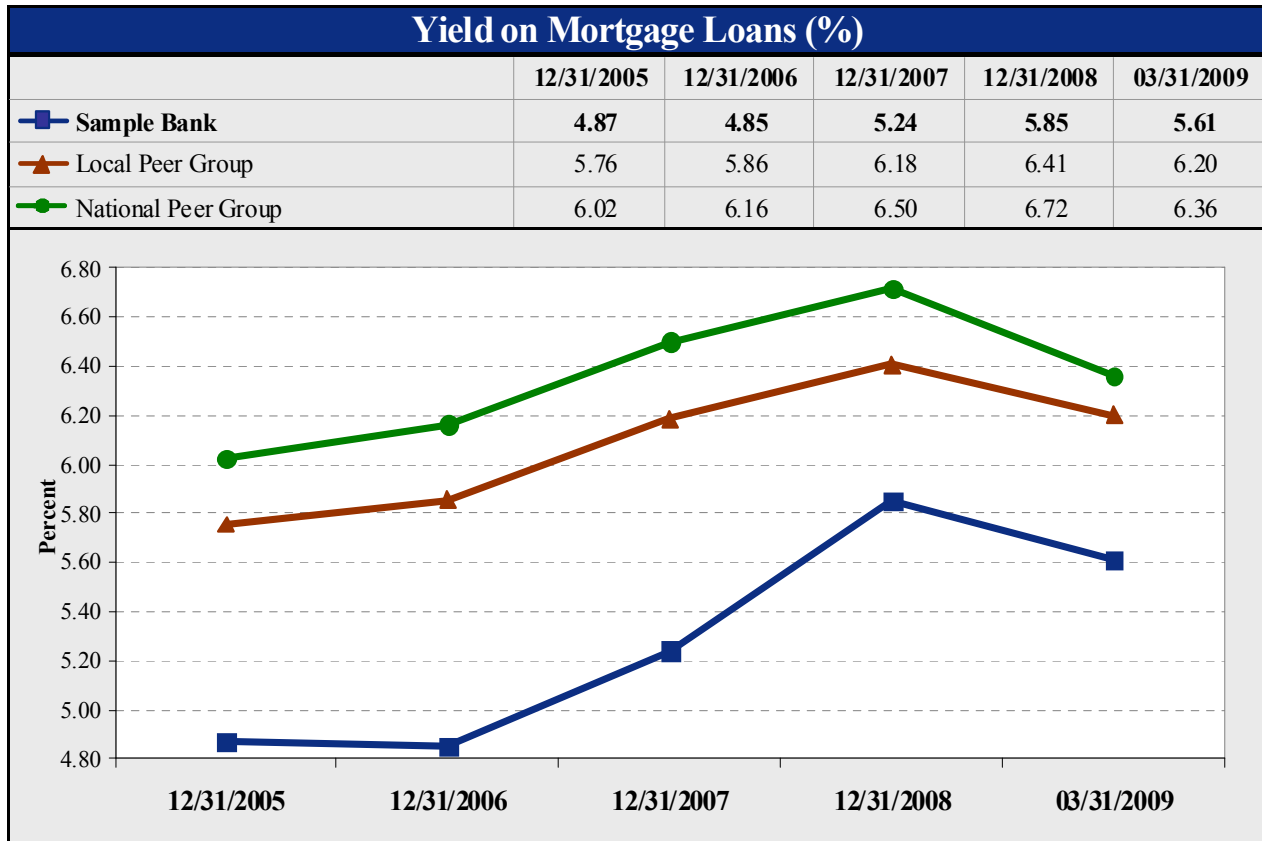


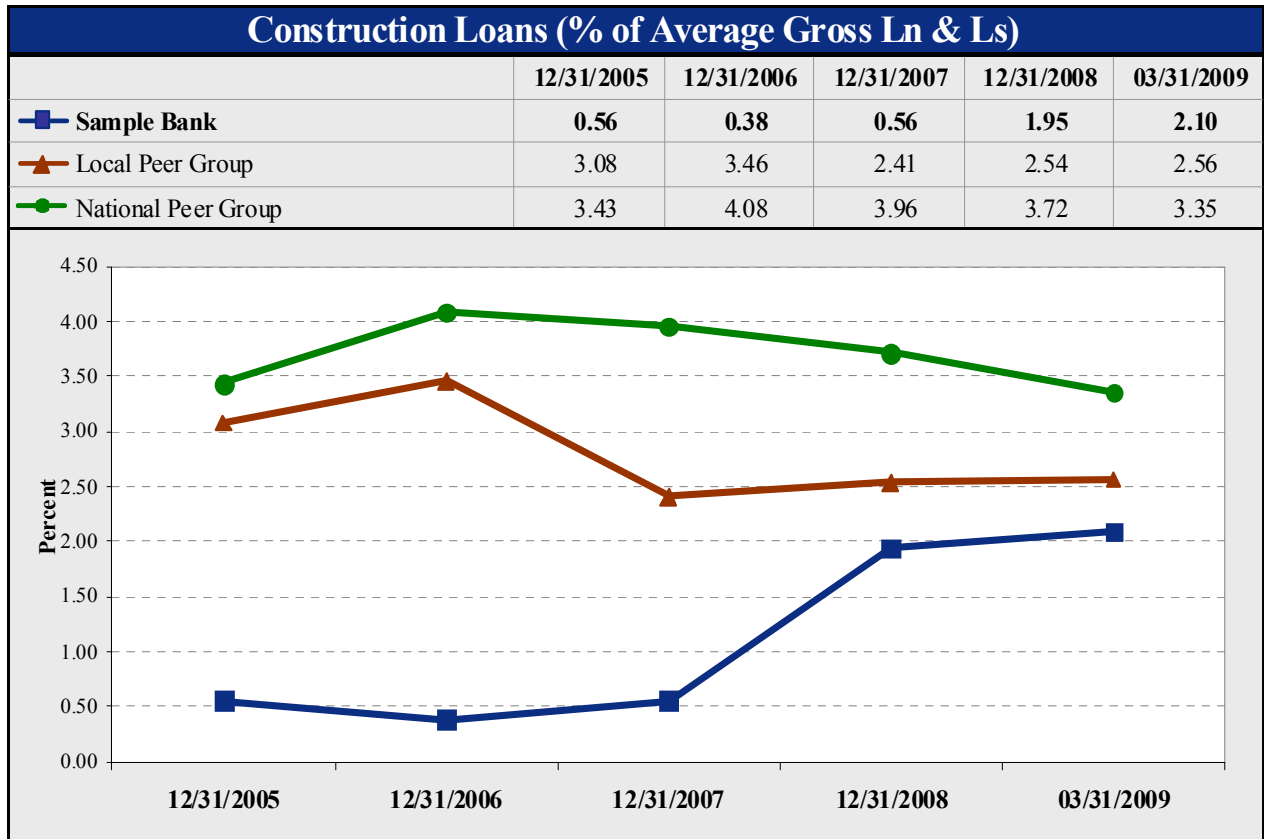
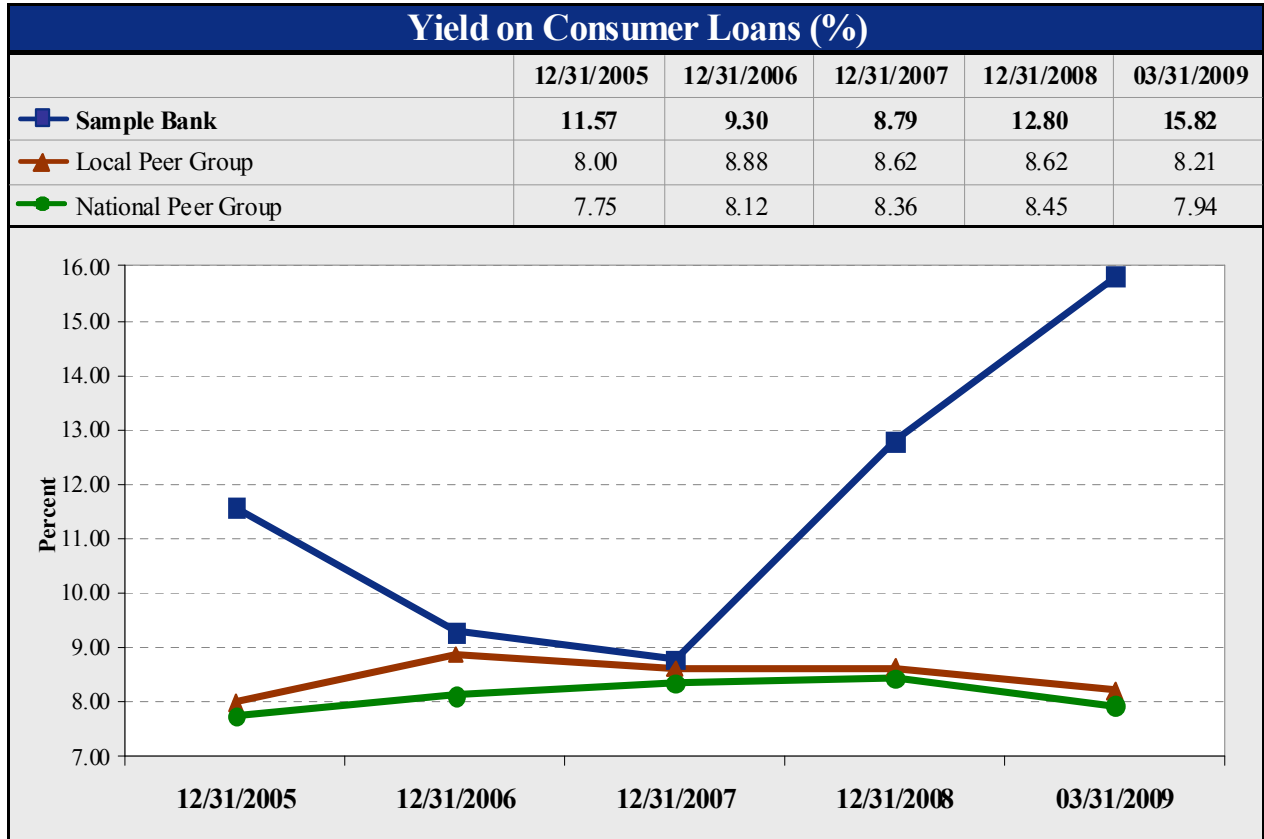
Margin Analysis

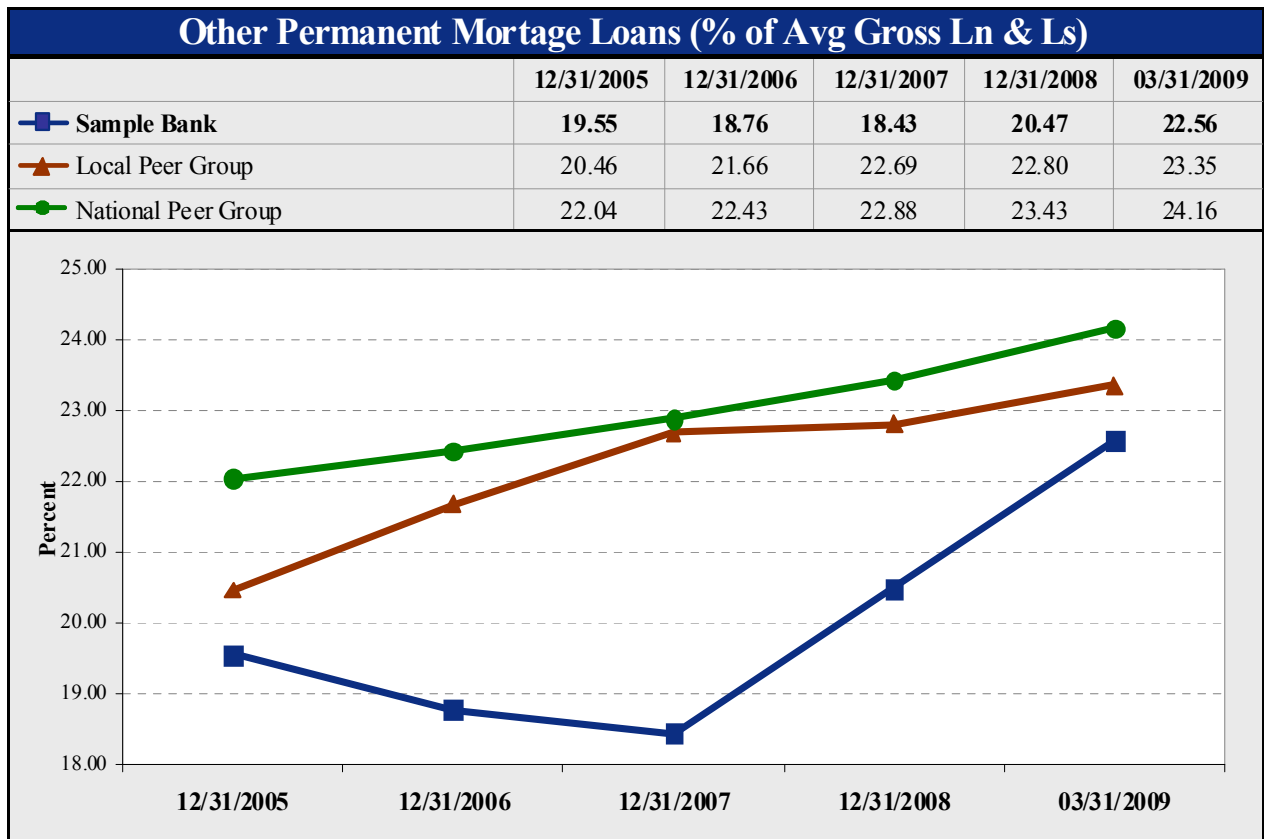
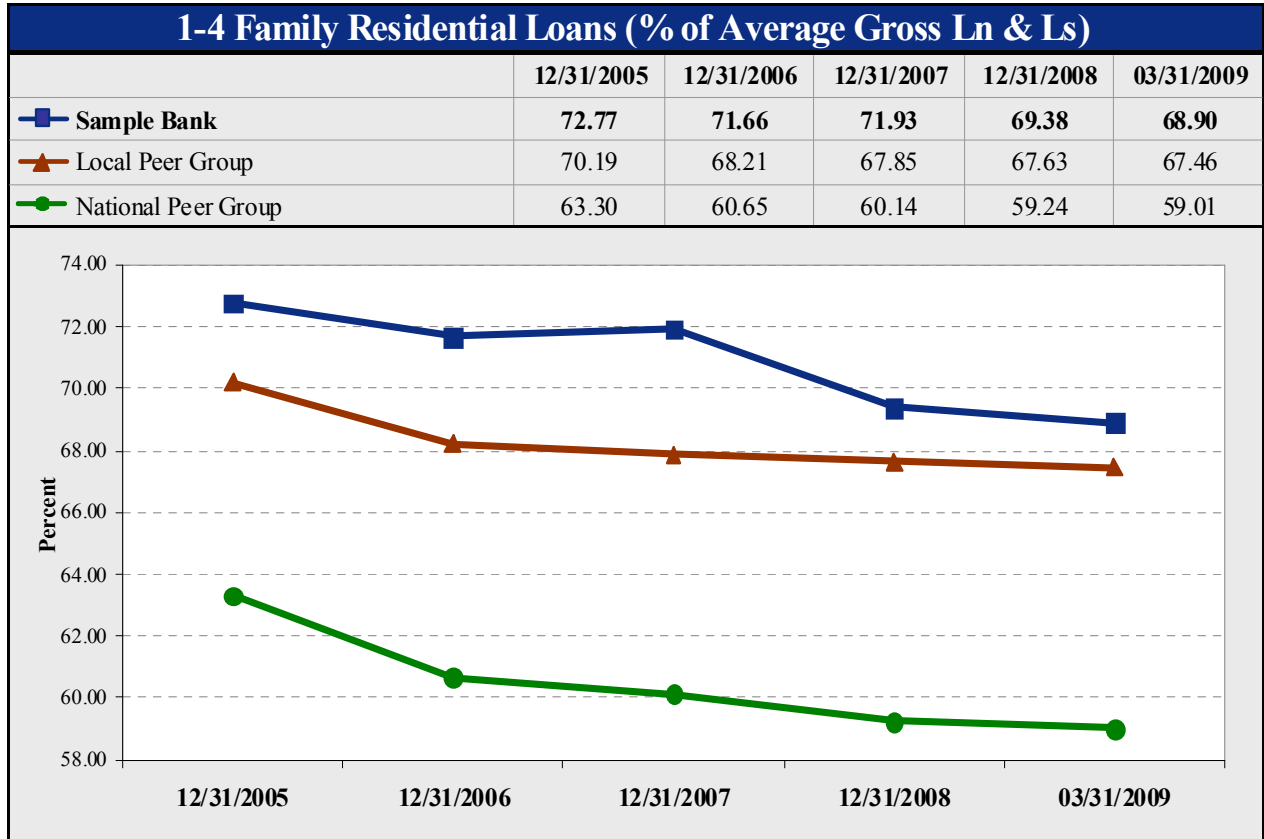


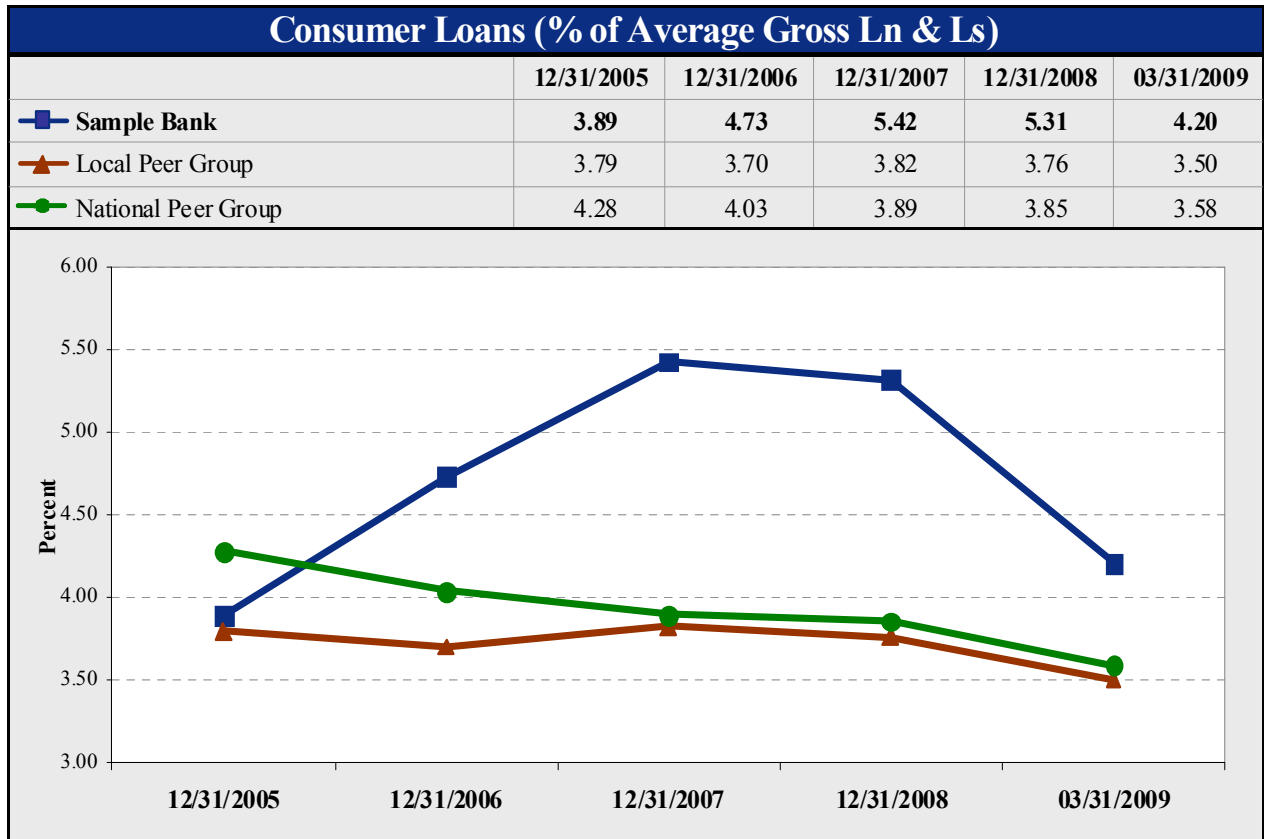
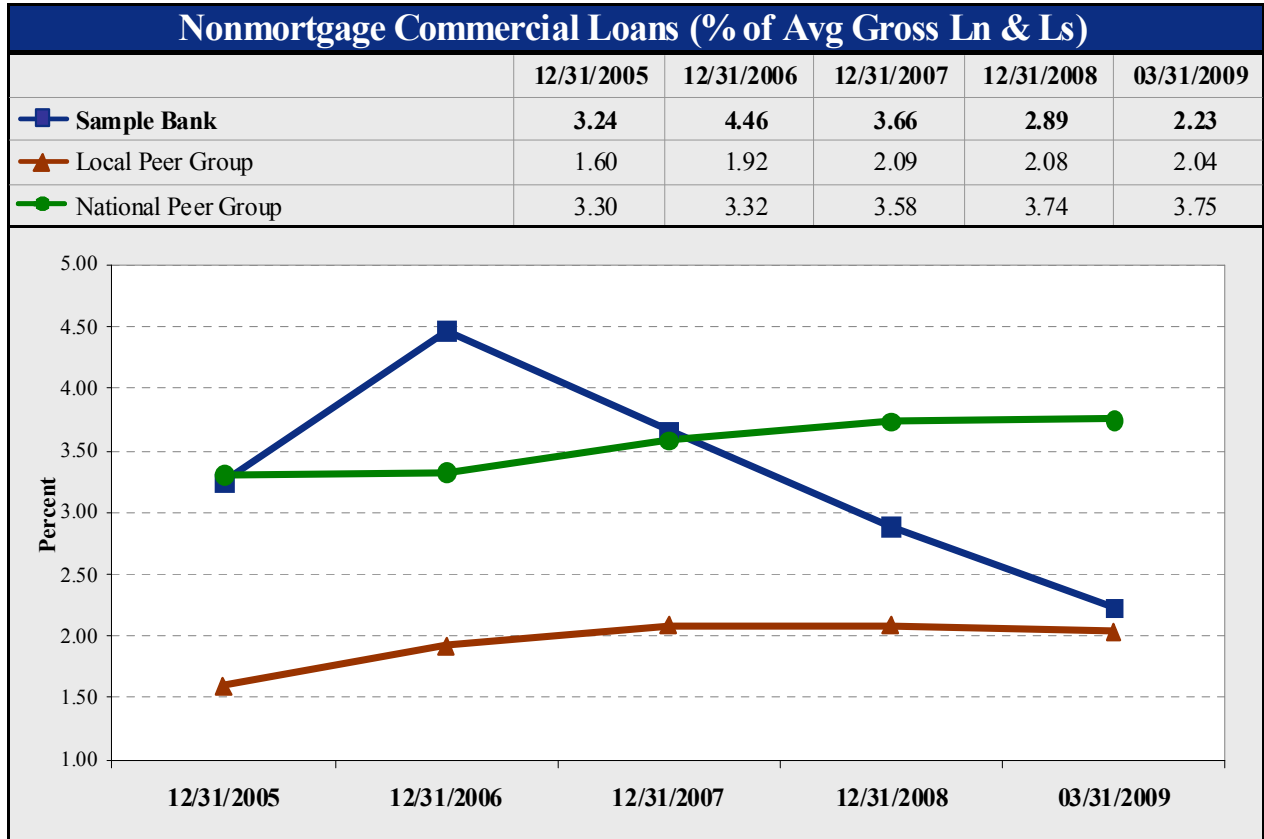


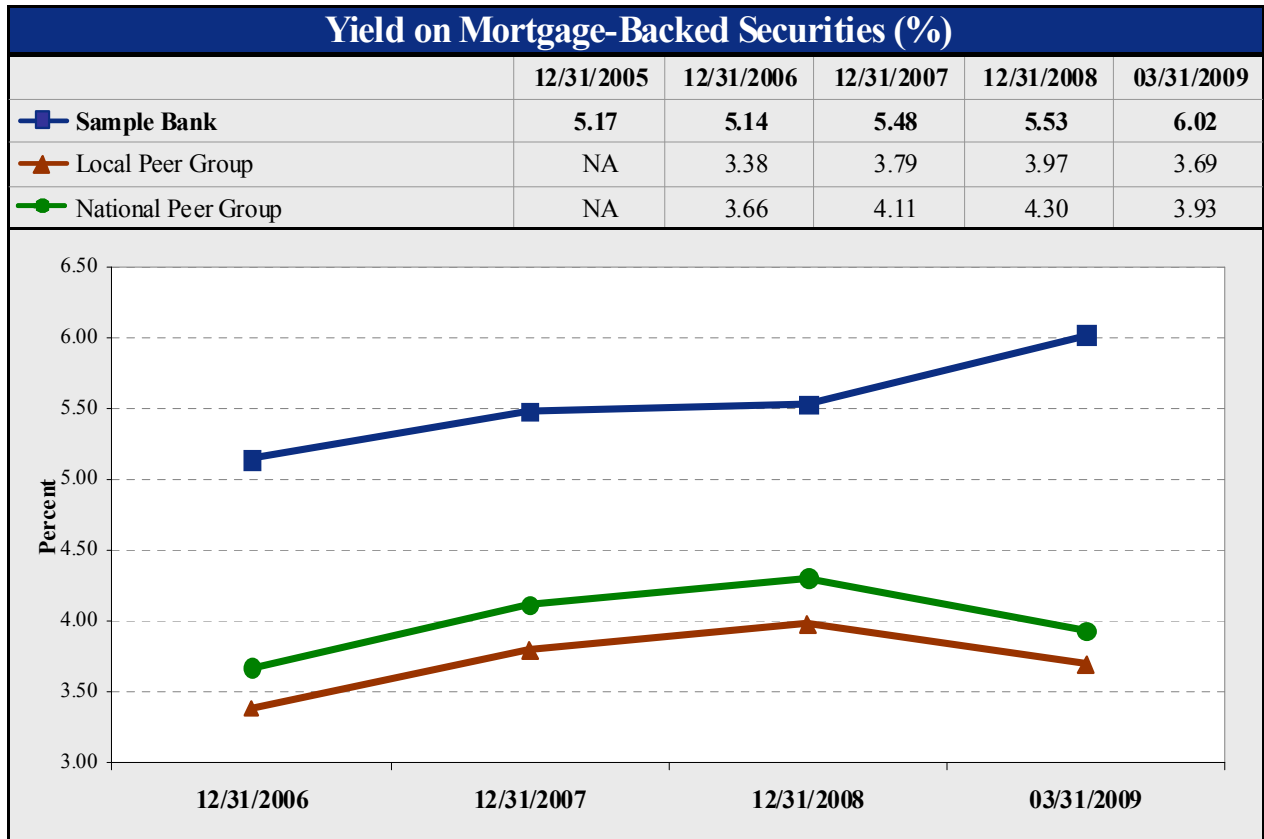
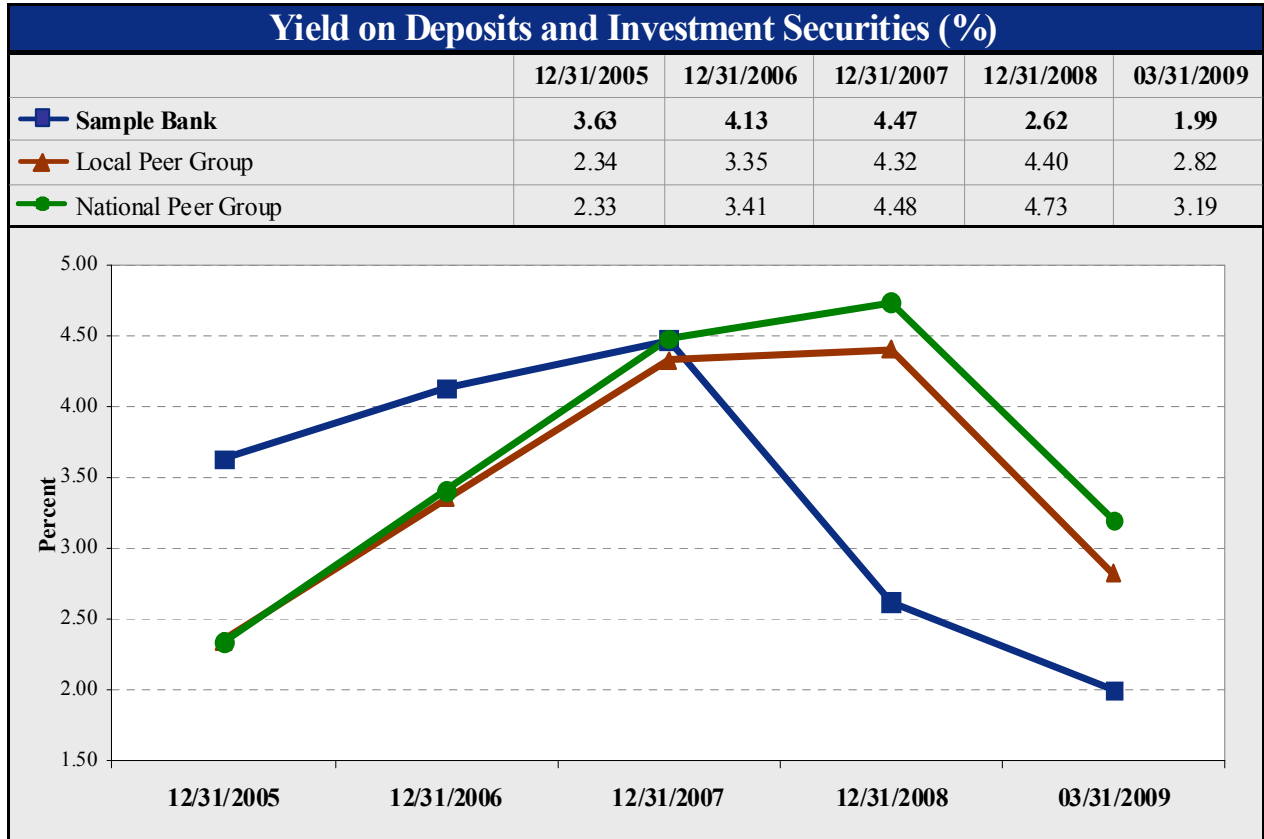


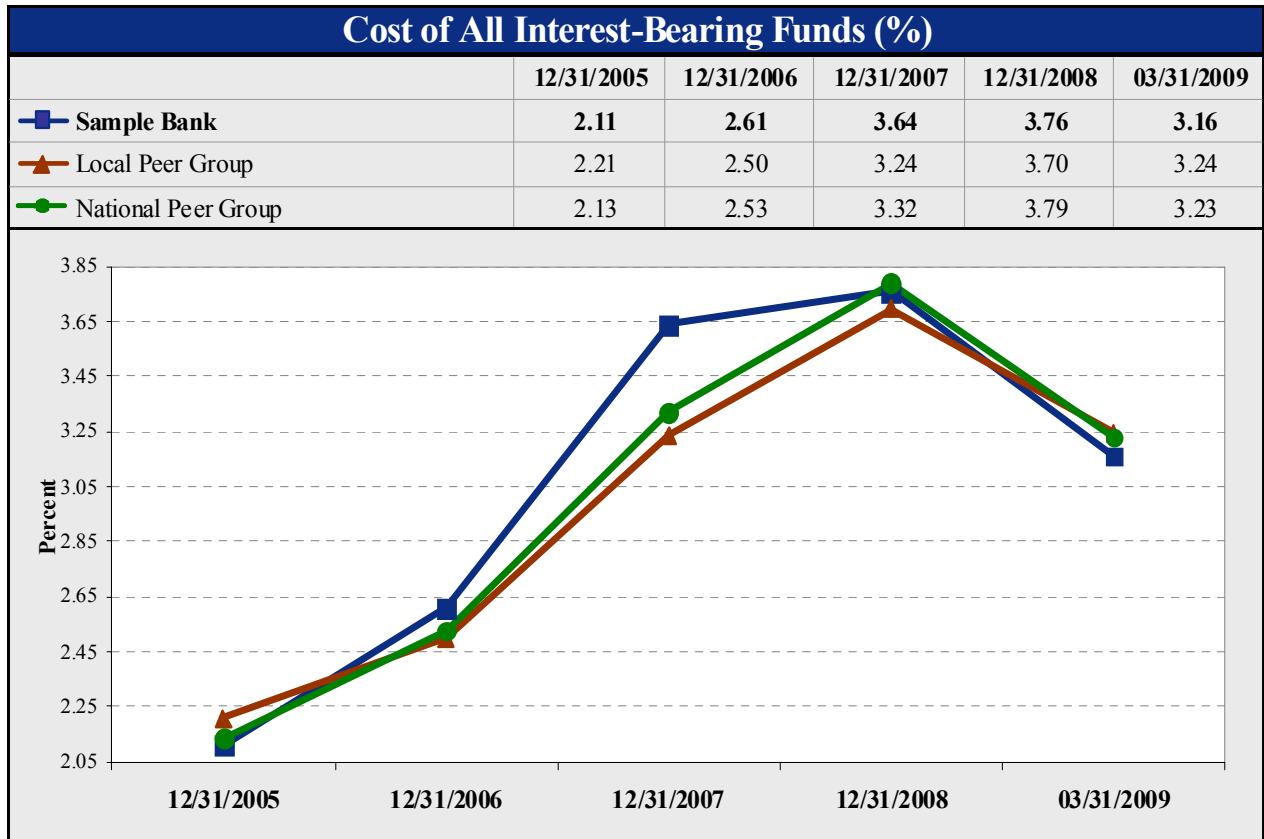
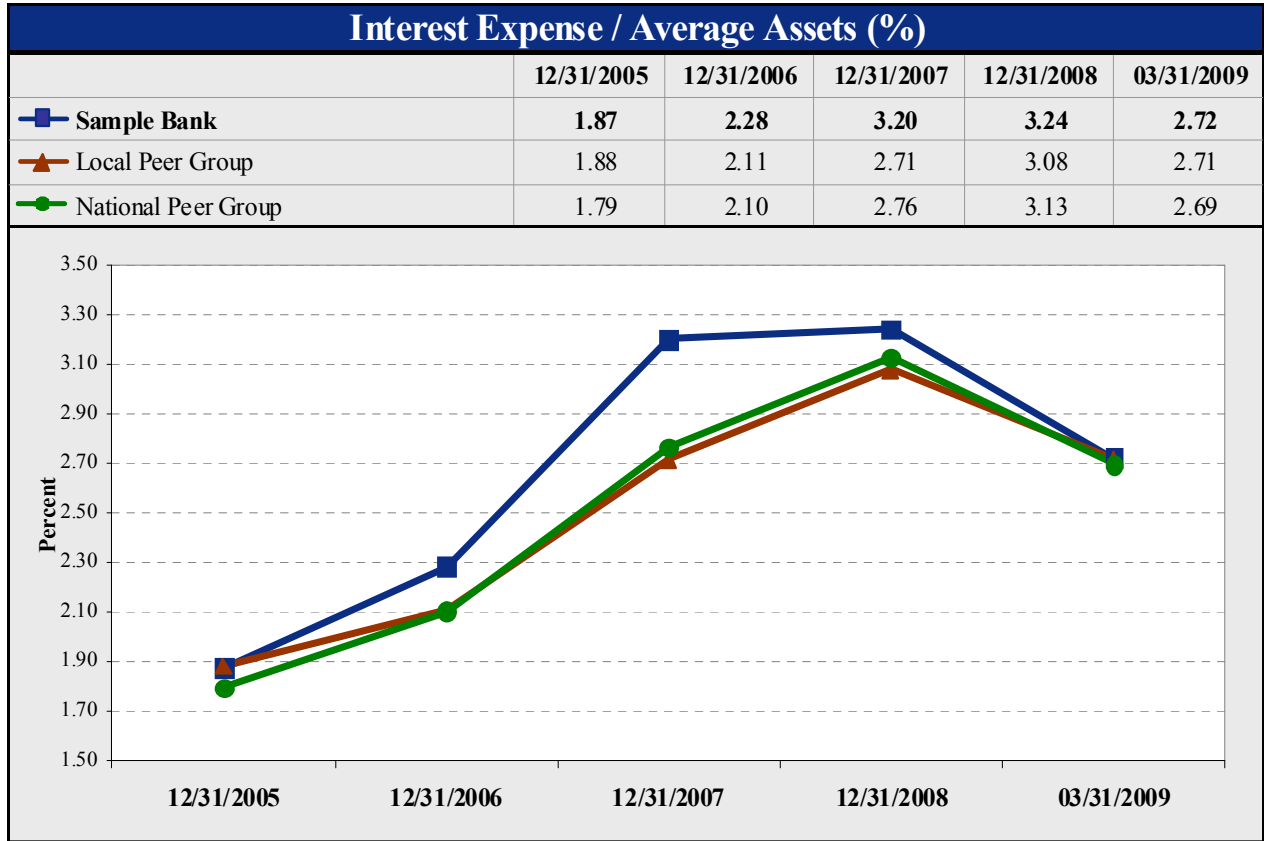


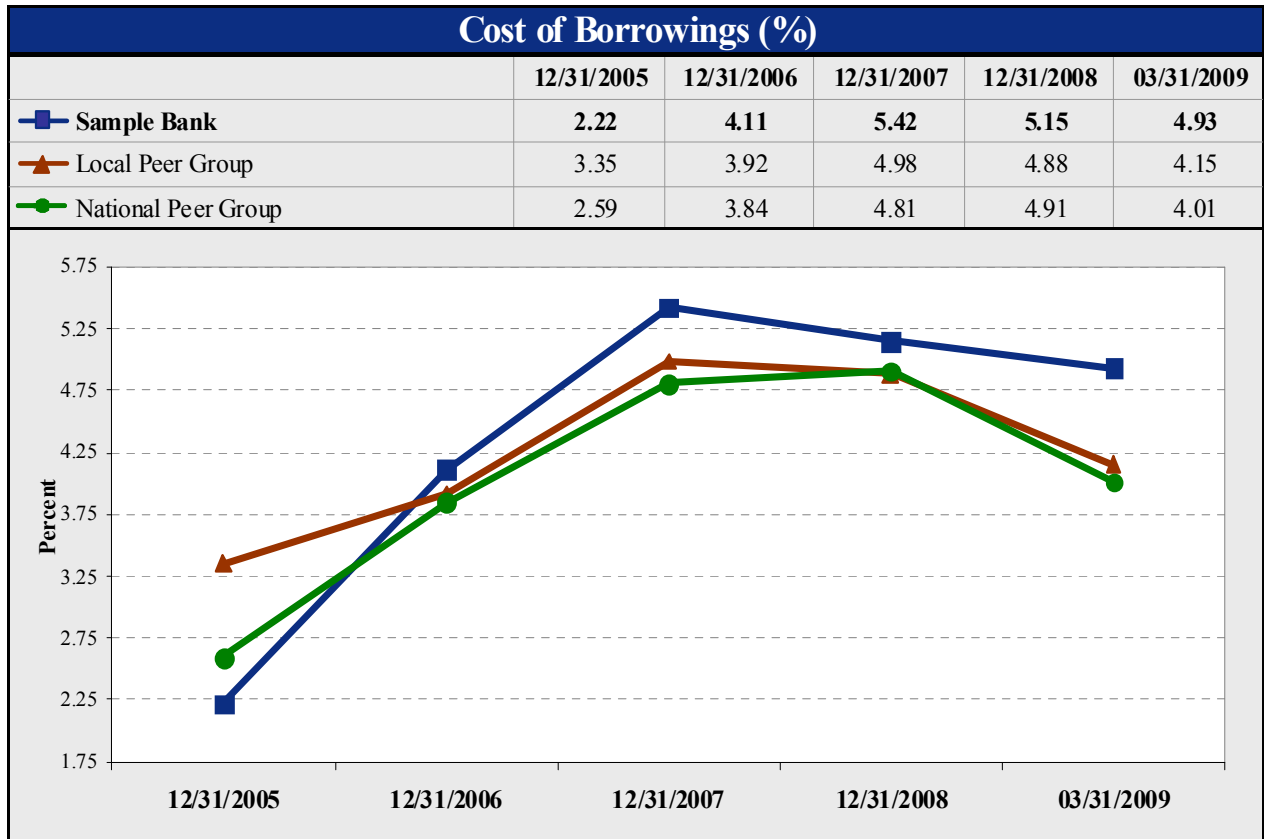
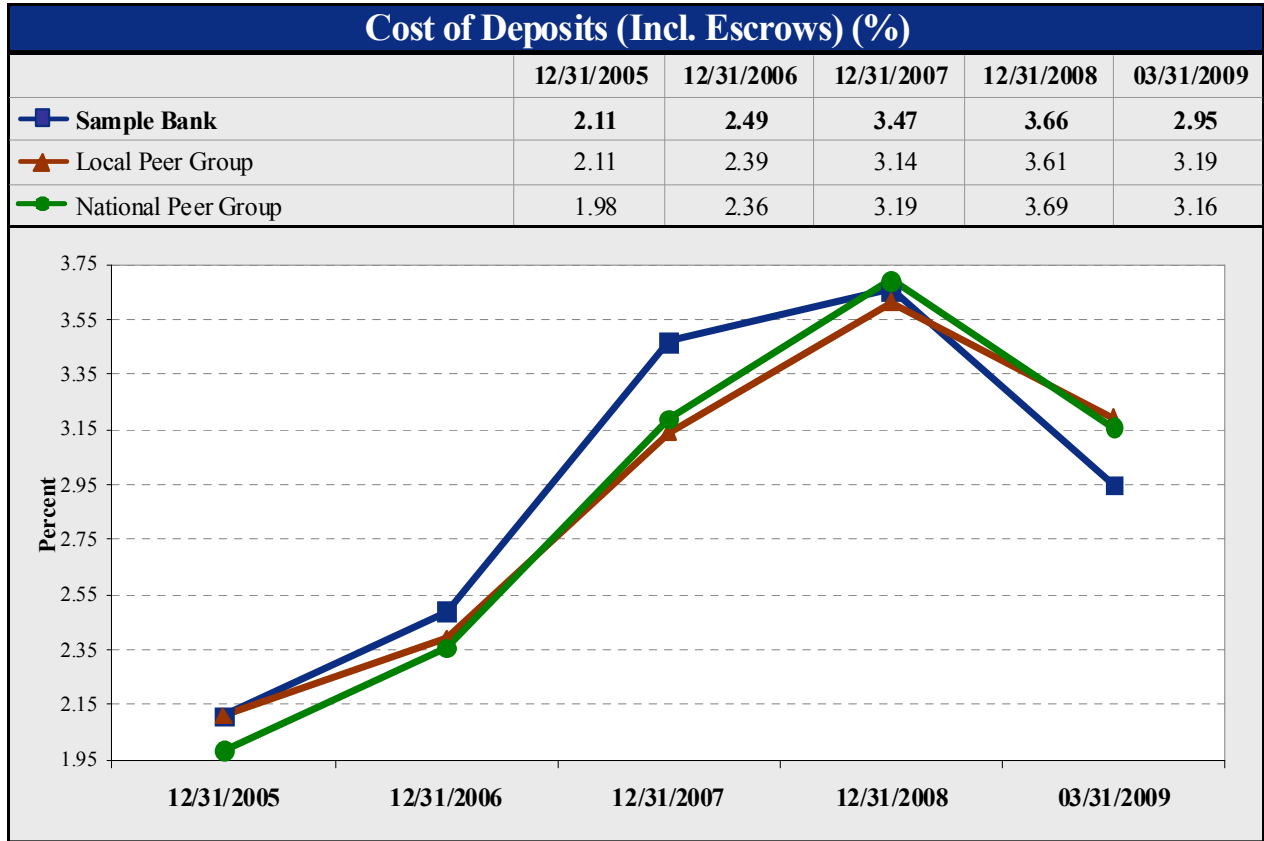


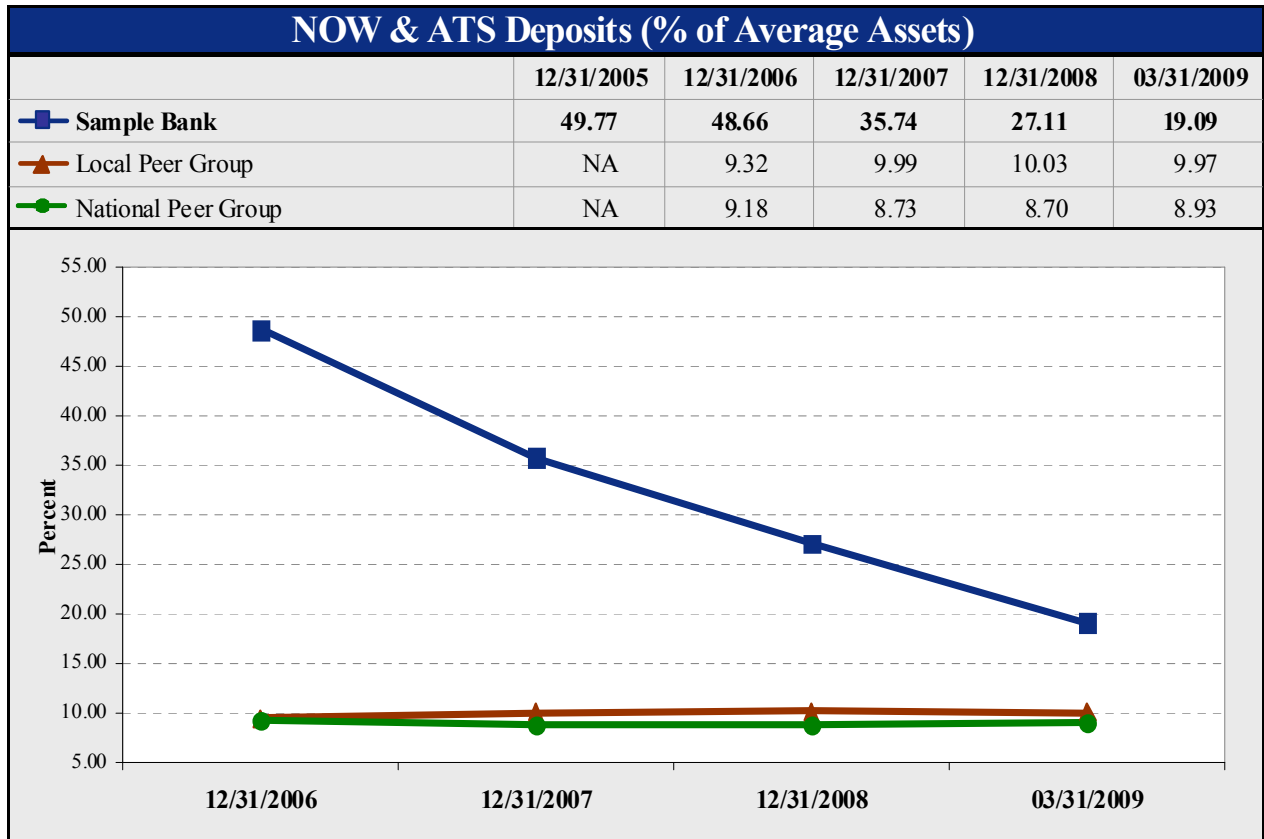
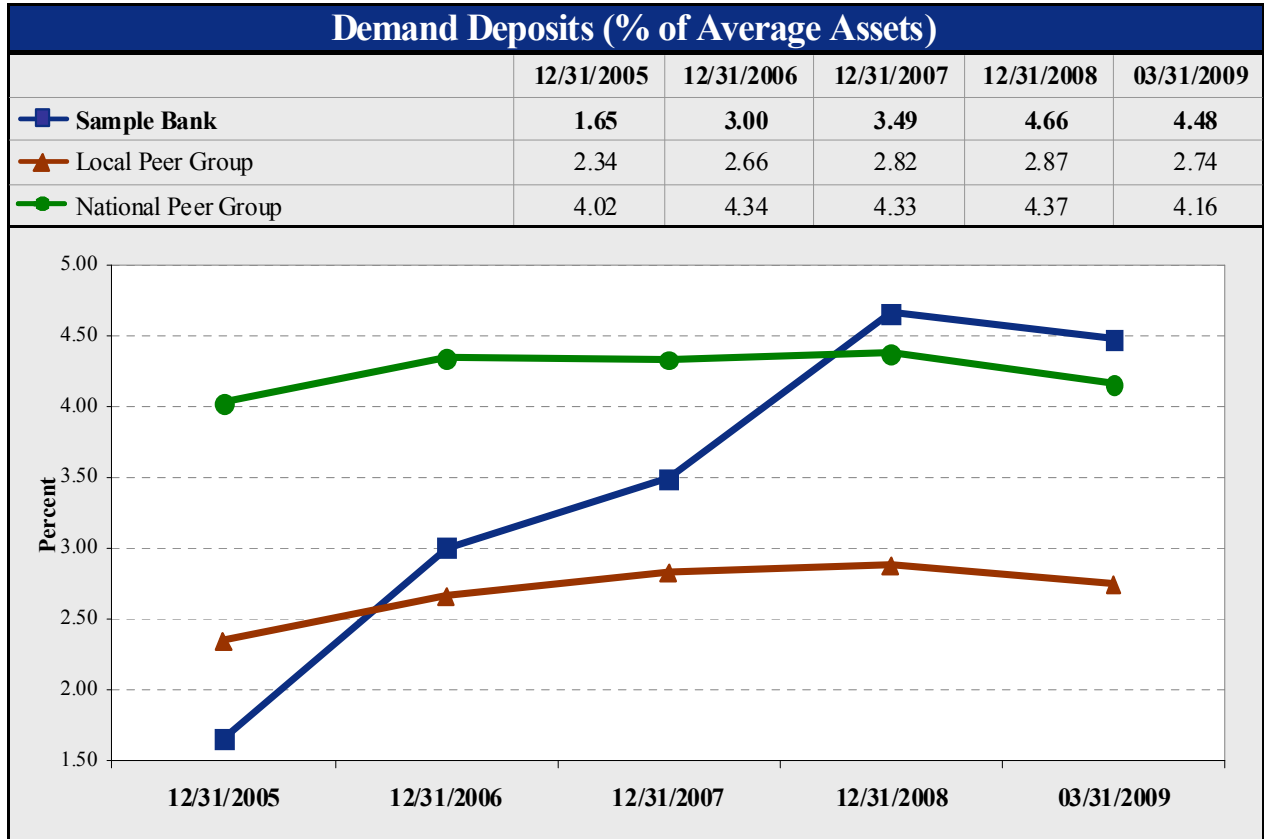


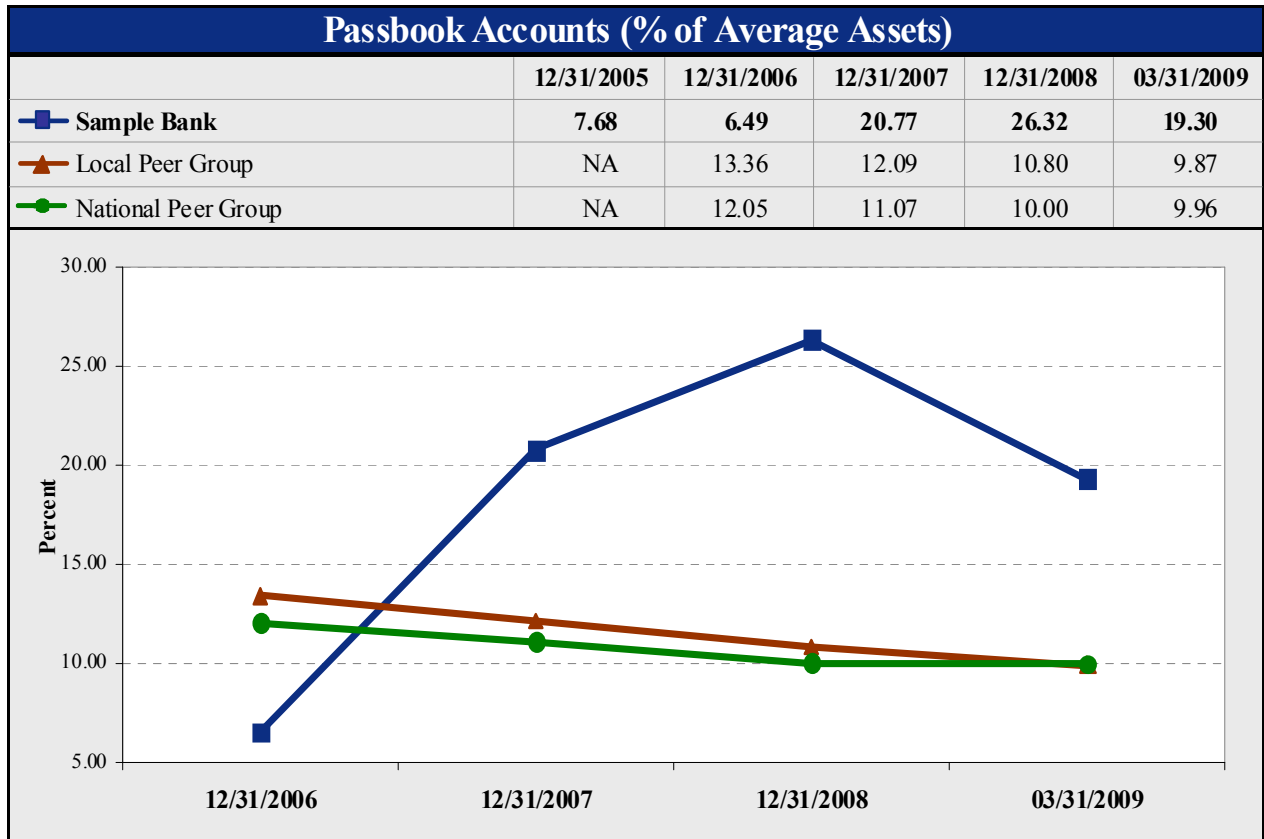
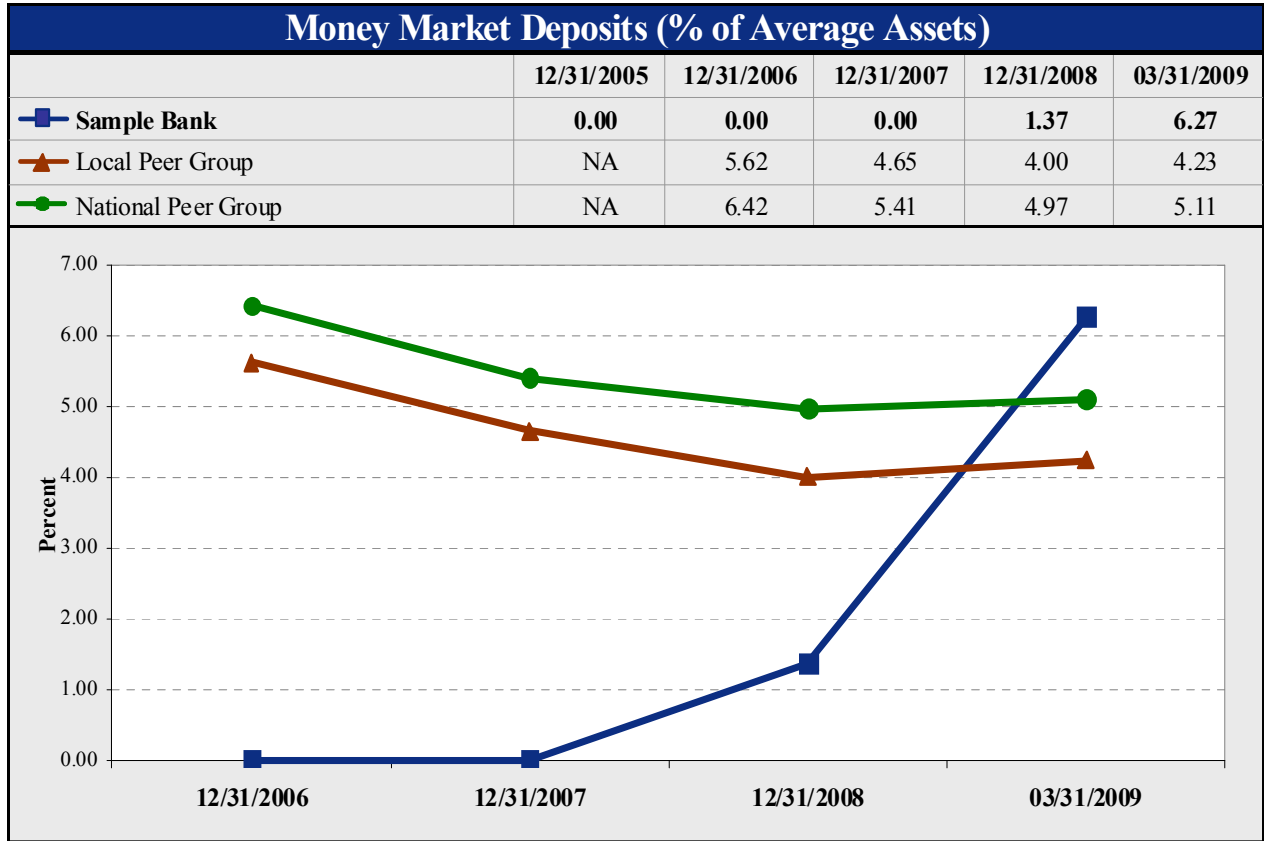


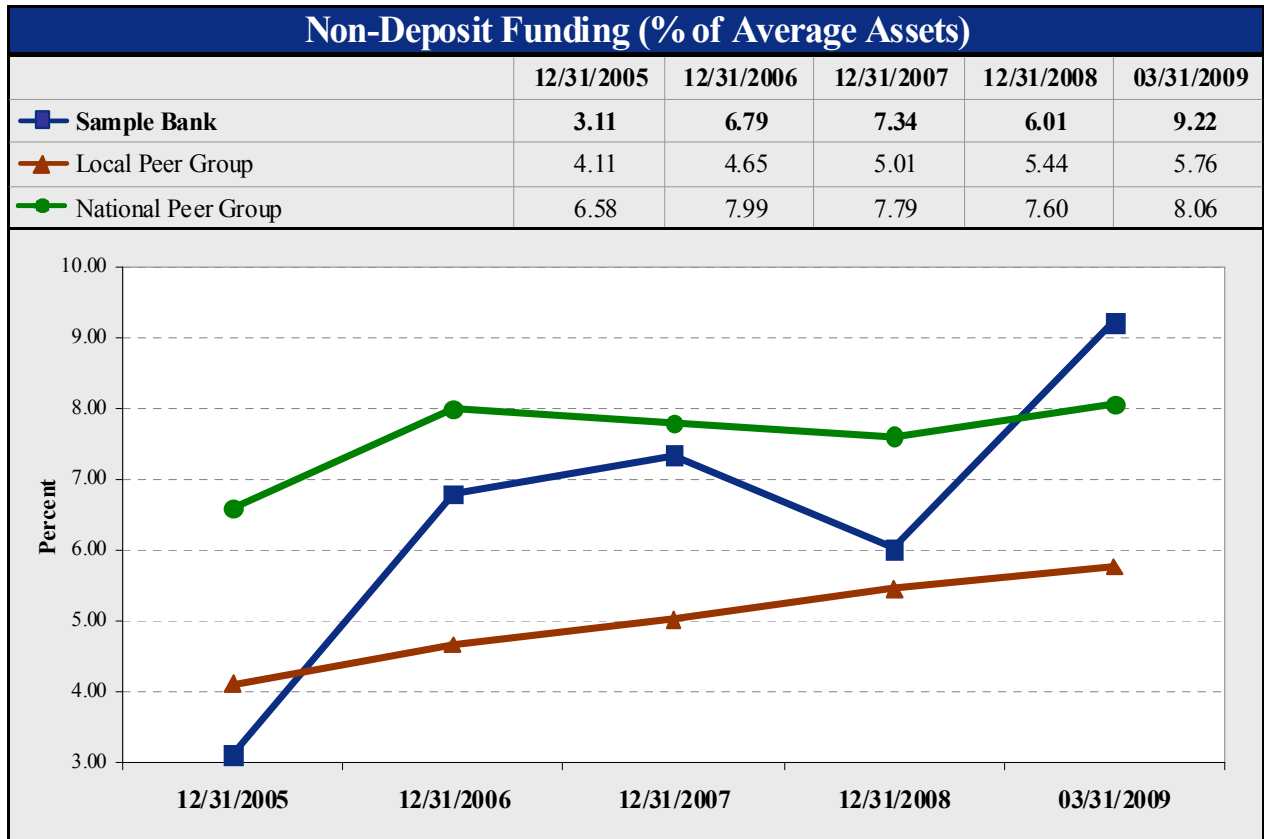
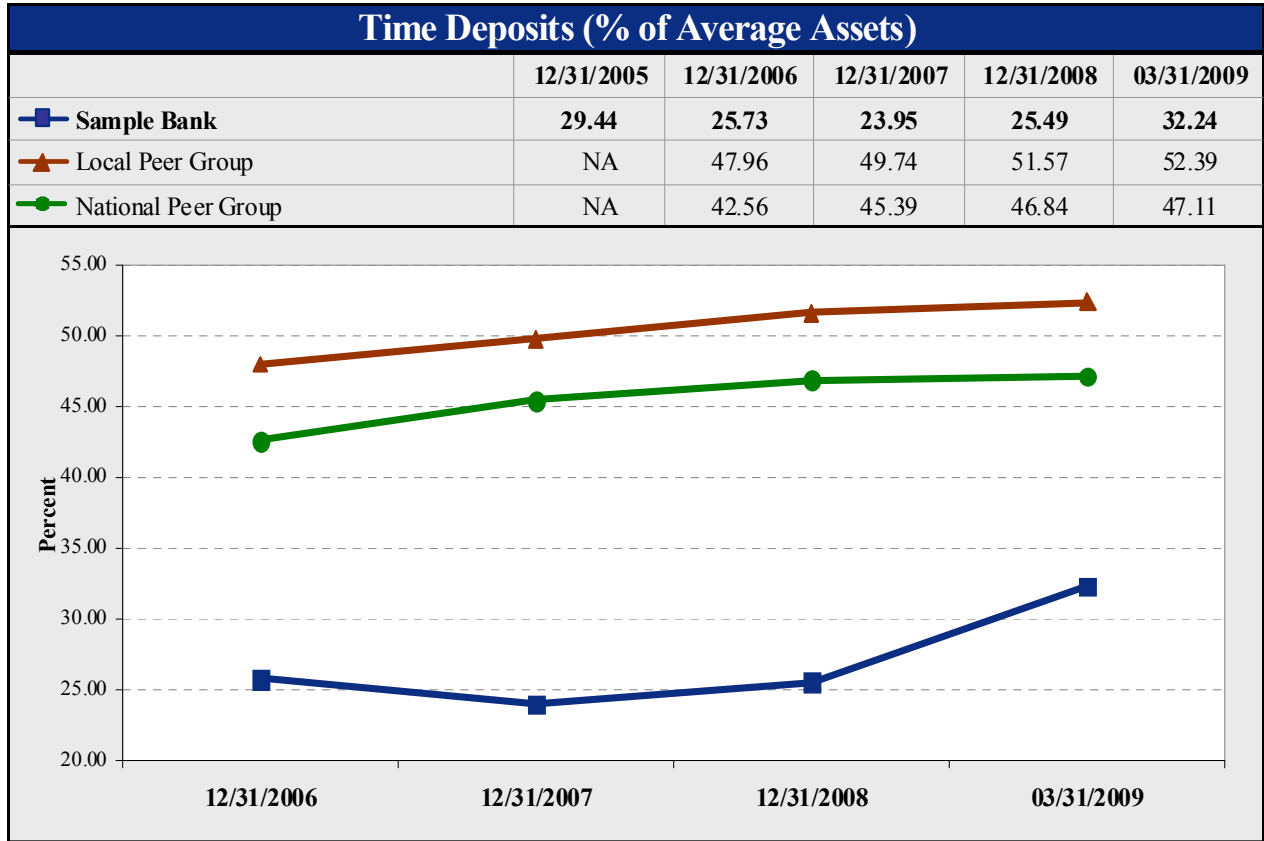




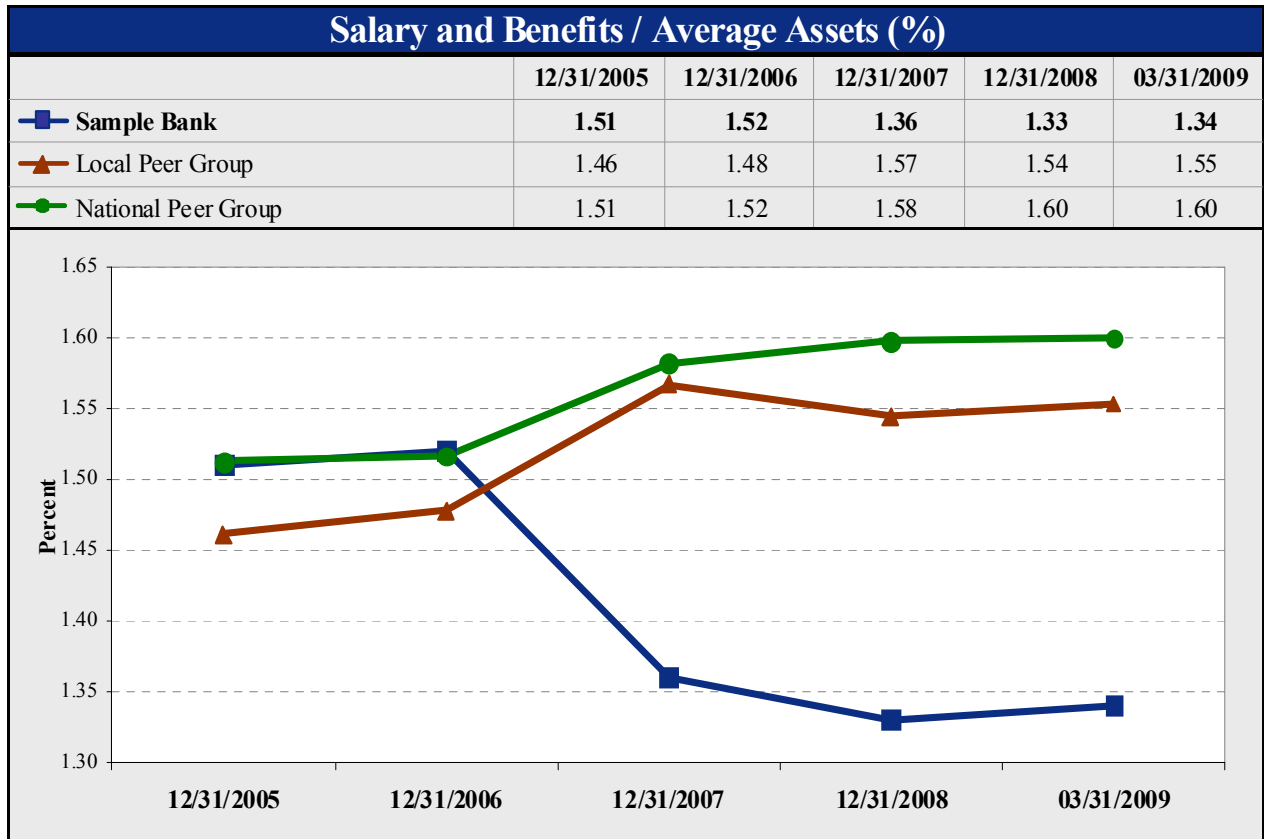
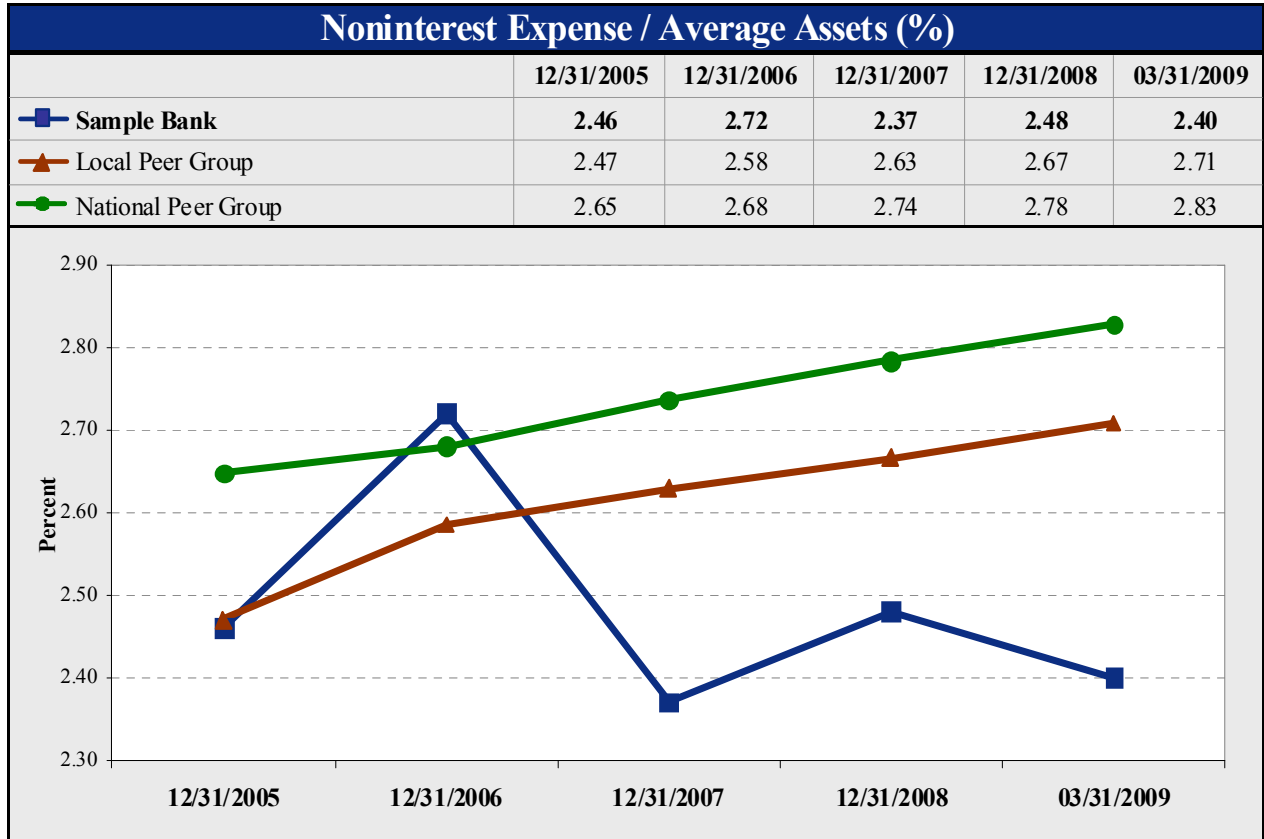


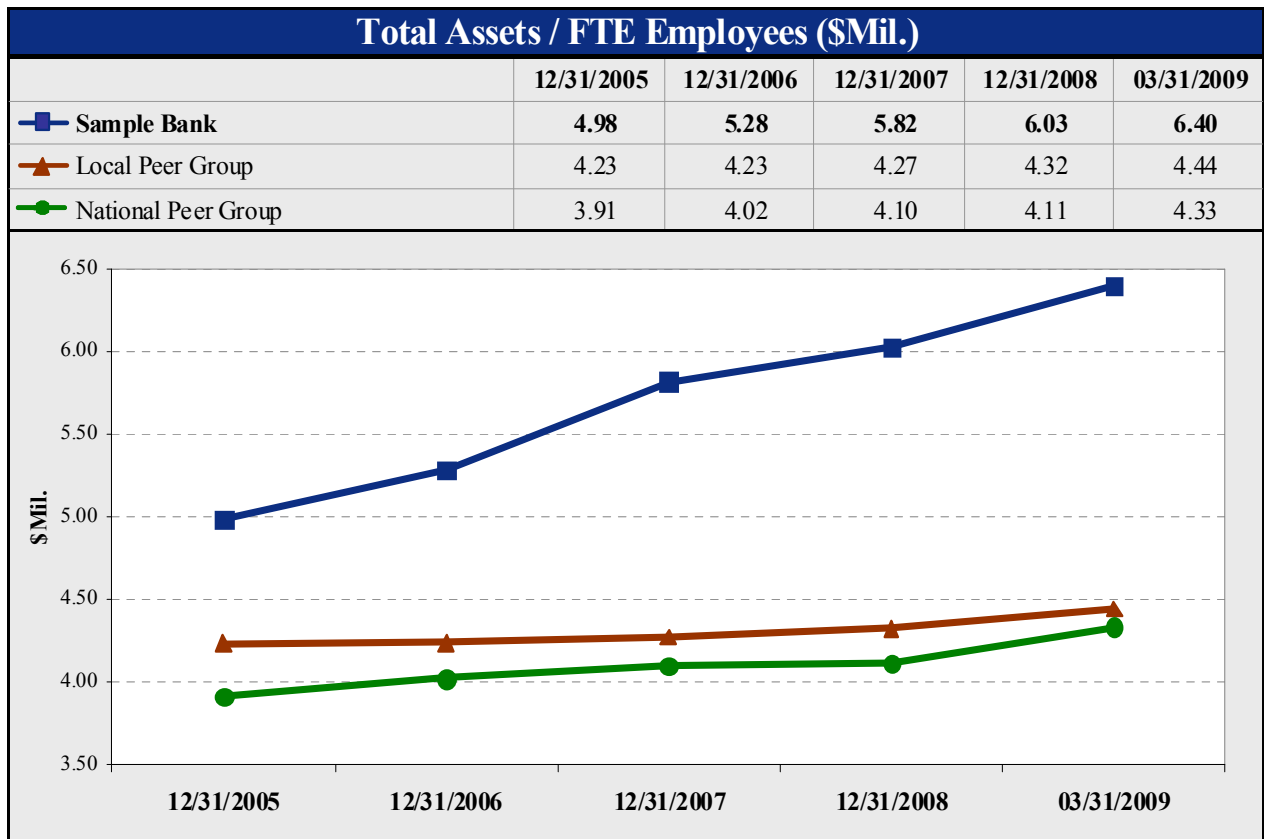
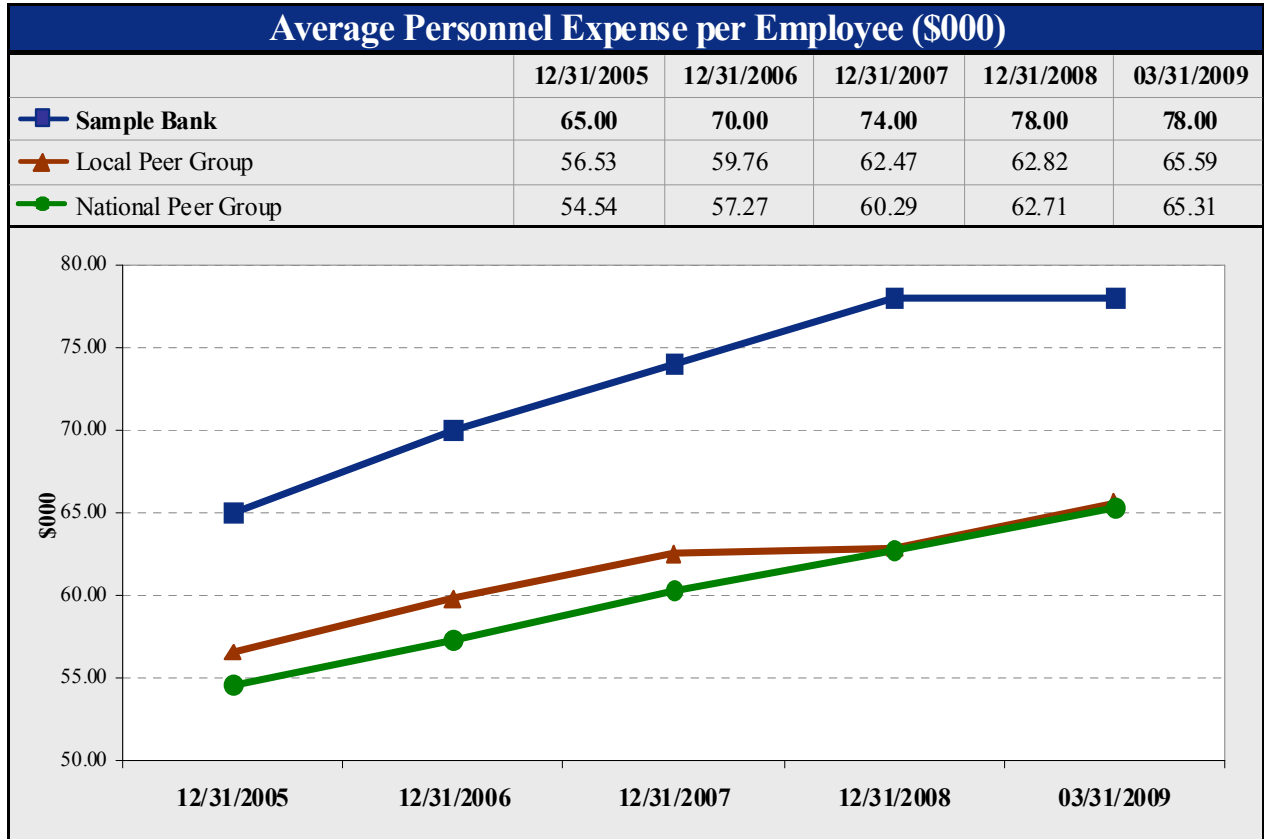


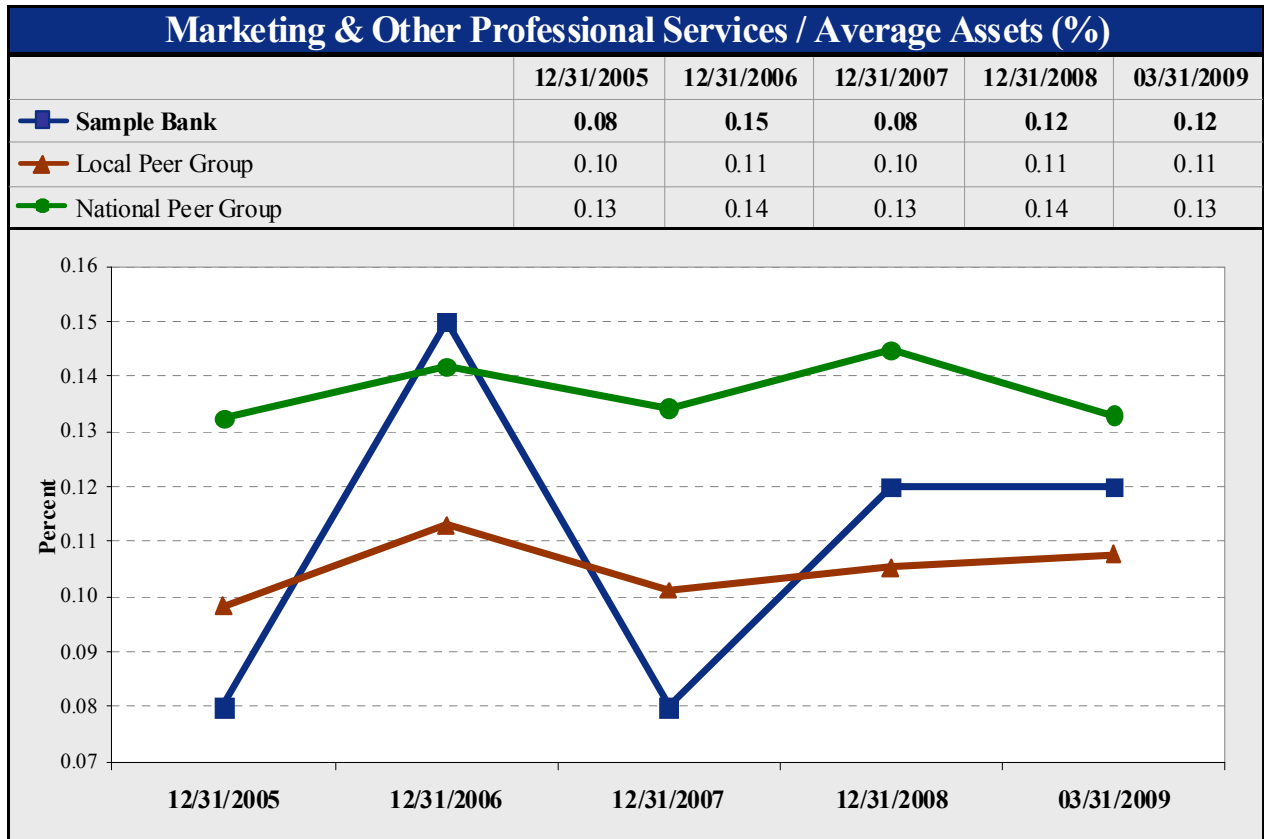
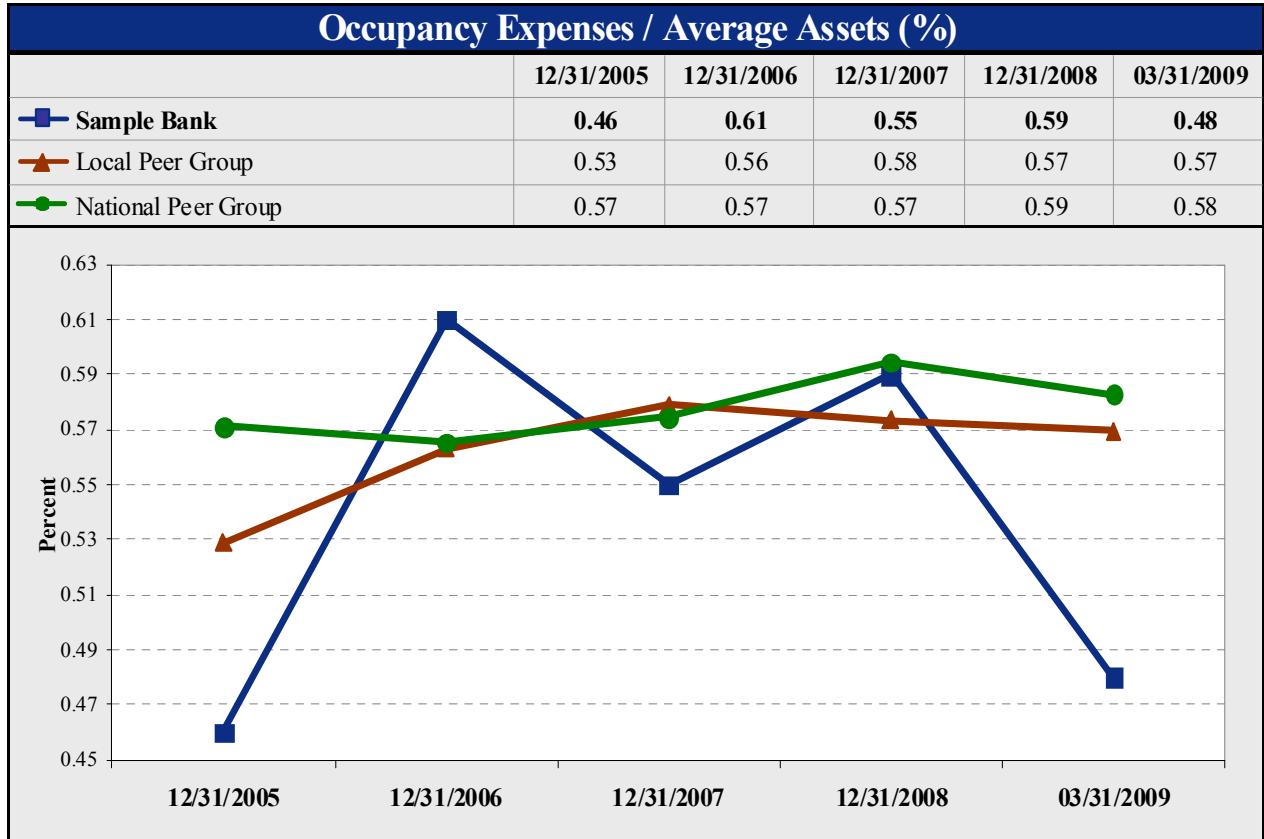


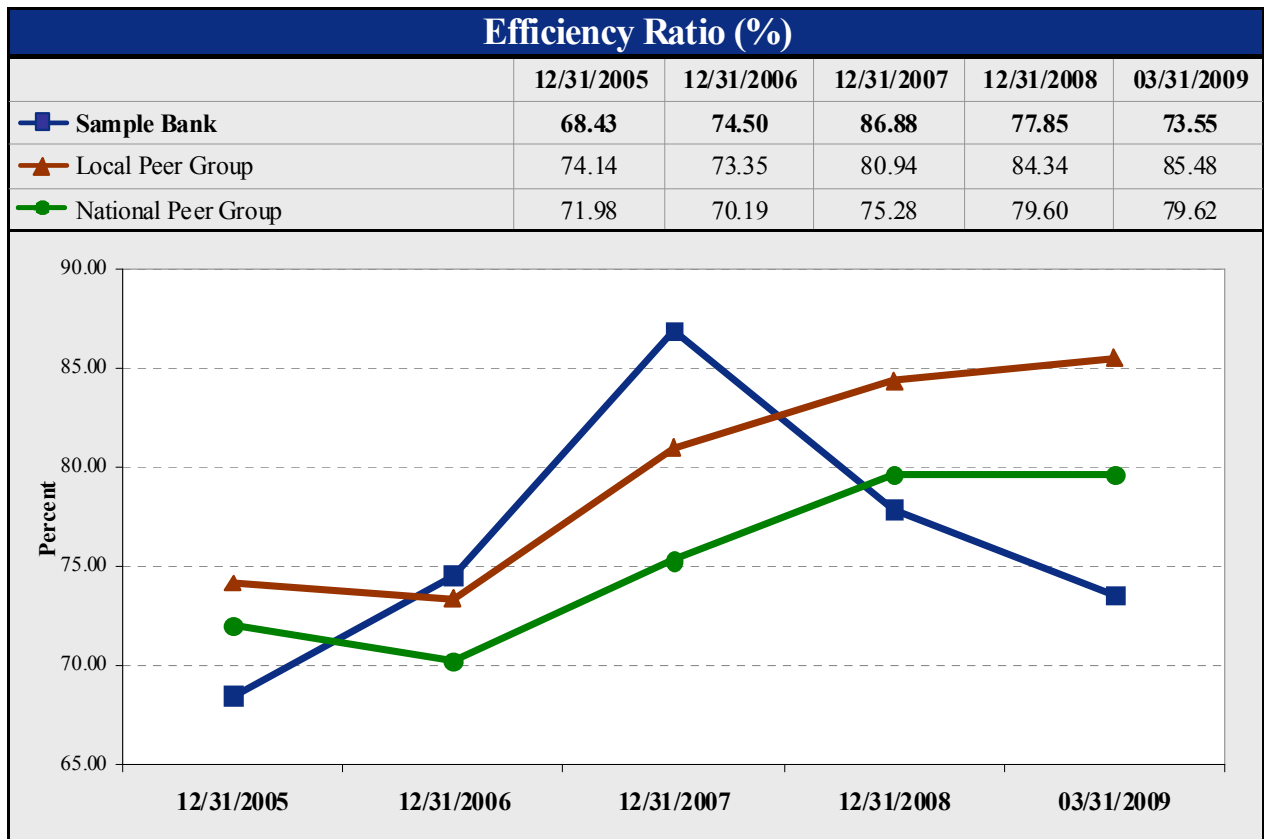
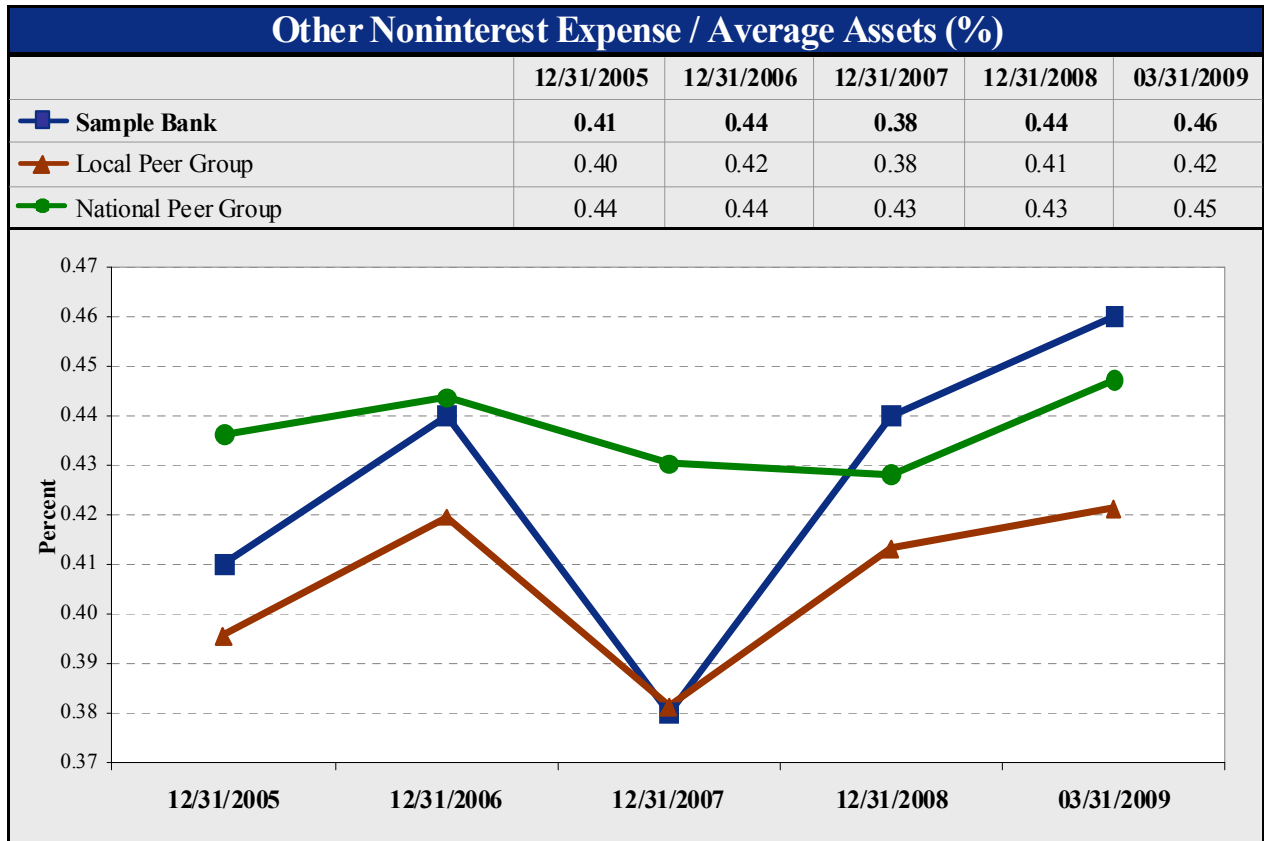


Non-Interest Expense

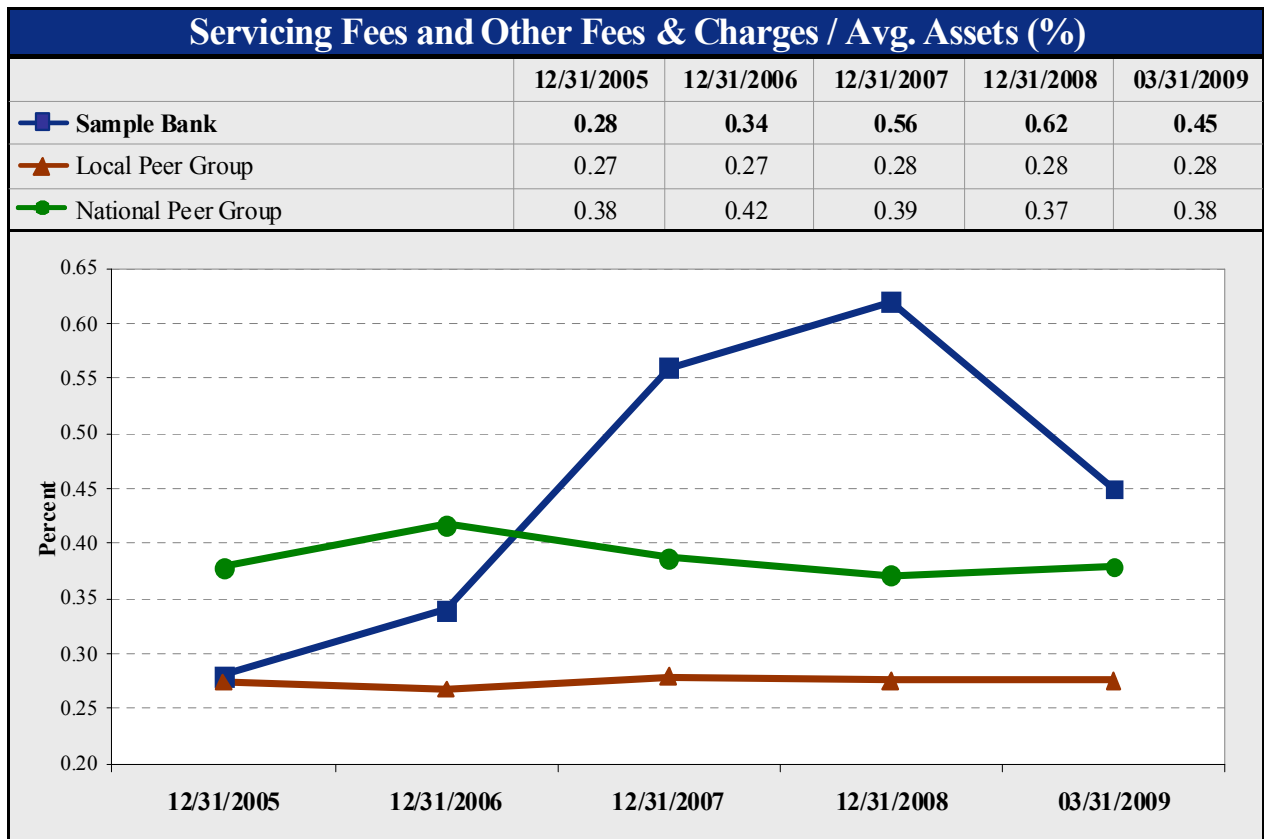
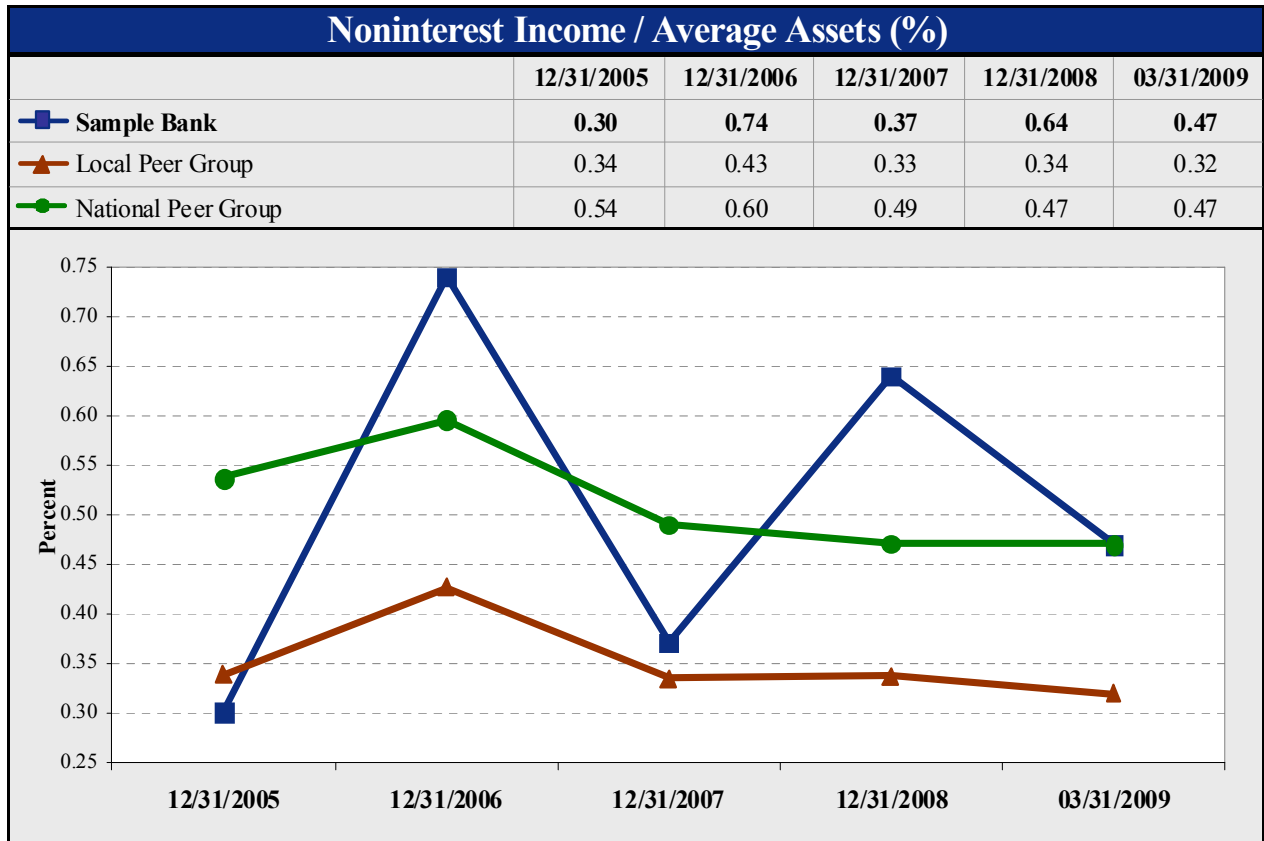


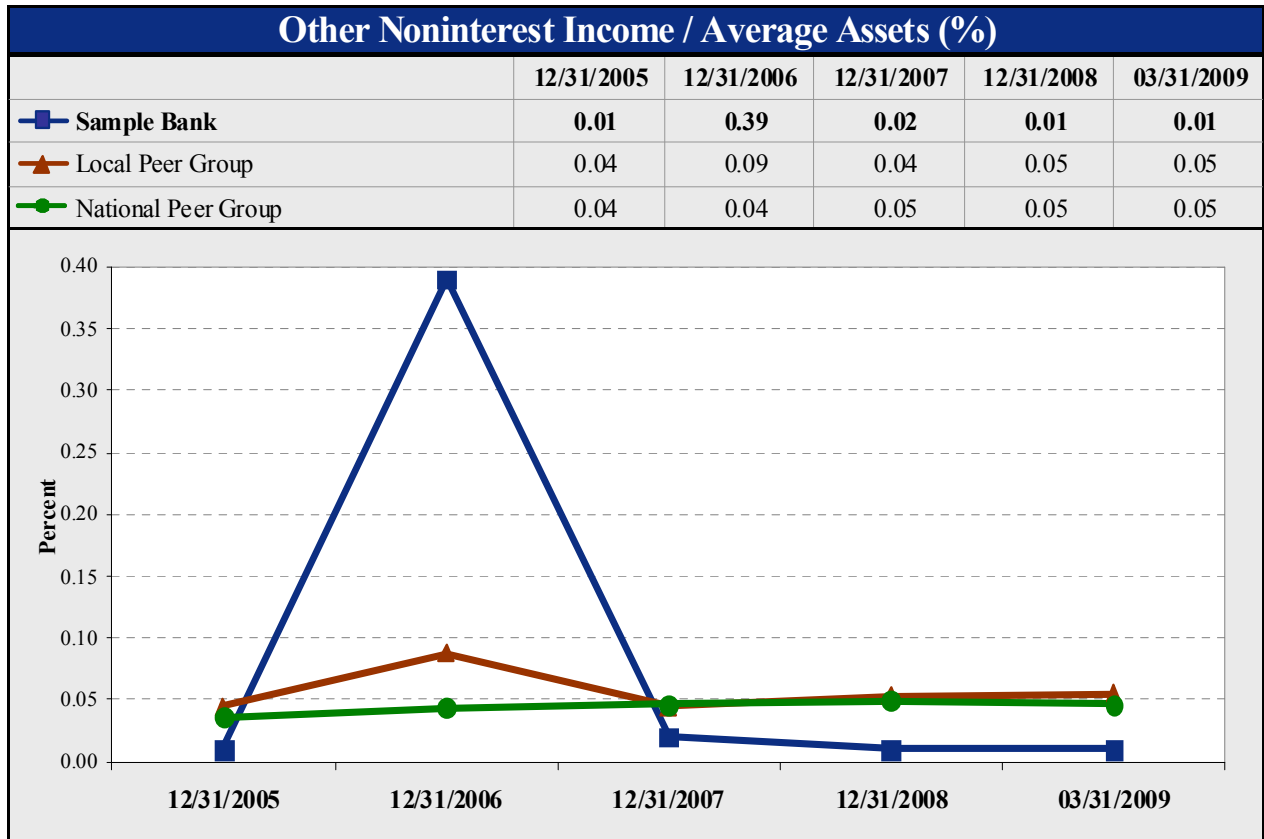
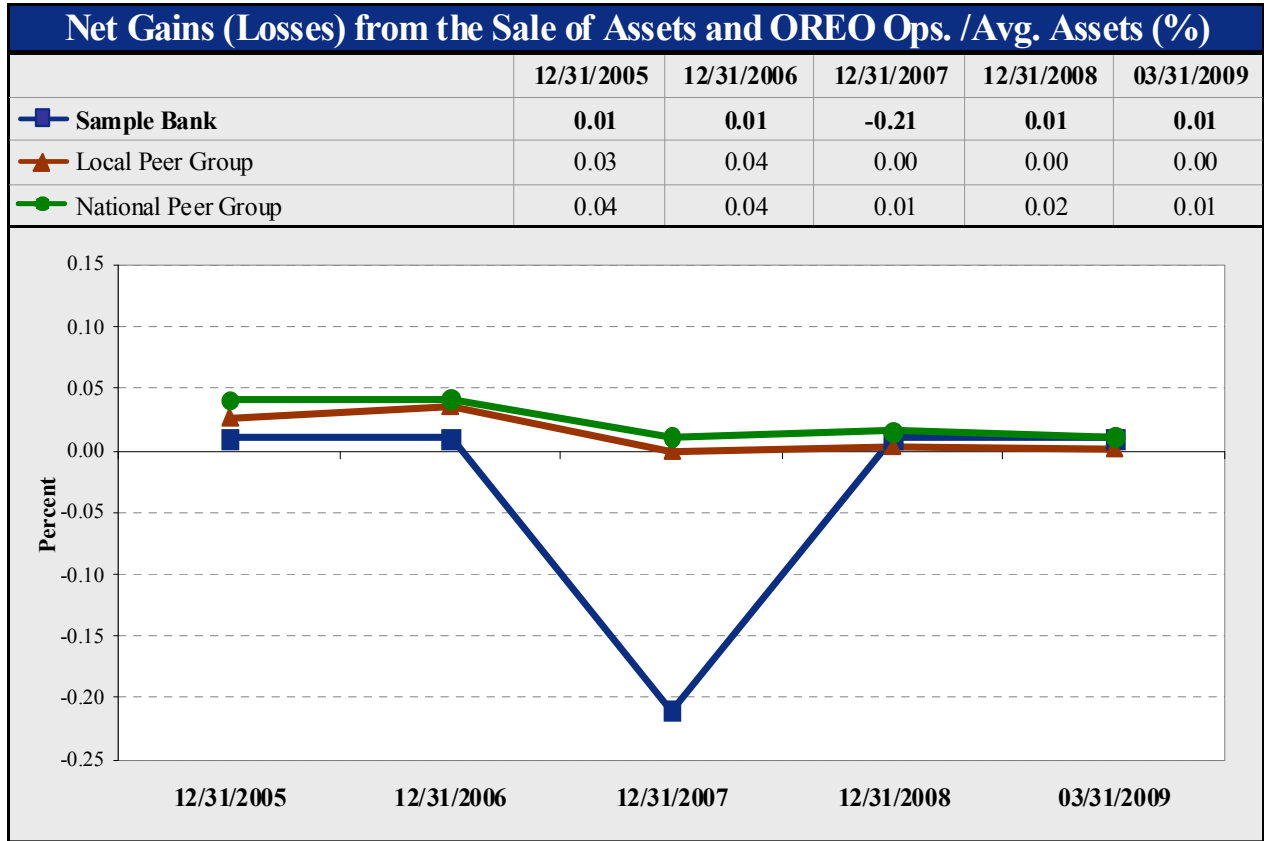


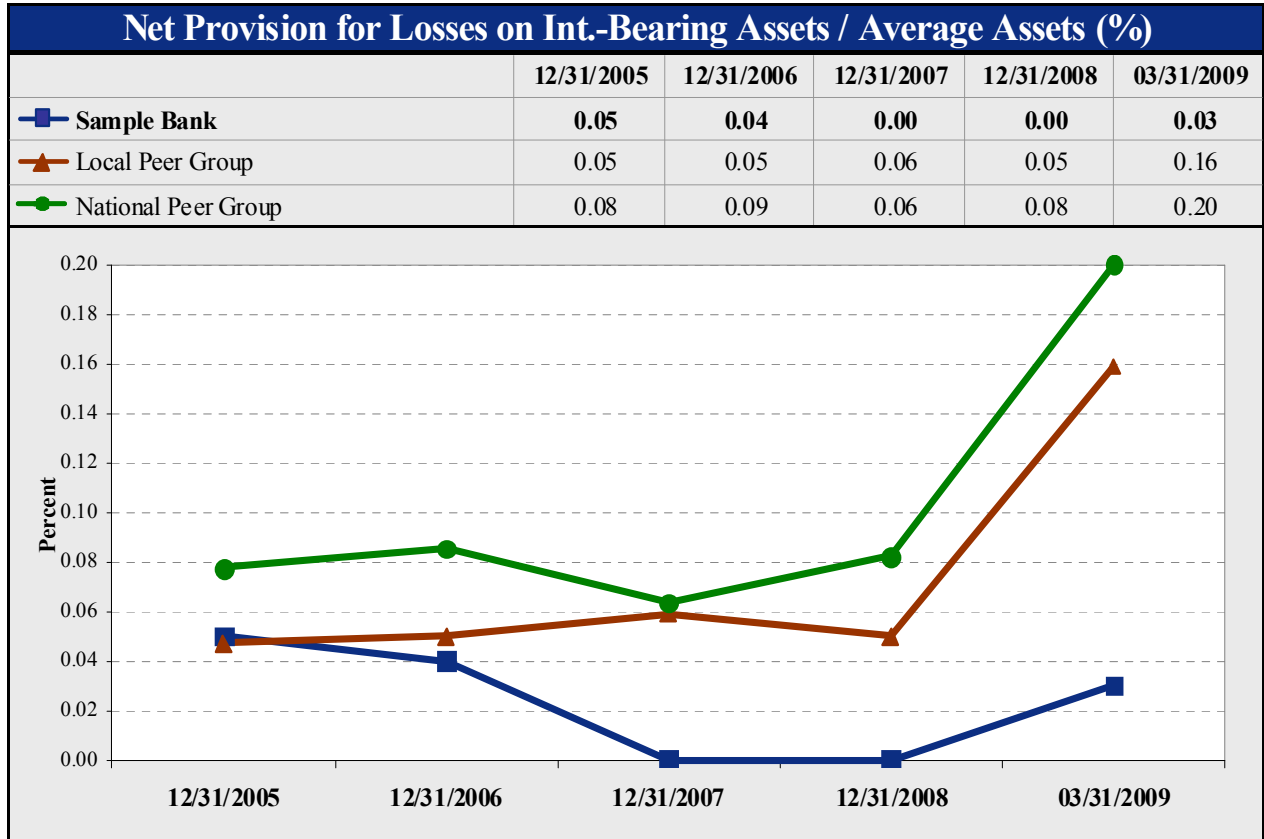




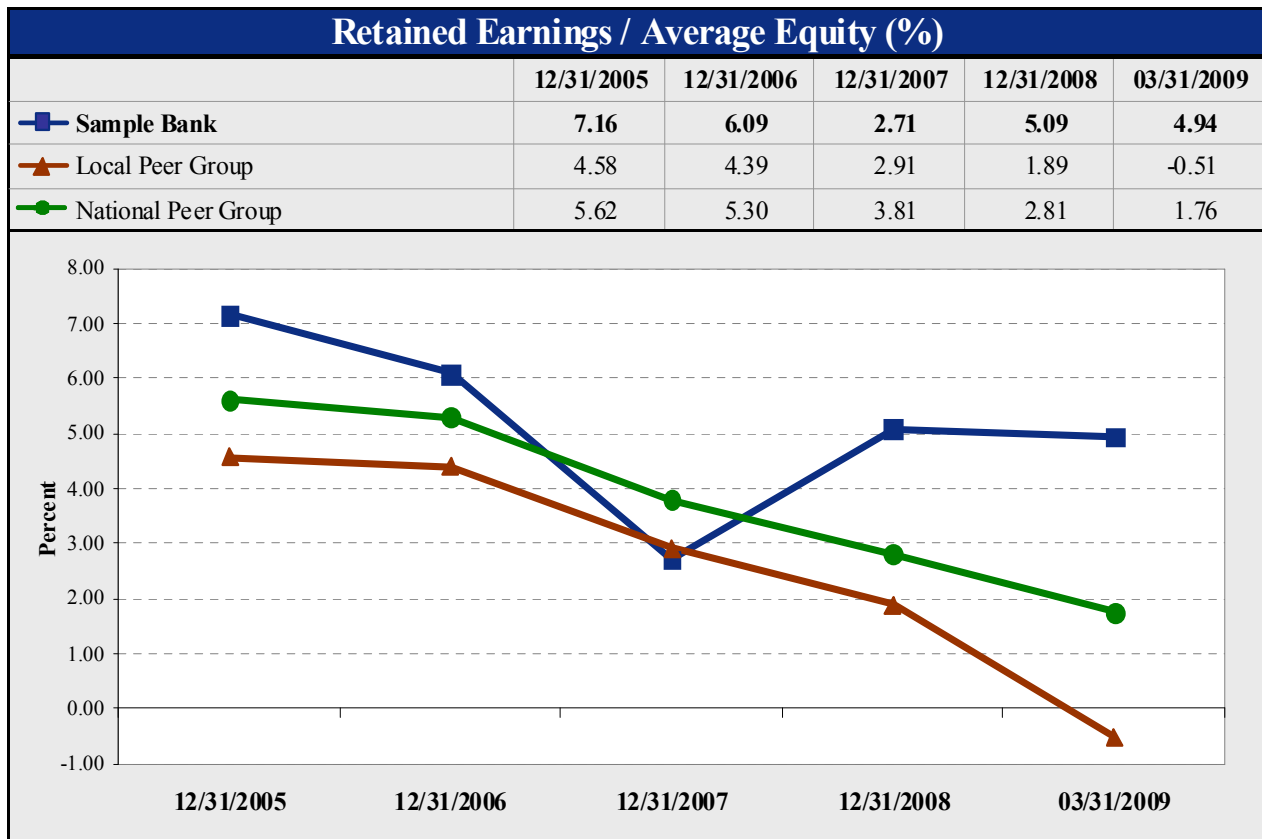
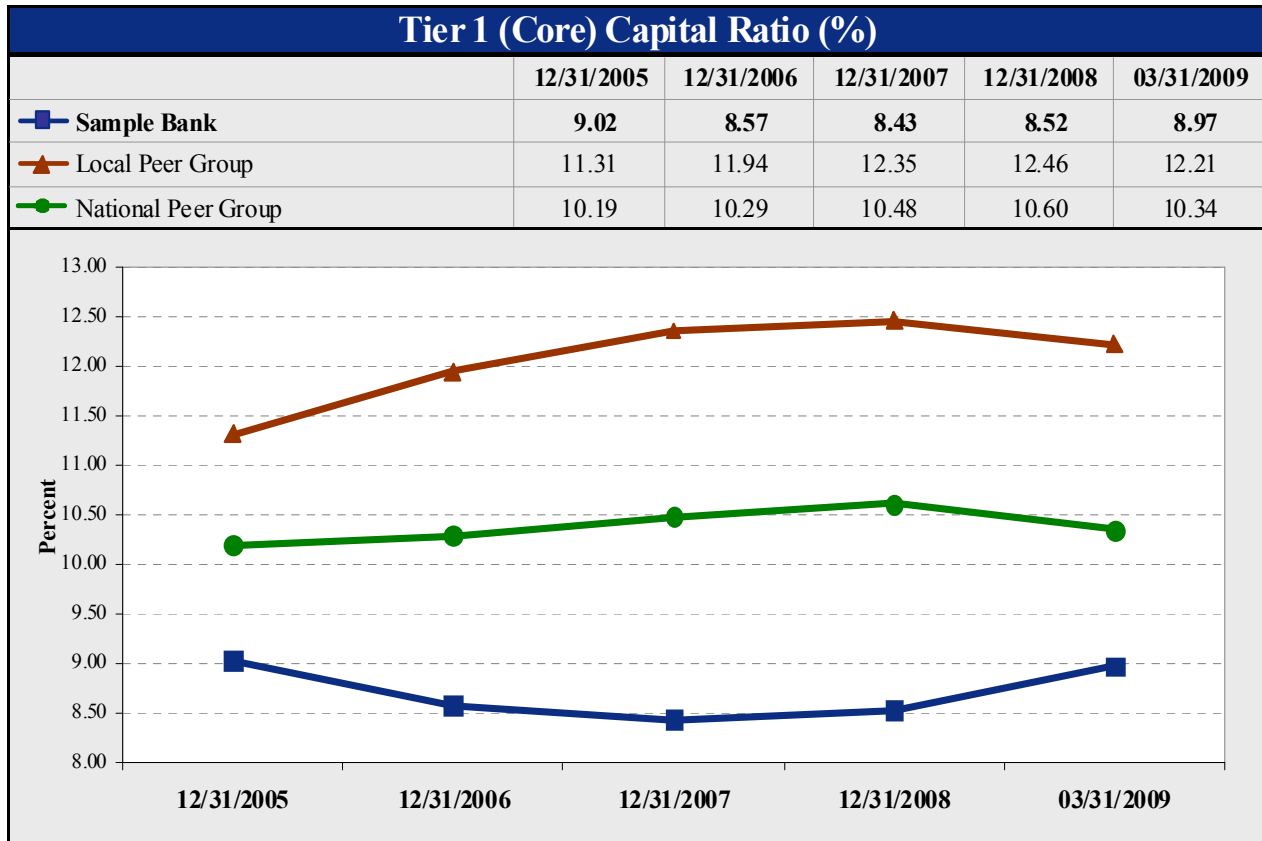
Non-Interest Income

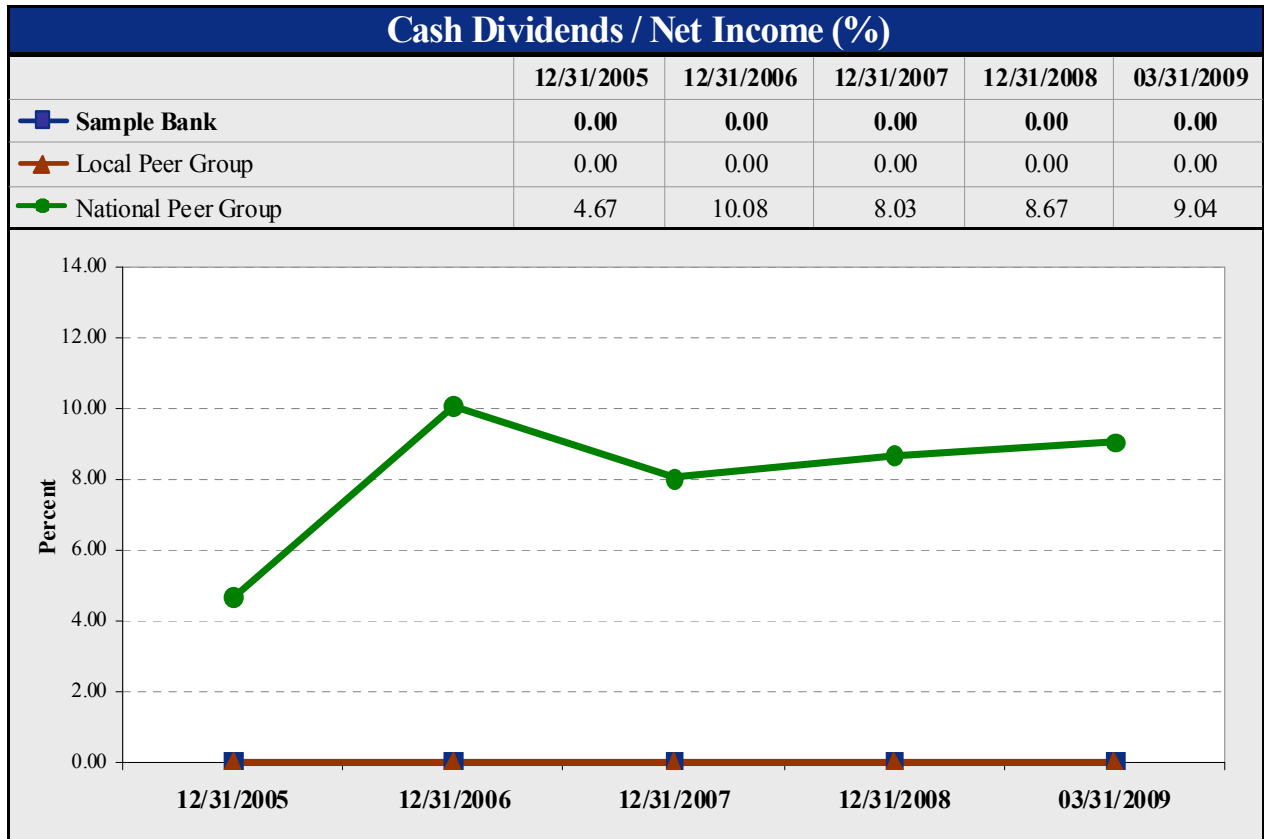
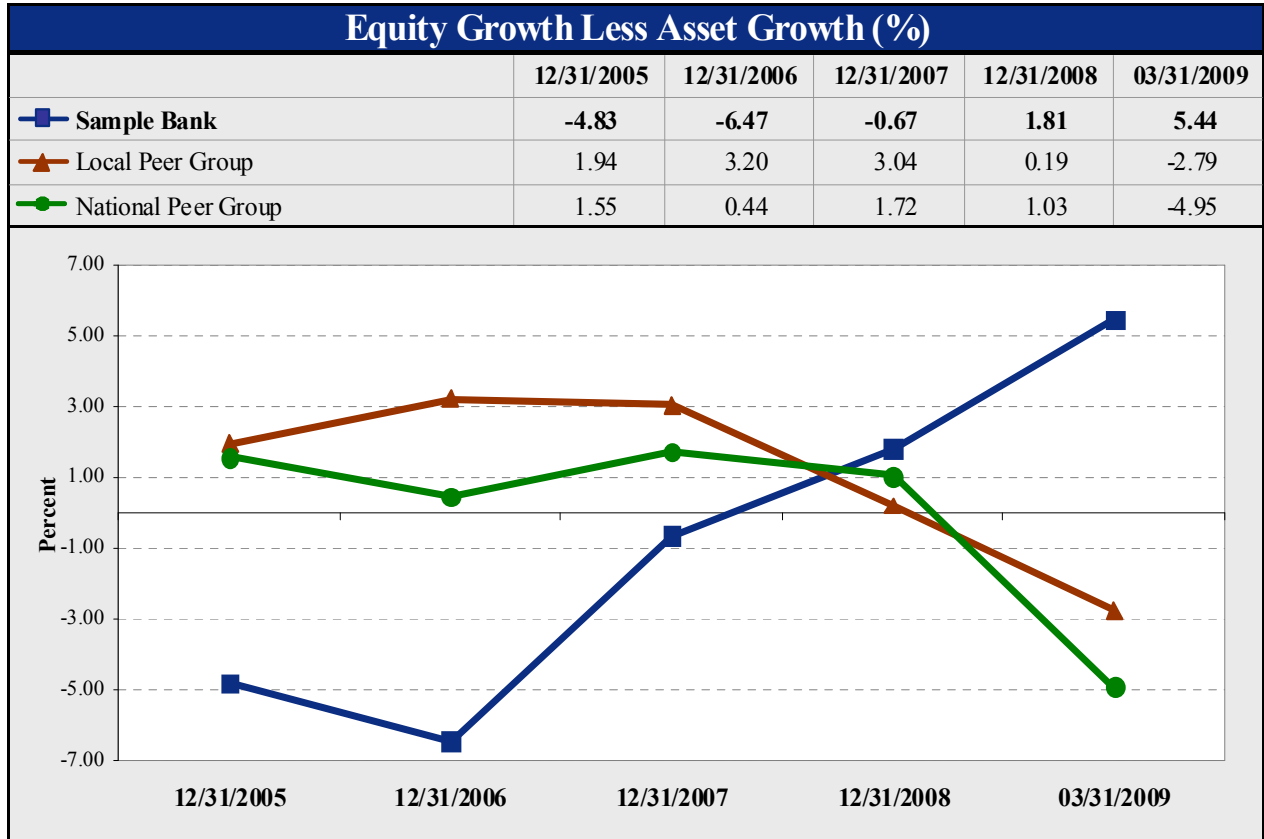


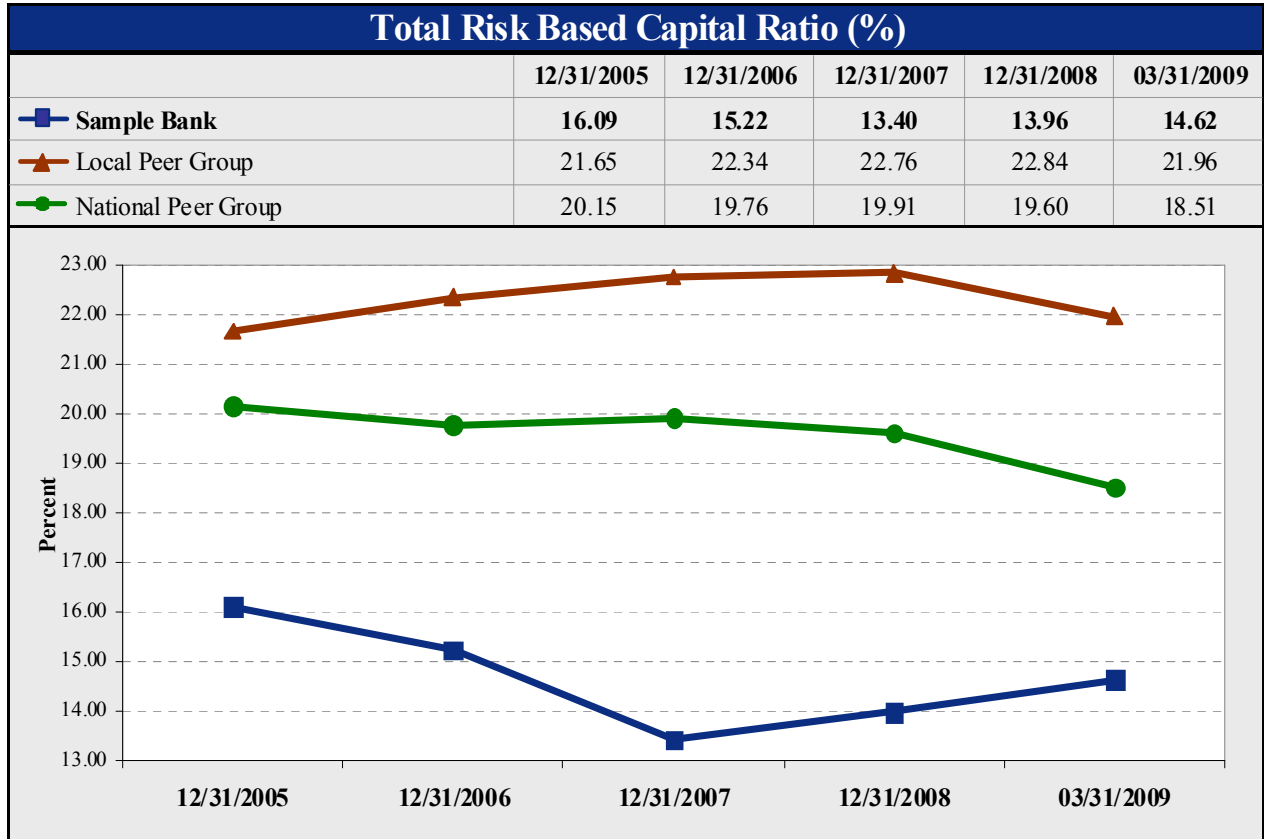


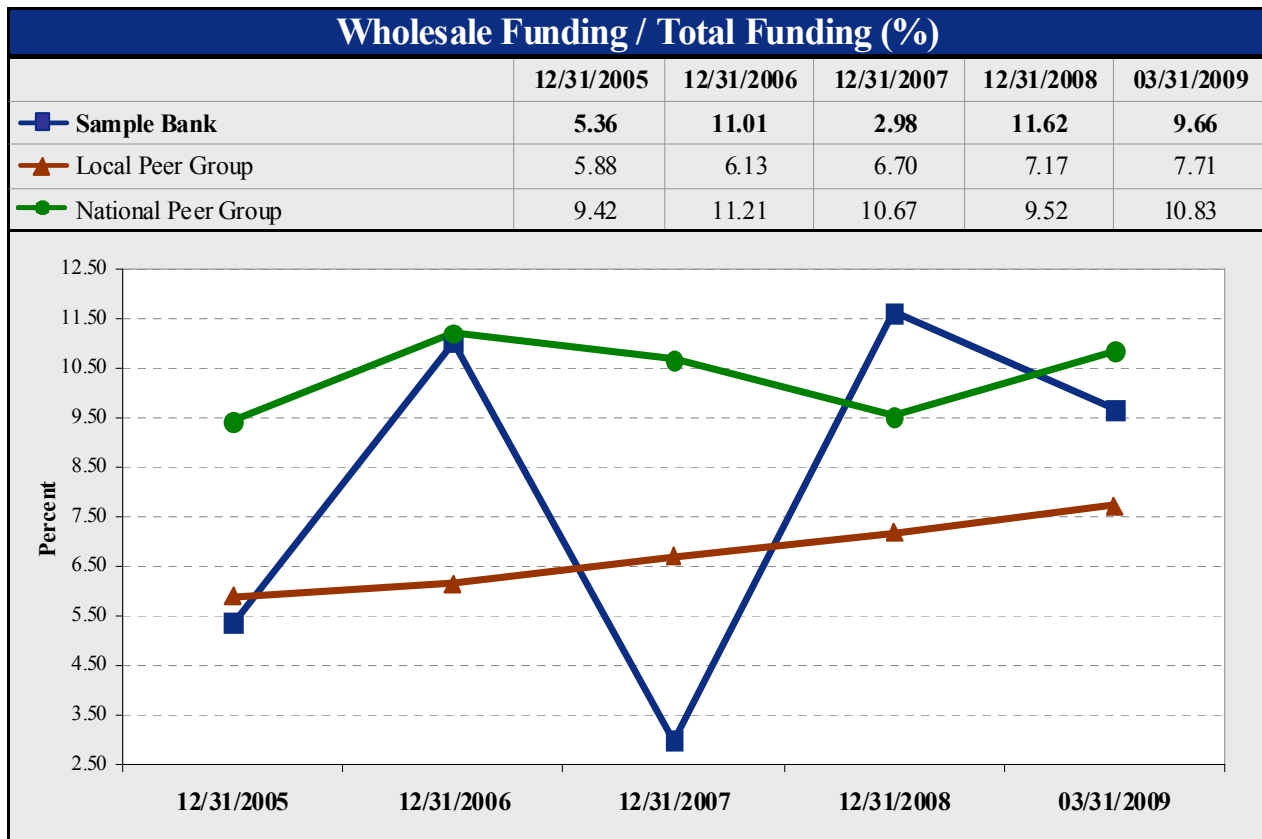
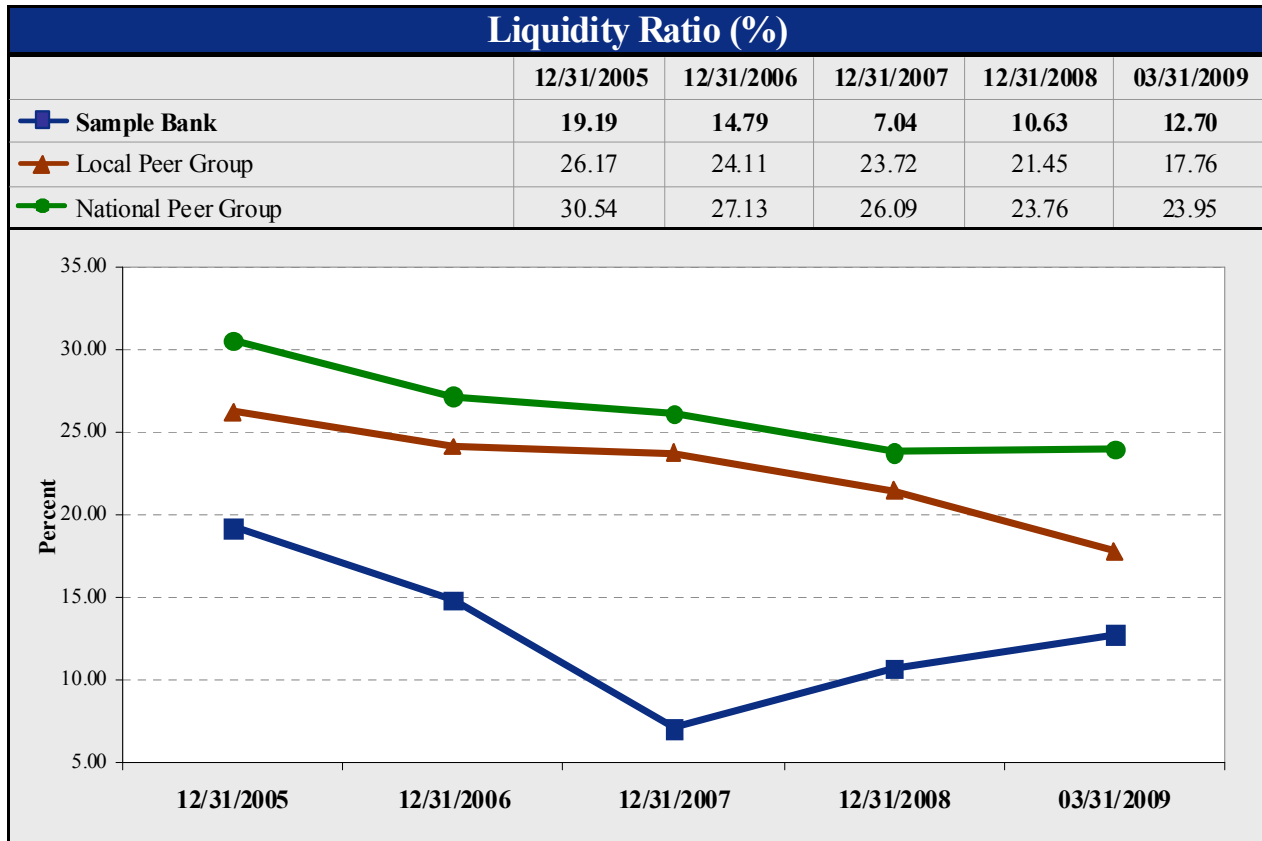


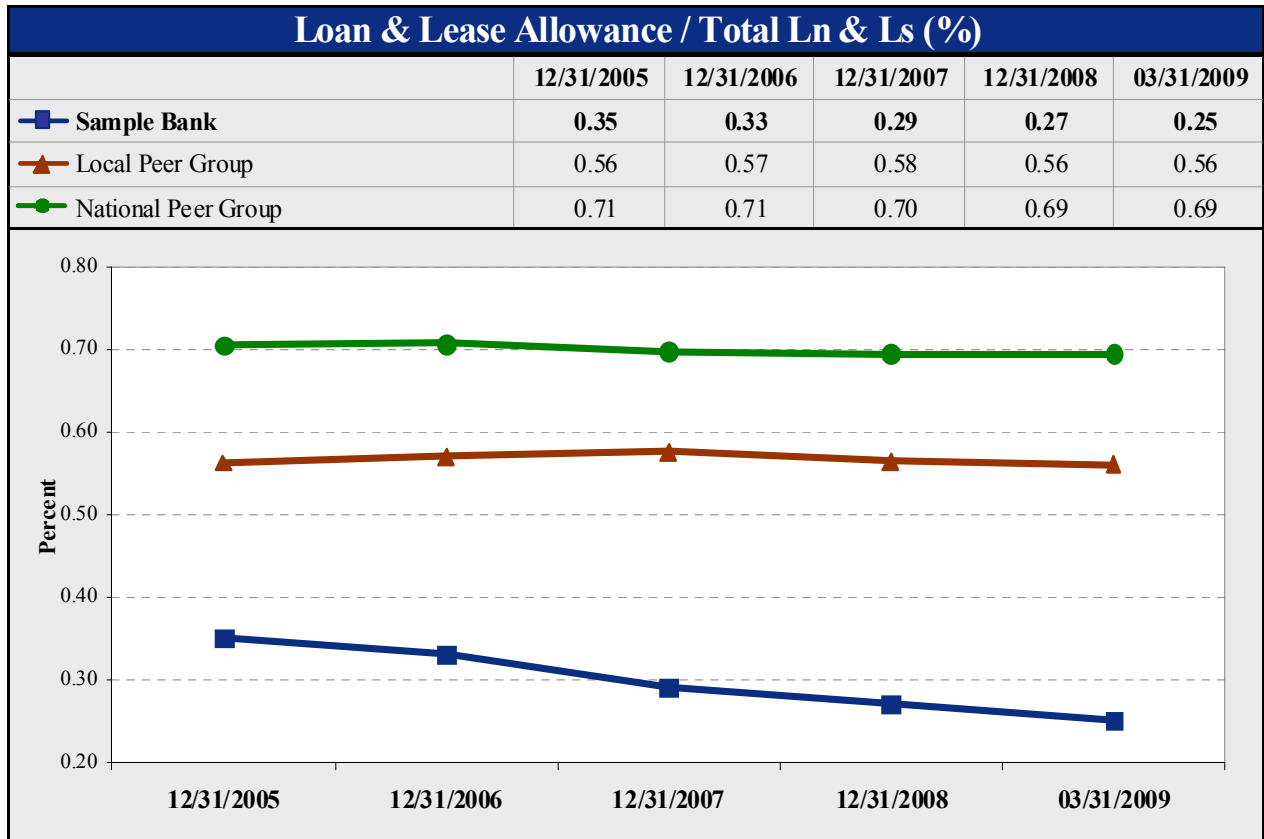
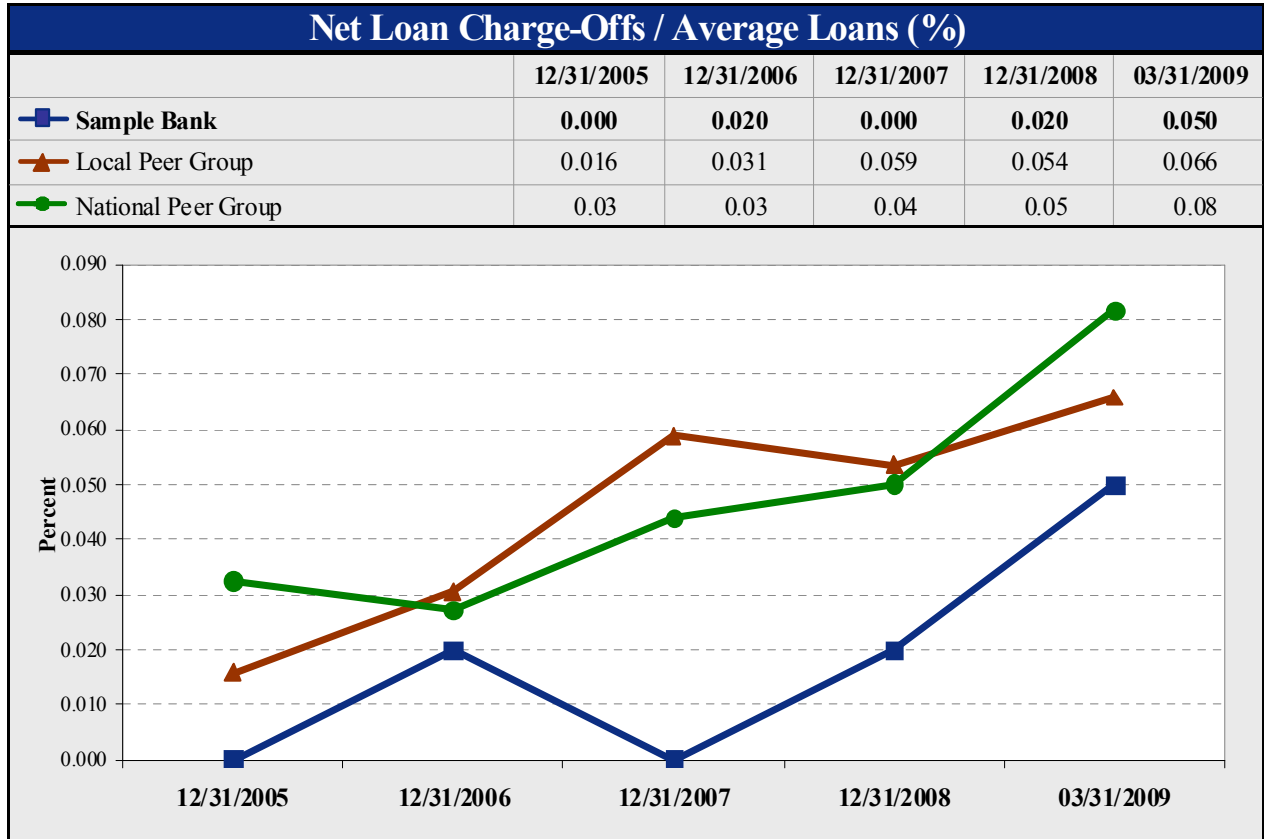
Capital Adequacy

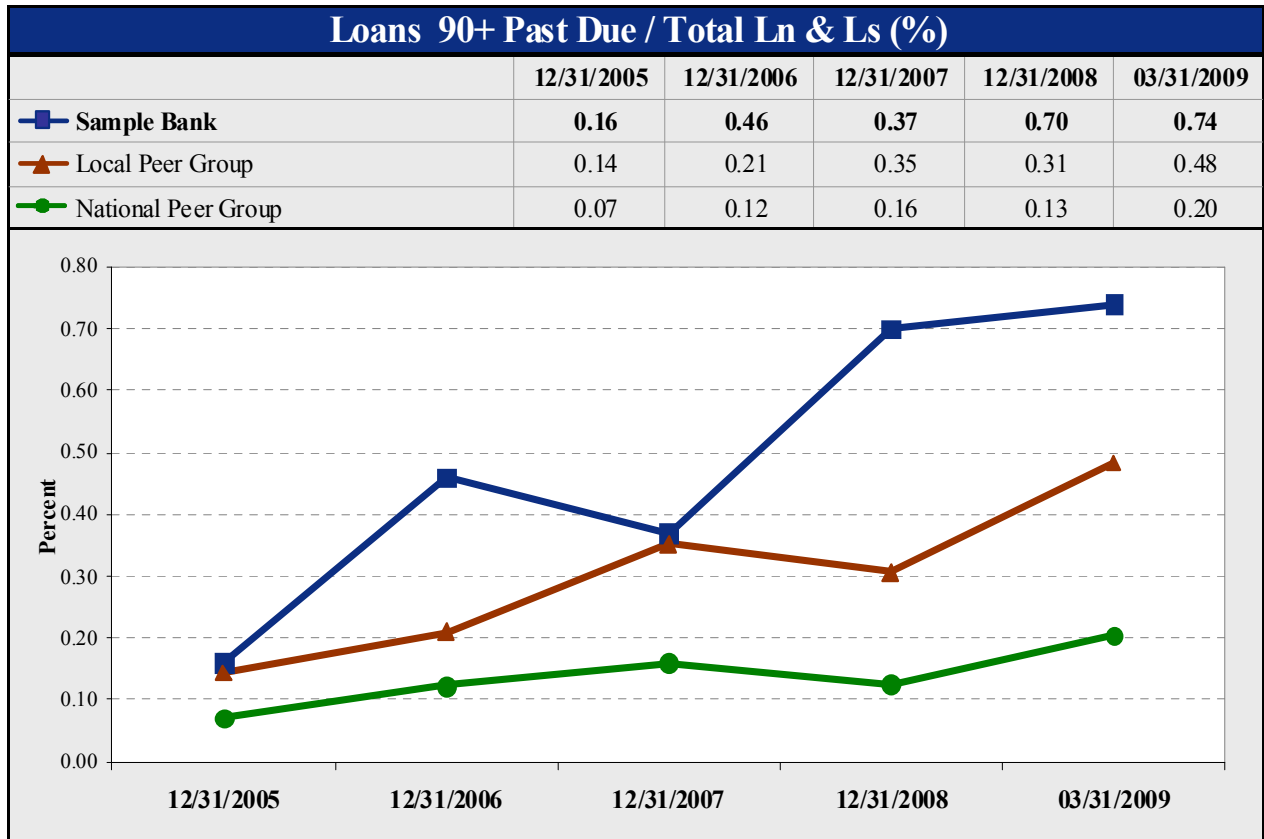
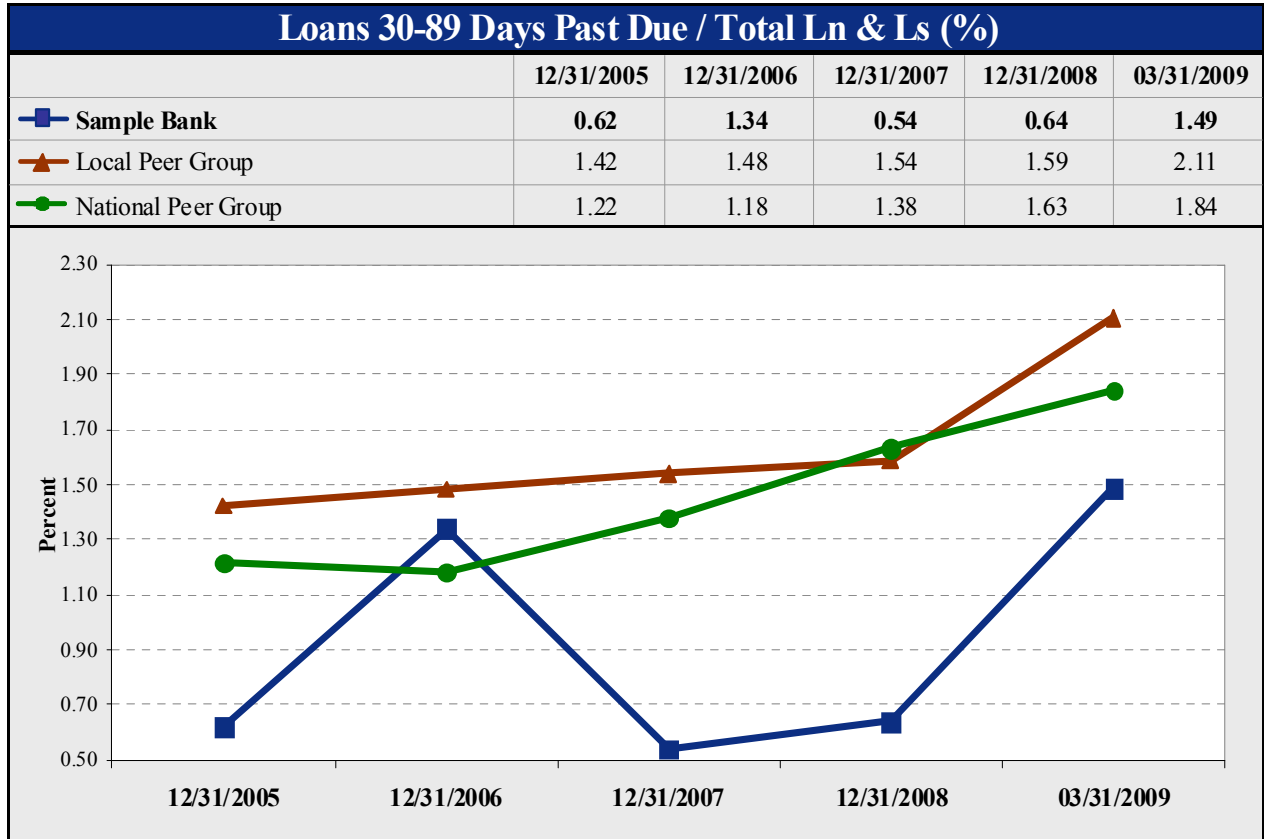


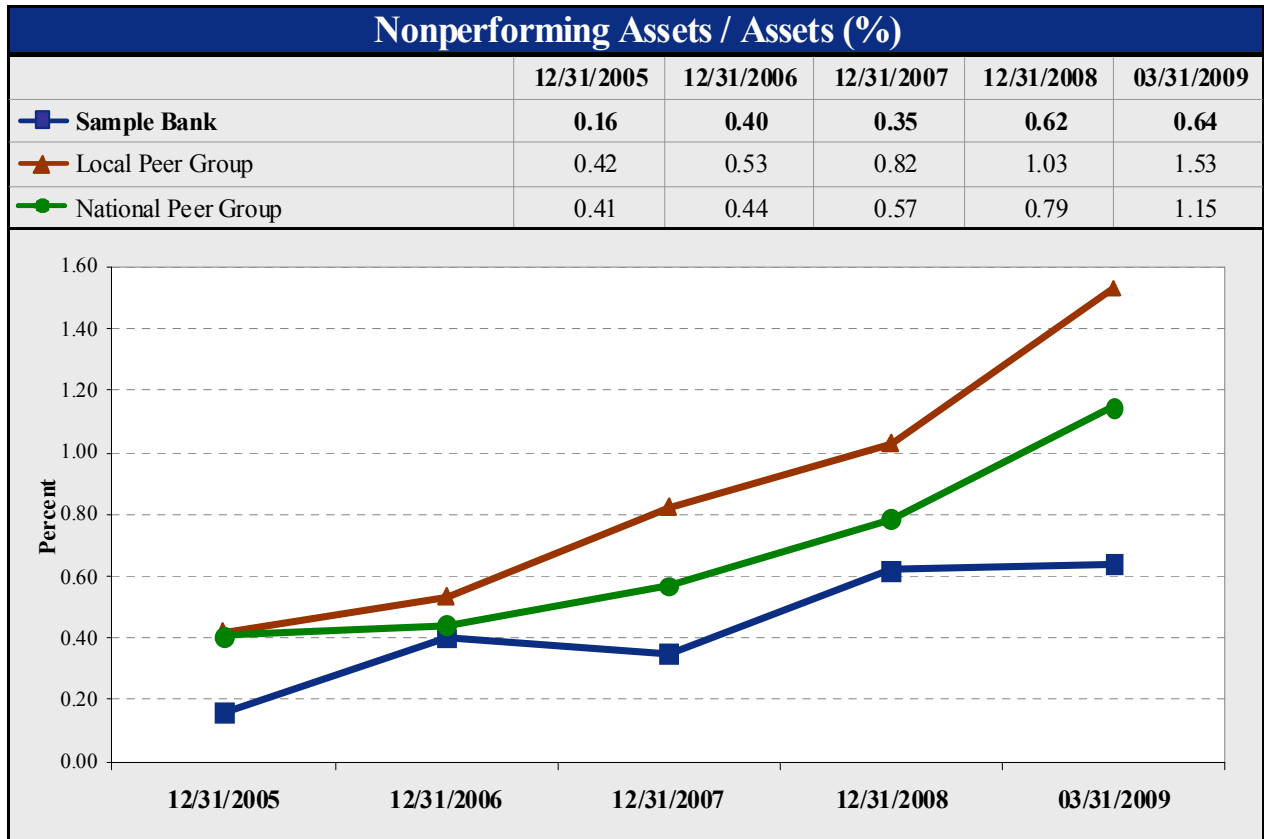
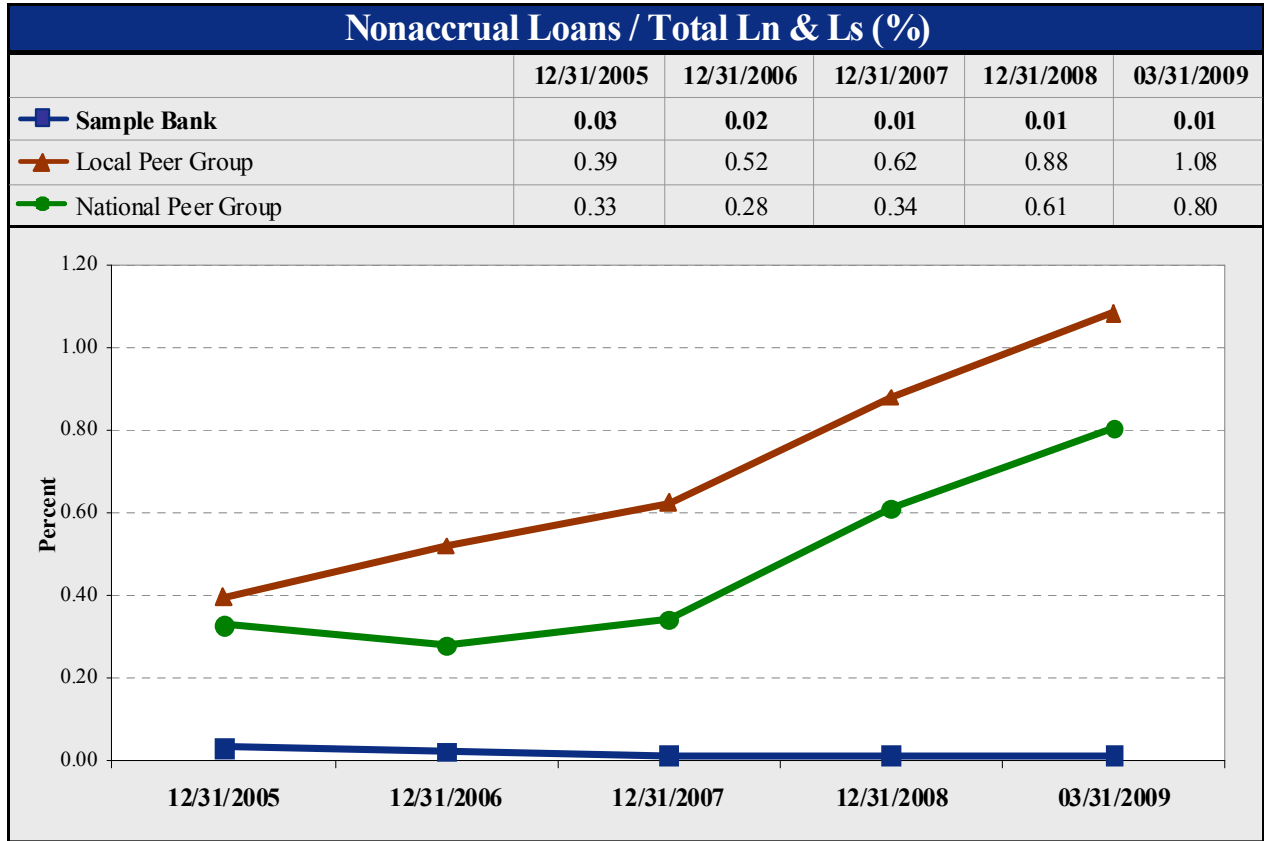












Ratio Definitions

This section describes the derivation of the individual ratios included in the report. The ratio calculations replicate the format of the Uniform Bank Performance Report (UBPR). Detailed technical information regarding the UBPR methodology is available online at <http://www.ffiec.gov/ubprguide.htm>.

Asset and Liability Averages

Two types of averages are used in the ratio calculations. Averages used as denominators in the earnings ratios and yield/cost calculations are based on the cumulative average of the one-quarter averages reported in the Thrift Financial Report (TFR). In the asset and liability composition calculations the items are averaged using the ending balance for the prior year-end plus the interim quarters for the current year.

Return on Average Assets

Net income after applicable taxes, net of extraordinary items, and adjusted for subchapter S status if applicable, divided by average assets.

Return on Average Equity

Net income after applicable taxes, net of extraordinary items, and adjusted for subchapter S status if applicable, divided by average equity. Equity capital is averaged using the ending balance for the prior year-end plus the interim quarters for the current year.

Net Interest Income / Average Assets

Total interest income less total interest expense, divided by average assets.

Interest Income / Average Assets

All interest income from earning assets, plus the dividend income on equity investments not subject to FASB Statement No. 115, divided by average assets.

Average Earning Assets / Average Assets

Average total loans and leases, average securities, average interest-earning deposit balances, average federal funds sold and securities purchased under agreements to resell, average assets held in trading accounts, average interest-only strips, and average equity investments not subject to FASB Statement No. 115, divided by average assets.

Net Loans & Leases / Assets

Total mortgage and non-mortgage loans net of unearned Income & reserves, divided by total assets.

Nonaccrual Loans / Assets

Loans and leases on which interest is no longer being accrued, divided by total assets.

Yield on Total Loans

Total interest income on mortgage loans & non-mortgage loans divided by average loans (net of unearned Income and gross of reserves.)

Yield on Loans by Type

Interest income by the individual loan categories, divided by the average of the respective loan category involved in generating interest income. TFR definitions apply to individual categories of loans.

Loan Mix as a Percentage of Average Gross Loans & Leases

Loans are distributed by category as a percentage of average gross loans & leases. TFR definitions apply to individual categories of loans.

Yield on Deposits and Investment Securities

Total interest and dividend income on deposits, federal funds sold and securities purchased under agreements to resell, and investment securities, divided by average interest-earning deposits, federal funds sold and securities purchased under agreements to resell, and investment securities.

Yield on Mortgage-Backed Securities

Interest income on mortgage-backed securities divided by average mortgage-backed securities.

Interest Expense / Average Assets

Total interest expense divided by average assets.

Cost of All Interest-Bearing Funds

Total interest expense divided by the average interest-bearing liabilities (deposits & borrowings).

Cost of Deposits (Incl. Escrows)

Total interest expense on deposits and escrows divided by the average interest-bearing deposits and escrows.

Cost of Borrowings

Total interest expense on FHLB advances, subordinated debentures, mortgage collateralized securities, federal funds purchased and securities sold under agreements to repurchase, and other borrowed money, divided by average borrowings.

Deposit Funding Mix as a Percentage of Average Assets

Deposits are distributed by category as a percentage of average assets. TFR definitions apply to individual categories of deposits.

Non-Deposit Funding / Average Assets

Total borrowings, including advances from FHLB, federal funds purchased and securities sold under agreements to repurchase, and other borrowed money, divided by average assets.

Noninterest Expense / Average Assets

All personnel compensation and expense, legal expense, office occupancy and equipment expense, marketing and other professional services, loans servicing fees, goodwill and other intangibles expense, net provision for losses on noninterest bearing assets, and other noninterest expense, divided by average assets.

Personnel Expense / Employees

Reflects the average salary and benefits per employee per year. Result is shown in thousands.

Total Assets / FTE Employees

Total assets divided by the number of full-time equivalent employees. Result is shown in thousands.

Overhead Efficiency Ratio

Total overhead expense expressed as a percentage of net interest income (tax equivalent) plus noninterest income.

Noninterest Income / Average Assets

Income derived from bank services and sources other than interest-bearing assets, divided by average assets. Additional ratios reflecting major components of non-interest income are presented as a percentage of average assets.

Net Provision for Losses on Interest-Bearing Assets / Average Assets

The provision for losses on all interest-bearing assets, divided by average assets. Includes losses recognized in marking loans to fair value at the time of foreclosure or in-substance foreclosure.

Tier 1 (Core) Capital Ratio

Tier one core capital divided by adjusted average assets.

Retained Earnings / Average Equity

Net income, less cash dividends declared, divided by average equity.

Equity Growth Less Asset Growth

The difference between annual equity and asset growth rates.

Cash Dividend / Net Income

Total of cash dividends declared year-to-date divided by net income year-to-date.

Risk-Based Capital Ratio

Risk-based capital divided by risk-weighted assets.

Liquidity Ratio

Total liquid assets, including cash and balances due, securities, and federal funds sold & repos, divided by total liabilities.

Wholesale Funding / Total Funding

Brokered deposits plus non-deposit funding (including federal funds purchased and repos, FHLB borrowings, and other borrowings), divided by total deposit and non-deposit funding.

Net Loan Charge-Offs / Average Loans

Gross loan and lease charge-off, less gross recoveries, divided by average total loans and leases.

Loan Loss Reserves / Total Loans and Leases

Total loans loss reserves (mortgage loans & non-mortgage loans) divided by total loans and leases.

Loans 30-89 Days Past Due / Total Loans and Leases

Loans past due 30-89 days and still accruing interest, divided by total loans and leases.

Loans 90+ Days Past Due / Total Loans and Leases

Loans past due over 90 days and still accruing, divided by total loans and leases.

Non-Accrual Loans / Total Loans and Leases

Total amount of loans on which interest is no longer accrued, divided by total loans and leases.

Nonperforming Assets / Assets

The sum of total non-accrual loans; loans and leases restructured and in compliance with modified terms; total other real estate owned; and non-accrual debt securities and other assets, divided by assets.