MONTGOMERY COUNTY, MARYLAND

DEPARTMENT OF FINANCE

SMALL BUSINESS PLUS! PROGRAM PROCEDURES

www.montgomerycountymd.gov/finance/

October 1, 2017

MONTGOMERY COUNTY, MARYLAND
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I. Program Goal:

The goal of this Program is to enhance local small business lending by placing deposits in community banks headquartered in the County to generate jobs for the benefit of County residents, while providing the County with a competitive return on those deposits, which will be covered by FDIC insurance, and placed with community banks which are deemed safe and sound.

II. Eligibility:

Eligibility to participate in the Program is based on the following:

- Headquarters must be in Montgomery County;
- The bank must have assets greater than $200 million and less than $10 billion based on asset levels as reported in the most recent FFIEC Call Report or TFR Report. The most recent report will be supplied to the County by the bank as promptly after quarter end as possible.
- Ratings must fall within the top rating categories as reported by VERIBANC, i.e. the rating must be Green * or better. VERIBANC information with a sample report is attached as Exhibit A.
- The bank must not be subject to any agreement with any regulatory agency.
- Participating banks will agree to make and maintain small business loans and/or commercial real estate loans in an aggregate amount equal to at least 200% of the deposits placed in the bank by the County under the program. Eligible loans must be to businesses located within Montgomery County and must be originated within 12 calendar months of the commitment by the County to the participating bank to make deposits under the program.

III. Administrative Process (County):

- The County will communicate with all eligible banks, notify them of the Program, provide them with a copy of all documentation required by the County, respond fully to all questions from eligible banks, request a written indication of each eligible bank's intent to participate and request the execution of an Acknowledgement to adhere to the Program Procedures set forth herein.
- The participation level of each bank will be based on the percentage of its capital to the total capital of all participating community banks. The allocation will be adjusted annually based on the data in the year end (December 31) FFIEC Call Report or TFR Report.
- The participation level of each bank will have two components. The first portion will be a set amount of $250,000 allocated to each participating bank and the second portion will based on the percentage of its capital to the total capital of all participating community banks. The allocation will be adjusted annually based on the data in the year end (December 31) FFIEC Call Report or TFR Report.

IV. Investment Process (County):

- At inception of the program, and upon execution of acknowledgements from all participating banks, the County entertained an offer from all participating banks to accept Certificate of Deposit Account Registry Service (CDARS) certificate of deposits for various maturities. The rate for deposits of a particular maturity was based on the then current, published FDIC Weekly National Rate for that maturity, plus 15 basis points. Deposits placed were up to the participating bank's maximum participation level based on an investment of up to $10 million by the County.
- The County increased its deposits in the CDARS program to an investment of up to $35 million in 2013, and increased its deposits to no more than $50 million effective October 23, 2014.
- As the CDARS deposits mature, the County will renew the maturing deposits among the participating banks unless liquidity needs of the County would require a reduction or elimination of this program. Participating banks agree that rates paid on CDARS deposits will be based on Monday's closing US Treasury Constant Maturity Rate less 12.5bps.
  (i.e., 26wk CDARS rate: 6mo US Treasury Constant Maturity less 12.5bps)
  (i.e., 52wk CDARS rate: 1yr US Treasury Constant Maturity less 12.5bps)
  Rates paid to the County will be re-evaluated on an annual basis.
- The County may consider expanding the amount deposited in CDARS based on liquidity needs, diversification of assets and institutions, investment return potential from other asset classes and other factors consistent with the County's investment policy.

V. Reporting:

- On March 1 of each year of the Program, each Participating Bank for the prior year will provide the following information to the County:

  - Total Amount of County deposits under the program for the prior year including the average balance for the year and the balance as of December 31 of the prior year.
  - Total Dollar Value of Montgomery County business and/or commercial real estate loans held as of December 31 of the prior year.
  - Total number and outstanding amount of such loans originated in the prior year as a result of the Program.
  - For each loan, the bank will also report the location and the type of business. Business type to be identified by the 2 digit NAICS code.
  - In addition, each Participating Bank shall cooperate to assist the County in estimating the number of jobs created through use of analysis based on the 2 digit NAICS code and average spend down rates.
  - Average spend-down rates of such loans originated as a result of the Program. Assumptions will have to be detailed given the variability of spend-down per loan.

VI. Exhibits

- Exhibit A Material on VERIBANC Rating Service and Individual Ratings
- Exhibit B List of Commercial Banks and Savings Banks headquartered in Montgomery County meeting size criteria
- Exhibit C Sample of Participant Bank Annual Report
- Exhibit D Information package on Commercial Lending by Community Banks

MONTGOMERY COUNTY, MARYLAND
DEPARTMENT OF FINANCE
SMALL BUSINESS PLUS! PROGRAM PROCEDURES

Acknowledgement

The undersigned, on behalf of ____ acknowledges receipt of the Procedures for Montgomery County , Maryland Community Bank/Small Business Program and the attached Exhibits. I have read, reviewed and understand the Procedures and the attached Exhibits and hereby notify the County that ____________________________________ intends to participate in the Program and accepts the Procedures as a condition of participation.

By: ______________________________ (sign)

Name: ___________________________ (print)

Title: ______________________________

Date: ______________________________

VERIBANC

THE VERIBANC COLOR CLASSIFICATION SYSTEM

"It's simple and it works!"

VERIBANC, Inc.'s two-part color code and star classification system rates financial institutions from two perspectives -- present standing and future outlook. It takes into account many financial ratios and measures, including all six factors Federal regulators utilize in determining the government's **"CAMELS"** ratings. These factors include an institution's Capital strength, Asset quality, Management ability, Earnings sufficiency, Liquidity, and Sensitivity to market risk.

This summary describes several tests of the financial strength of a bank, thrift institution or credit union. The outcome of two of these tests is a color - GREEN, YELLOW or RED. Green is the most favorable result; Red is the least favorable. Additional criteria are used to assign three stars, two stars, one star or no stars to an institution. Three stars are most preferred. No stars are least preferred.

Of course, tests such as these can provide only an overview of an institution's financial condition. A Green, three stars rating does not necessarily guarantee that the institution is healthy, nor does a Red, no stars rating mean that it will fail. However, these tests utilize key measures employed by the federal banking agencies to evaluate the safety of financial institutions. More details are presented below.

THE EQUITY TEST

A financial institution such as a bank, a thrift institution such as a savings and loan association (S&L) or a credit union does business by lending money that it has borrowed from its depositors. Thus, its business is controlling investments of other people's funds. In addition, it uses (and, of course, controls) money and other items of value which belong to the institution's owners. This portion is called equity. The total of its own equity and investments which really belong to others, i.e., all that an institution controls, is called assets.

It is both good business practice and a federal requirement for financial institutions to "have a stake" in the monies they control, namely, that a certain percentage of their assets must consist of equity. In fact, if the equity of an institution drops to zero or less, it is referred to as "insolvent". For this reason, equity is often referred to as a financial cushion. It allows an institution to withstand money-losing situations without having to go out of business. The VERIBANC equity test places an institution in one of three categories:

1) If the equity is a modest percentage of assets or higher, an institution is ordinarily assigned the classification Green.

2) If the equity is a minimal percentage of assets, it is ordinarily assigned the classification Yellow.

3) If the equity is less than a minimal percentage of assets, the color Red is assigned.

For institutions, which are losing money, the color can also be affected by the Income Test described as follows:

THE INCOME TEST

Even though earning money is the purpose of any business, profitability can sometimes be elusive. Banking, like any other endeavor, can encounter difficulties that cause an institution to lose money. One way of measuring the seriousness of losses is to pose the question, "How much of the institution's remaining equity does the most recent loss represent?" The VERIBANC income test considers results in three possible ranges:

1) If the institution had no net loss (i.e., is operating profitably), it is ordinarily classified GREEN.

2) If the institution had a modest net loss, it is ordinarily classified YELLOW.

3) If the loss rate was significant, the color RED is assigned.

The color classification blends the results of both the Equity and Income Tests as follows:

GREEN	The institution's equity exceeds a modest percentage of its assets and it had positive net income during the most recent reporting period. Of the three color categories, this is the highest based on the criteria described.
[redacted]	The institution's equity is at a minimal percentage of its assets or it incurred a net loss during the most recent reporting period. Both of these conditions may apply, if there was a net loss, the loss was not sufficient to erode a significant portion of the institution's equity. The items which result in a yellow classification, merit your attention.
RED	The institution's equity is less than a minimal percentage of its assets or it incurred a significant net loss during the most recent reporting period (or both). The items, which result in a red classification, deserve your close attention.

HOW THE COLOR CLASSIFICATION CRITERIA RELATE TO THOSE USED BY THE FEDERAL BANK REGULATORY AUTHORITIES AND FINANCIAL ANALYSTS

Banks and thrift institutions are required by law to meet a variety of capital measures. When these measures decline below certain norms, the Office of the Controller of the Currency ("OCC"), the Federal Reserve Board ("FRB"), the Federal Deposit Insurance Corporation ("FDIC") or the Office of Thrift Supervision ("OTS") initiate remedial measures and the bank is subject to additional monitoring. One norm used in the financial industry is whether or not an institution's equity is at least 5 percent or more of assets. If an institution's equity does not meet specified minimums, regulatory authorities usually take corrective action in the form of compliance orders.

PROBLEM LOANS

The color classification discussed on the Color Code page indicates the institution's actual financial condition as of the reporting date. To help determine the possible future trend of an institution's health, VERIBANC considers information about the amount of money that it has lent or invested in securities for which repayment is late or in doubt. Many institutions maintain loan loss reserves to provide a first line of defense against borrowers who default on their loans and securities investments that go sour. The amount of problem loans, problem securities and securities-type contracts, in excess of an institution's loan loss reserve, measures the degree its equity could suffer as a result of future loan losses. Since they do not directly impact equity or earnings, problem loans, securities and contracts do not affect an institution's color classification. However, these items are incorporated into VERIBANC's star rating as described below.

THE VERIBANC STAR RATING SYSTEM

In addition to the color code, VERIBANC classifies each institution with Three Stars (***), Two Stars (**), One Star (*) or No Stars (None - "U"). The star rating considers future trends and contingencies not accounted for in the color classification. The star rating also incorporates problem assets (along with equity strength and profitability) as a measure of an institution's future prospects. The criteria used by VERIBANC to determine the number of stars assigned to an institution are as follows:

***	An institution must meet the following primary conditions: equity which exceeds five percent of assets, equity as a percentage of assets after deducting problem loans, securities and derivatives contracts in excess of its loan loss reserves must not fall significantly below five percent and the institution must have positive net income for the indicated reporting quarter. An institution (where applicable) must also satisfy all three regulatory capital requirements (see below) and not have any recent serious regulatory sanctions against them. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. In addition, insider lending as a percentage of equity must not be substantial. If the bank is owned by a holding company, all of the holding company's banks, taken together as if they were a single bank, must meet the criteria necessary to receive at least a Two Stars rating. An institution may only have two or fewer volatile periods of asset growth/shrinkage over the past ten quarters. Problem investments also include securities being held to maturity that, if sold, would realize less than their cost.
**	An institution meets any two of the three primary conditions for the Three Stars category and has equity that exceeds its unreserved problem loans, securities and derivatives contracts. If the institution had a net loss during the most recent reporting quarter, the loss was not significant. An institution (where applicable) must also satisfy all three regulatory capital requirements (see below) and not have any recent serious regulatory sanctions against them. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. Additionally, if the bank is owned by a holding company, all of the holding company's banks, taken together as if they were a single bank, must meet the criteria necessary for the group to receive at least a Two Stars rating. A Two Stars rating is applied to an institution that has three volatile periods of asset growth/shrinkage over the past ten quarters. For institutions (where applicable) that have held-to-maturity securities investments with a current market value that is less than their cost, that difference must not exceed equity.
*	An institution meets at least one of the primary conditions required for the Three Stars category, reports equity which exceeds three percent of assets and also exceeds unreserved problem loans, securities and derivatives contracts. If the institution had a net loss during the indicated reporting quarter, the loss was not significant. Moreover, the institution (where applicable) meets at least two of the three federal capital requirements for tier one (core) capital and total capital as a percentage of risk weighted assets and tier one capital as a percentage of average assets. An institution may receive no higher than a One Star rating if it has been subject to a serious regulatory sanction. A one-bank holding company may receive no higher than a One Star rating if the holding company has been subject to a recent serious regulatory sanction. Moreover, if all of the banks in its holding company, taken together as if they were a single bank, receive a One Star or No Stars ("U") rating, the bank may not receive a higher rating than One Star. A One Star rating is assigned if an institution has four or more volatile periods of asset growth/shrinkage over the past ten quarters. Also, an institution (where applicable) may receive a One Star rating if, absent other reasons for downrating as stated above, the difference between cost and current market value of its held-to-maturity securities investments exceeds the institution's equity.
U	NO STARS - The institution does not meet the criteria above.

DATA THAT VERIBANC USES

All federally-insured commercial banks, S&Ls, savings banks and credit unions, by law, must make certain financial records available to federal bank regulatory agencies such as the OCC, FRB, FDIC, OTS and the National Credit Union Administration ("NCUA"). The data must be provided to these agencies at specified intervals, usually quarterly. VERIBANC, Inc. has taken the portions of this information which are released to the public periodically by such agencies and has assembled a database that considers every financial institution operating under federal deposit insurance. This includes approximately 20,000 depository institutions.

A Warning Signal - If VERIBANC's rating system produces a high rating in the color code but confers a low score in the star classification, a warning signal exists. In such a case, the color code indicates the institution's reported basic financials appear strong but the star classification projects some possible deficiencies in other areas. Since the two parts of the rating system examine different criteria, the full color and star rating often hints about the specific nature of an institution's problems.

An Investment Grade Rating or Better - In 1994, the VERIBANC Green, Three Stars rating was recognized by the Office of Management and Budget as an investment grade or better rating and as such was acceptable for a letter of credit in which the U.S. Government is the beneficiary.

VERIBANC, Inc.

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INSTANT RATING CONFIRMATION

Color Code And Star Rating for Period Ending

ID#	Institution Name	City/State	Type	06/30/2014	03/31/2014	12/31/2013	09/30/2013
04865	SANDY SPRING BANK	OLNEY/MD	BB	GREEN/***	GREEN/***	GREEN/***	GREEN/***
27280	DAMASCUS COMMUNITY B	DAMASCUS/MD	BK	GREEN/***	YELLOW/**	GREEN/***	GREEN/***
32328	AMERICAN BANK	ROCKVILLE/MD	BK	GREEN/*	GREEN/*	GREEN/*	YELLOW/*
32363	PRESIDENTIAL BANK FSB	BETHESDA/MD	BK	GREEN/*	YELLOW/*	YELLOW/*	YELLOW/*
34742	EAGLEBANK	BETHESDA/MD	BK	GREEN/***	GREEN/***	GREEN/***	GREEN/***
35278	CAPITAL BANK NA	ROCKVILLE/MD	BK	GREEN/***	GREEN/**	GREEN/**	GREEN/**
57614	CONGRESSIONAL BANK	POTOMAC/MD	BK	GREEN/**	YELLOW/*	GREEN/*	GREEN/*
57942	MONUMENT BANK	BETHESDA/MD	BK	GREEN/**	GREEN/**	GREEN/**	GREEN/**

BB = Blue Ribbon (8 Qtrs or More) Bank   BK = Bank

Thank you for ordering our instant ratings. Additional information is available on the institution(s) you have selected. Please call or visit our website for details. September 30, 2014 information is expected in December 2014.

TERMS AND CONDITIONS

The information contained in this report (the "Report") has been derived from data released by the federal government Bank and/or Credit Union regulatory agencies, which have, in turn, received their information from the institutions that they regulate. Since VERIBANC has not verified independently the data on which the Report is based, VERIBANC makes no warranty, expressed or implied, or representation as to the accuracy, adequacy, or completeness of information contained in the Report. VERIBANC EXPRESSLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE that may exist with respect to the Report. VERIBANC further disclaims any and all liability for incidental or consequential damages. Your sole and exclusive remedy against VERIBANC, should any information contained in this Report be inaccurate to your detriment, is limited to the purchase price paid by you for the Report.

Since the information contained herein is based on federal regulatory agency reports published at substantial intervals, and since the financial condition of the institution(s) described herein may be subject to change within a short period of time, please consult the top panel of this page for the dates that apply to the data upon which the Report is based. Please check with VERIBANC or the management of the institution itself for additional updated information, should you deem that advisable.

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EARLY DATA

Occasionally, one type of institution's data becomes available considerably before information for other kinds of banking firms is released. For example, Bank financial reports can be received at VERIBANC as much as one month before Credit Union data. When this situation occurs, the "EARLY DATA" column on the top panel of this page is used and the applicable date is printed above the ratings. This procedure allows all four past quarters of ratings for other types of institutions (e.g., Credit Unions) to continue to be displayed. The "EARLY DATA" column is also used when an institution supplies very recent data to VERIBANC for the purpose of establishing a "provisional" rating. The provisional rating, developed from data that has **not been reviewed by any government agency**, represents VERIBANC's policy that a provisional rating (denoted by the symbol ‡) can never be lower than the current actual rating which is based on federally reviewed data.

DESCRIPTION OF RATING CRITERIA: *COLOR CLASSIFICATION*

VERIBANC's color code is a quick-look measure of an institution's condition based on its equity strength and profitability. Three colors are used - GREEN, YELLOW and RED. The criteria by which VERIBANC determines the color category for an institution are as follows:

GREEN The institution's equity is five percent or more of its assets and it had positive net income during the most recent reporting period. Of the three color categories, this is the highest based on the criteria described.

YELLOW The institution's equity is between three and five percent of its assets or it has incurred a net loss during the most recent reporting period. Both of these conditions may apply. If there is a net loss, the loss was not sufficient to erode a significant† portion of the institution's equity. The items that result in a YELLOW classification merit your attention.

RED The institution's equity is less than three percent of its assets or it has incurred a significant† net loss during the most recent reporting period. The items that result in a RED classification deserve your close attention.

† A quarterly loss is considered significant when it exceeds 18.75 percent of a Bank or Credit Union's equity.

STAR CLASSIFICATION

In addition to the color code, VERIBANC classifies each institution with three stars (***), two stars (**), one star (*) or no stars (U). The star rating considers future trends and contingencies not accounted for in the color classification. The criteria used by VERIBANC to determine the number of stars assigned to an institution are as follows:

*** The institution must meet the following primary conditions: equity which is five or more percent of assets, equity which is four or more percent of assets after deducting problem loans in excess of its loan loss reserves, and positive net income for the most recent reporting period. Banks must also satisfy all three regulatory capital requirements (see * paragraph). In addition, inside lending must not exceed 35 percent of equity. An institution may only have two or fewer volatile periods of asset growth over the past ten quarters. If the Bank is owned by a Holding Company, all of the Holding Company's Banks taken together must meet the criteria necessary for the group to receive at least a two stars rating. For Banks and Credit Unions, problem investments also include investments that, if sold, would realize less than their costs.

** The institution meets any two of the three primary conditions for the three stars category and has equity that meets or exceeds its unreserved problem loans. If the institution has a net loss for the most recent reporting period, the loss was not significant†. Banks must also satisfy all three regulatory capital requirements (see * paragraph). An institution may only have three volatile periods of asset growth over the past ten quarters. Additionally, if the Bank is owned by a Holding Company, all of the Holding Company's Banks together must meet the criteria necessary for the group to receive at least a two stars rating. For Banks and Credit Unions that have investments with a current market value that is less than their costs, that difference must not exceed equity.

* The institution meets at least one of the primary conditions required for the three stars category, reports equity which is three or more percent of assets and also meets or exceeds unreserved problem loans. If the institution has a net loss for the most recent reporting period, the loss was not significant†. Moreover, if the institution is a Bank, it meets at least two of the three federal capital requirements of tier one (core) capital, total risk based capital as a percentage of risk-weighted assets and tier one capital as a percentage of average assets. An institution has four or more volatile periods of asset growth over the past ten quarters. A Bank may receive no higher than a one-star rating if all of the Banks in its Holding Company, taken together as if they were a single Bank, receive a one-star or a no-stars rating. Also a Bank or Credit Union may receive a one star rating if, absent other reasons for downrating as stated above, the difference between the cost and current market value of its investments exceeds the institution's equity.

No Stars/Unclassified (U) The institution does not meet the criteria above.

FAILED – This institution has been closed by its regulator.

Approximately 2,000 of the Green, three-stars rated Banks qualify for VERIBANC's Blue Ribbon award each quarter. Blue Ribbon Banks are premium banks that have met additional very high standards. **Since 1982, when we began designating Banks for this award, there has only been one Blue Ribbon Bank failure*.**

*Fraud committed by the president whereby he was surreptitiously diverting deposits for his personal use.

VERIBANC's unique color code has been used by investors and depositors to rate the safety of financial institutions since 1981.

VERIBANC invites you to recheck the ratings of your Banks and Credit Unions when the next set of data is released by the government regulatory agencies. Data is usually released 2 months after the quarter end.

Exhibit B

Montgomery County Community Bank CDARS Investment Program to Enhance Local Small Business Lending
List of Potential Participants
September 2014

Bank	6/30/2014 Veribanc Rating	Regulatory Issues	6/30/2014 Total Assets	6/30/2014 Capital
Capital Bank	Green***	OK	$ 547,267,000	$ 48,430,000
Congressional Bank	Green**	OK	$ 429,523,000	$ 38,220,000
Eagle Bank	Green***	OK	$ 3,896,160,000	$ 400,038,000
American Bank	Green*	OK	$ 456,391,000	$ 48,376,000
Damascus Bank	Green***	OK	$ 279,637,000	$ 22,697,000
Monument Bank	Green**	OK	$ 444,865,000	$ 42,873,000
Presidential Bank	Green*	OK	$ 537,038,000	$ 48,788,000
Sandy Spring Bank	Green***	OK	$ 4,231,088,000	$ 503,356,000
		TOTAL	**$ 10,821,969,000**	**$ 1,152,778,000**

E...BIT C

Montgomery County Community Bank Small Business Lending Program

Annual Report For Year: 2012

Participating Bank:	EagleBank
FDIC Certificate Number:	34742
Address:	7815 Woodmont Avenue Bethesda, MD 20814
Primary Contact:	Michael T. Flynn
Phone Number:	240-497-2040
E-mail address:	mflynn@eaglebankcorp.com

County Deposits in Participating Bank:

Average During the Year	$3,650,000
Balance at Year End:	$4,000,000

Loan Origination During Year

Summary Information

$ amount of Loans Originated:	$8,500,000
Number of Loans Originated:	7

Loan Detail

Borrower	Loan Amount	Company /Collateral Address	NAICS Code	Est No of New Jobs
Customer 1	$1,000,000	Rockville, MD	23	5
Customer 2	$2,000,000	Bethesda, MD	52	10
Customer 3	$735,000	Silver Spring, MD	72	4
Customer 4	$1,250,000	Gaithersburg, MD	54	5
Customer 5	$842,000	Germantown, MD	54	3
Customer 6	$2,000,000	Olney, MD	71	8
Customer 7	$673,000	Silver Spring, MD	61	3

EXHIBIT D

INDEPENDENT COMMUNITY BANKERS of AMERICA

Small Business Lending Messages

- Small businesses across the country have access to credit to grow and prosper through robust small business lending provided by the nation's more than 7,000 community banks.
- Community banks have solid capital and liquidity levels and are well-position to meet quality loan demand.
- Community banks under $10 billion provide nearly 60 percent of small business loans between $100,000 and $1 million.
- Small business lending is the bread and butter of community banking. Community banks need to lend to their small business customers to be viable. Community banks have been, and will continue to be, prolific small business lenders.
- Despite the current economic climate, community banks continue to meet and exceed the lending needs of small businesses within their community.
- Many community banks have been in business for over a century and survived the Great Depression. The longevity of community banks is a testament to their conservative risk management and commitment to serve their communities in good times and in bad.
- Community banks are integral to the success of small businesses across the country. They stick with their small business customers in good times and in bad and offer unparalleled local expertise, which allows their small businesses customers thrive.
- Community banks understand the needs of local small businesses because they are small businesses themselves.
- Community banks drive local economies and create local jobs by providing the lion's share of lending to small businesses.
- Community banks are an integral part of our financial system and play a key role in our nation's economic recovery.
- To find your local community bank, visit ICBA's community bank locator at www.banklocally.org. Simply type in your zip code and the app will show you all the community banks in your area. You can even download free ICBA locator apps for your iPhone, Android or Blackberry.

INDEPENDENT COMMUNITY BANKERS of AMERICA

Small Business Lending - Facts and Figures

Community Banks are key small business lenders. Banks with less than $10B in assets providing more than half of outstanding small business loans balances, despite comprising less than a quarter of bank industry assets.

- 57.7% of bank small business loans balances outstanding in at year end 2011 were funded by community banks with less than $10B in assets, despite comprising only 20.5% of bank industry assets.
- Banks with less than $10B in assets make the vast majority of **all types of small business loans** between $100K-$1M, making 64.1% of outstanding loans and funding 62.6% of outstanding balances.
- Banks with less than $1B in assets made 41.4% of outstanding loans in the $100K-$1M range and funded 39.9% of outstanding balances, despite comprising only 10.2% of industry assets.
- Commercial and industrial loans, community banks' "sweet spot" is in the $100K-$1M range. In this range, banks with less than $10B in assets make around 54.9% of outstanding loans and funding 53.4% of outstanding balances.

Notes on the Data:

For reporting purposes, "Small Business Loans" are defined as loans with starting balances below $1 million. They should be thought of as "small loans to business" more than "loans to small business". Both outstanding balances and number of loans are reported in each category – commercial and industrial, non-residential real estate, farmland and agriculture production – and in four different "beginning" balance ranges – Less than $100K, $100-250K and $250K-1M and Less than $1M.

These percentages are for bank loans only – other types of credit intermediaries may make similar sort of loans so community banks may be responsible for smaller percentages of *all* small business loans.

Banks report small business loan information quarterly starting in 2010, whereas previously it was only reported in Q2 of each year. Different bank sizes are subject to different reporting requirements so those that update less frequently report the same numbers as the previous quarter.

Data as of **12/31/2011**, Updated Quarterly

Next Update Due: Late May

Contact Ryan Hadley with questions, for updates, etc.

ICBA NEWS GO LOCAL

The Nation's Voice for Community Banks

FOR IMMEDIATE RELEASE

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ICBA Celebrates Small Business Week

Washington, D.C. (May 21, 2012)—The Independent Community Bankers of America (ICBA), and community banks nationwide are joining the Small Business Administration (SBA) in celebrating National Small Business Week, May 20 through May 26. ICBA, the nation's voice for community banks, is reminding everyone about the critical role community banks serve in supporting local small businesses.

"Small businesses are critical to the economic stability of this country," said Jeff Gerhart, ICBA chairman and chairman, Bank of Newman Grove, Neb., noting that small businesses have accounted for 65 percent of the private sector job creation over the past 15 years. "Not only do community banks support local small businesses through unparalleled lending, they are also local small businesses themselves. This means that community banks understand their local markets better than anyone and also understand the challenges their customers face."

Community banks under $10 billion in assets provide nearly 60 percent of small business loans between $100,000 and $1 million. For their size, community banks are prolific small business lenders—providing a substantial number of small business loans across the country, including SBA loans. By lending to local entrepreneurs and small businesses, community banks help local economies thrive—driving economic growth and prosperity.

Representing more than 24,000 locations nationwide and employing nearly 300,000 Americans, ICBA members hold more than $1.2 trillion in assets, $1 trillion in deposits and nearly $750 billion in loans to consumers, small businesses and the agricultural community.

Gerhart went on to say that small business owners and consumers can find their local community bank by visiting ICBA's Community Bank Locator at www.banklocally.org. "Simply type in your ZIP code and the app will show you all the community banks in your area. You can even download free ICBA locator apps for your iPhone, Android or BlackBerry," he said.

To follow the conversation on Small Business Week, follow the hashtags #SBW2012 and #golocal on Twitter. To learn more about community banks, visit www.icba.org.

About ICBA

The Independent Community Bankers of America®, the nation's voice for more than 7,000 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services. For more information, visit www.icba.org.

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