



Barlow's Small Business Banking Voice of the Customer Agenda

1. Business Definitions and Economic Index
2. Borrowing Trends
3. Use of Lending Products
4. Applications for Additional Credit



Business Definitions and Economic Index

- Not a homogenous market; segment to understand differences.
- Owner optimism has not returned to pre-recession levels.





Creating Value Through Barlow's Business Segmentation

Small Business
\$100K-<\$10MM

Middle Market
\$10MM-<\$500MM

SOHO
\$1K-<\$100K



Small Office/Home Office (SOHO)
\$1K-<\$100K
"Who Are These Guys?"

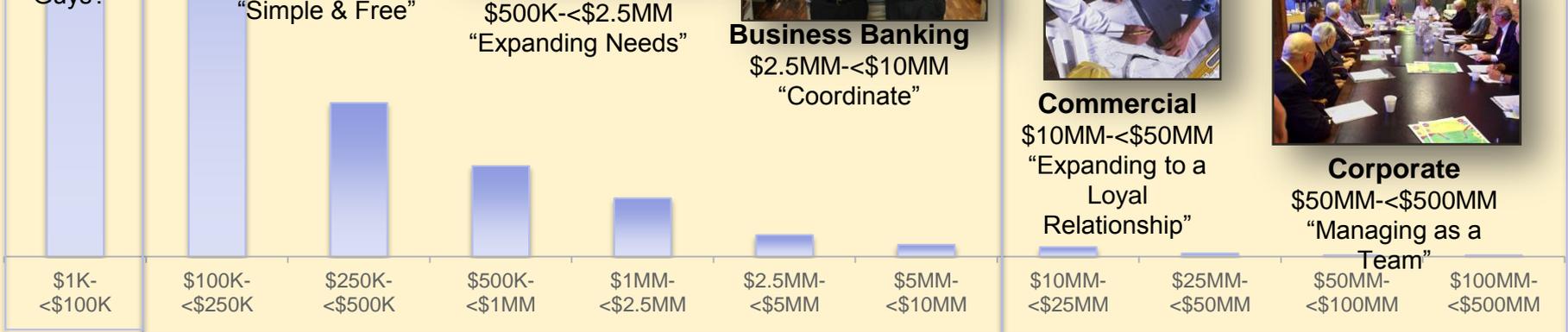
Micro Business
\$100K-<\$500K
"Simple & Free"

Small Enterprise
\$500K-<\$2.5MM
"Expanding Needs"

Business Banking
\$2.5MM-<\$10MM
"Coordinate"

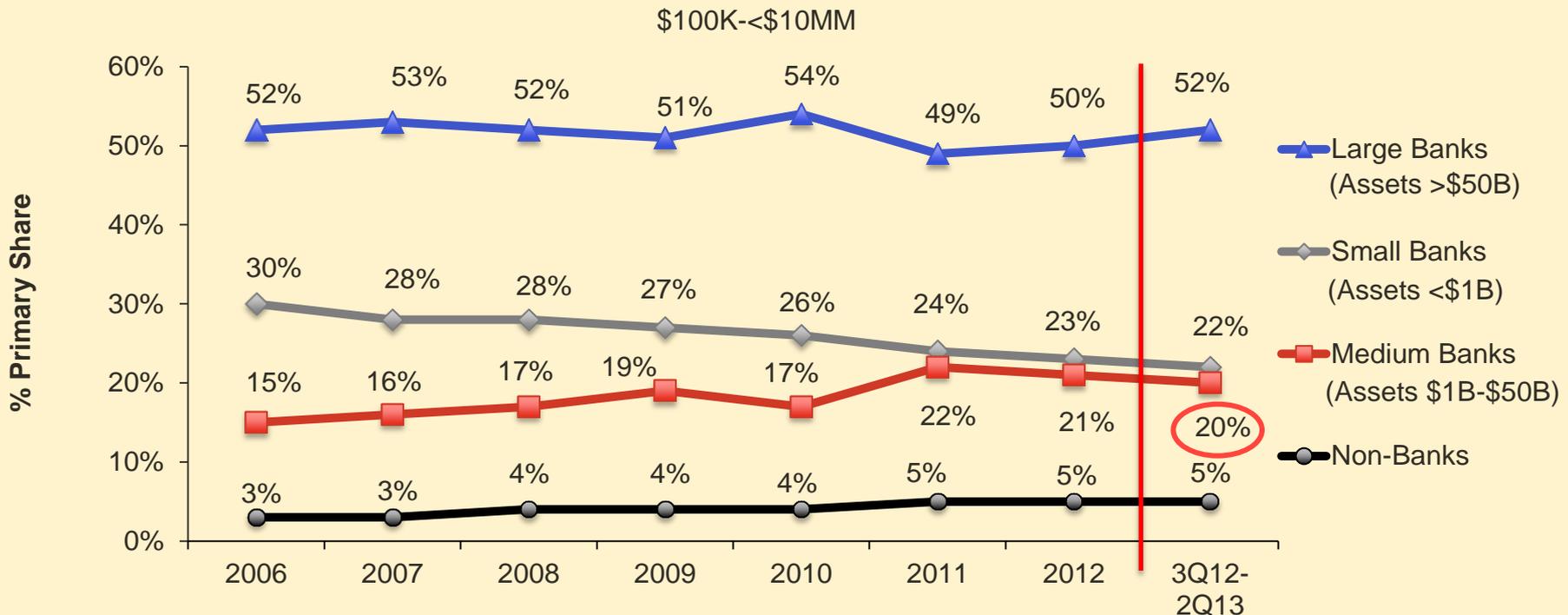
Commercial
\$10MM-<\$50MM
"Expanding to a Loyal Relationship"

Corporate
\$50MM-<\$500MM
"Managing as a Team"





When Reconstructing Acquisitions over Time, Medium Banks Have Gained Primary Bank Market Share

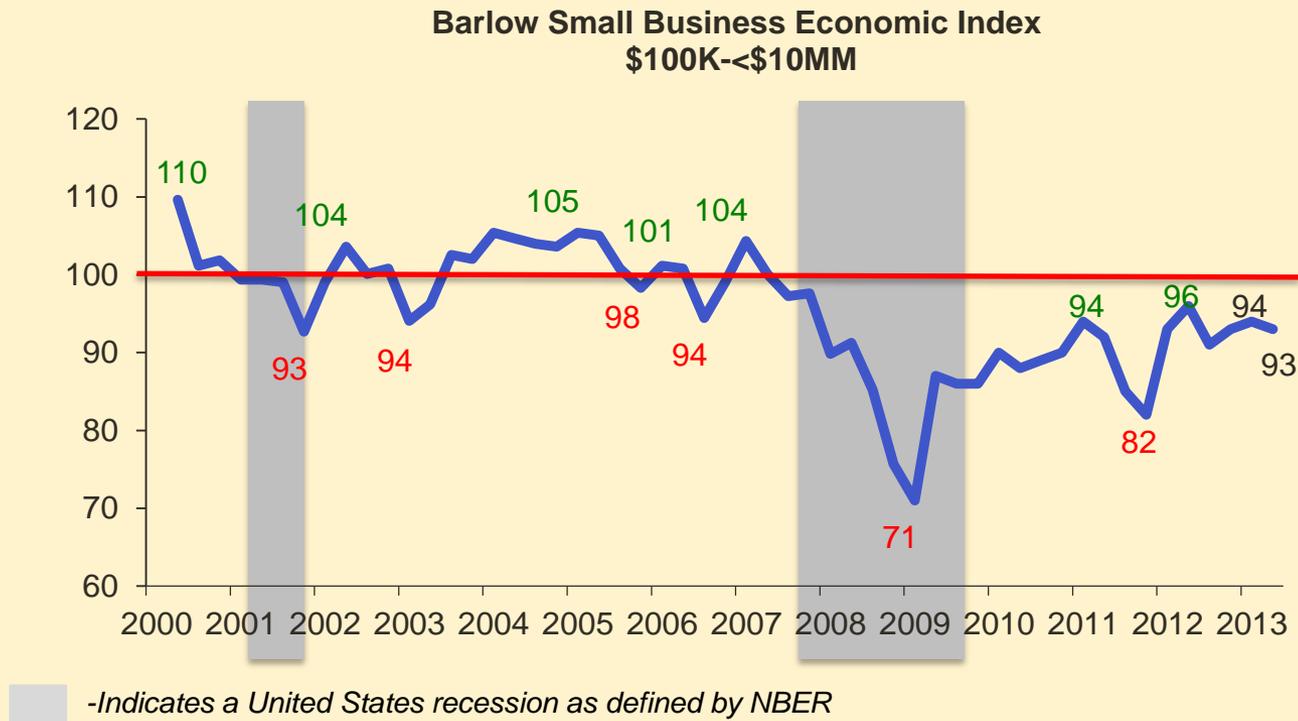


Note: Bank trending data is representative of bank organization in 2Q2013.

Small Business Trailing 4 Quarter Data



Barlow's Small Business Economic Index Not Back to Pre-Recession Levels



The Barlow Research Small Business Economic Index consists of small businesses' (\$100K-<\$10MM in sales) ratings on their expectations of their company's financial and industry's economic condition for the next 12 months. Data for the index has been collected quarterly since the 2nd quarter of 2000. A score of 100 on the Barlow Research Small Business Index represents an average growth quarter since 2000 (real GDP growth = 2.3%). To achieve this reading, Barlow Research set the index score from the third quarter of 2002 (real GDP growth = 2.4%) to 100.



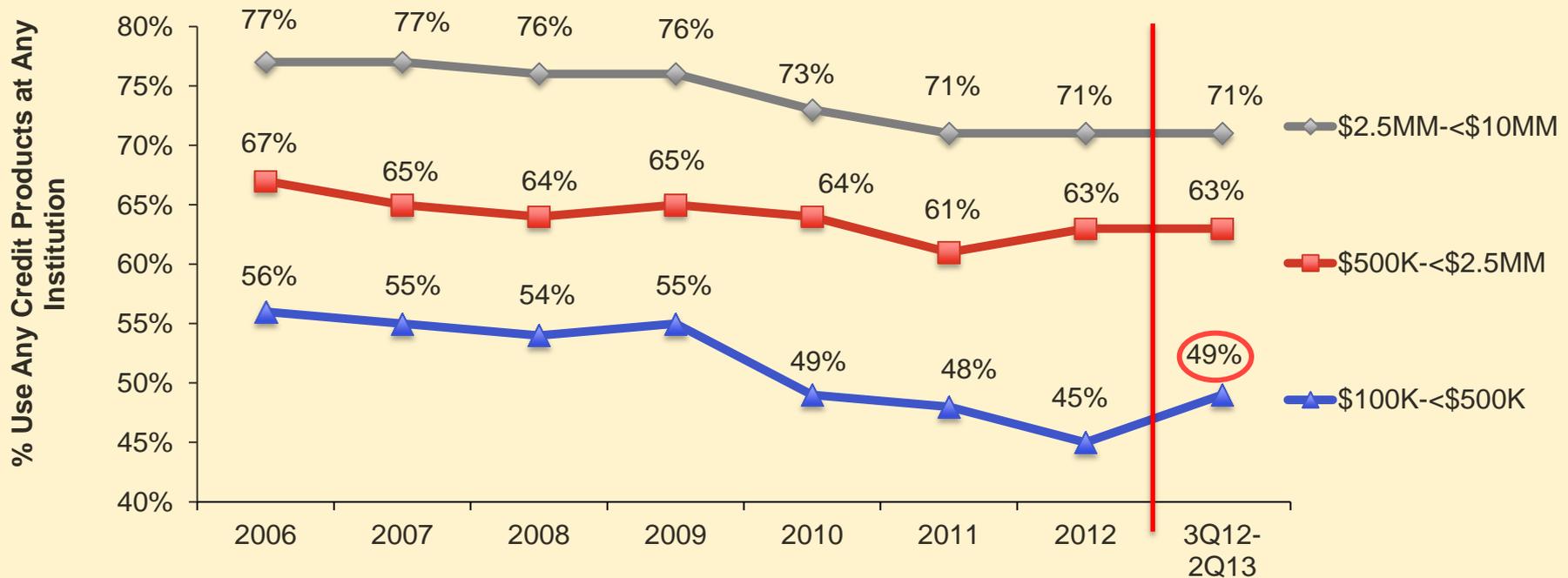
Borrowing Trends

- Fewer small businesses had a traditional credit product today.
- Small bank customers were more likely to have a credit product.





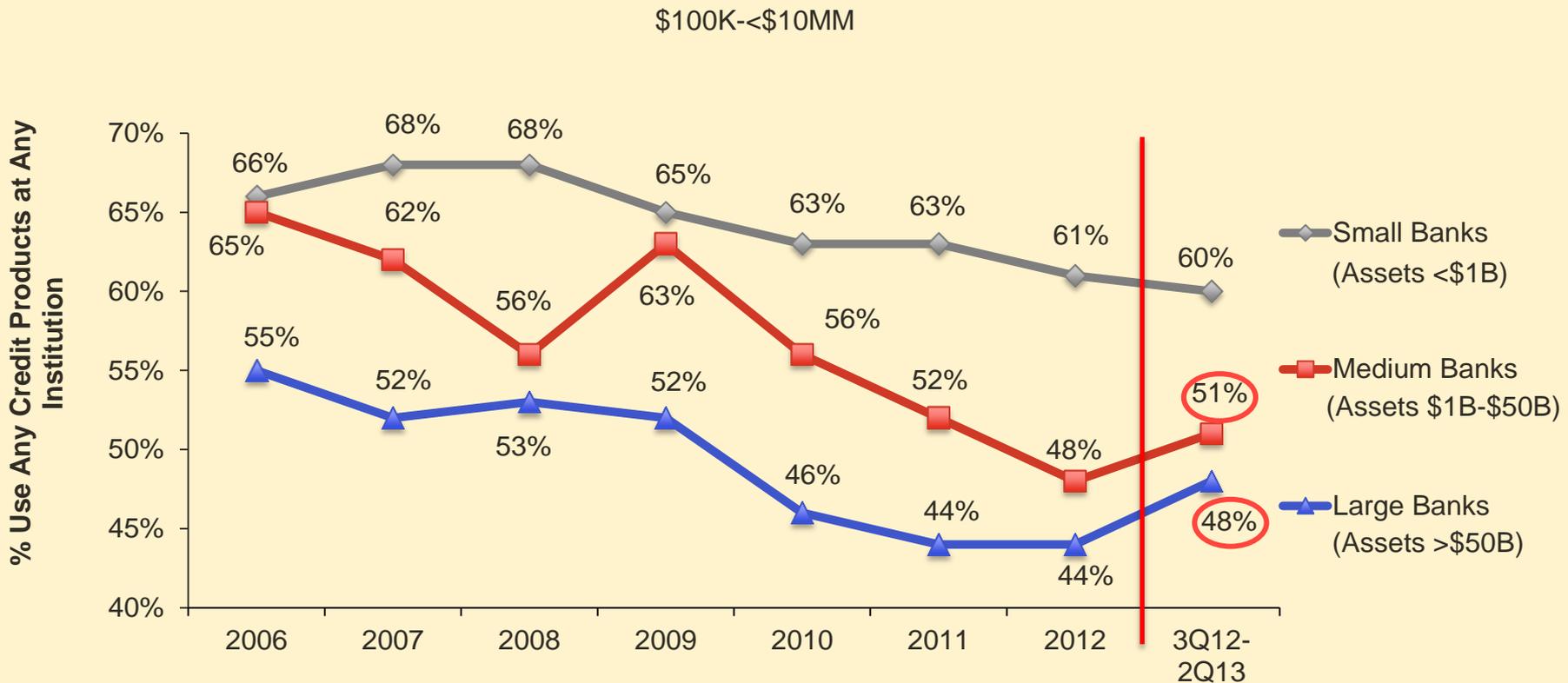
Compared to the 2012, Companies with Sales of \$100K- <\$500K Saw an Increase in Those with Credit Products (Not Including Credit Cards)



Small Business Trailing 4 Quarter Data



Large and Medium Bank Customers Increased in Borrowing Since 2012

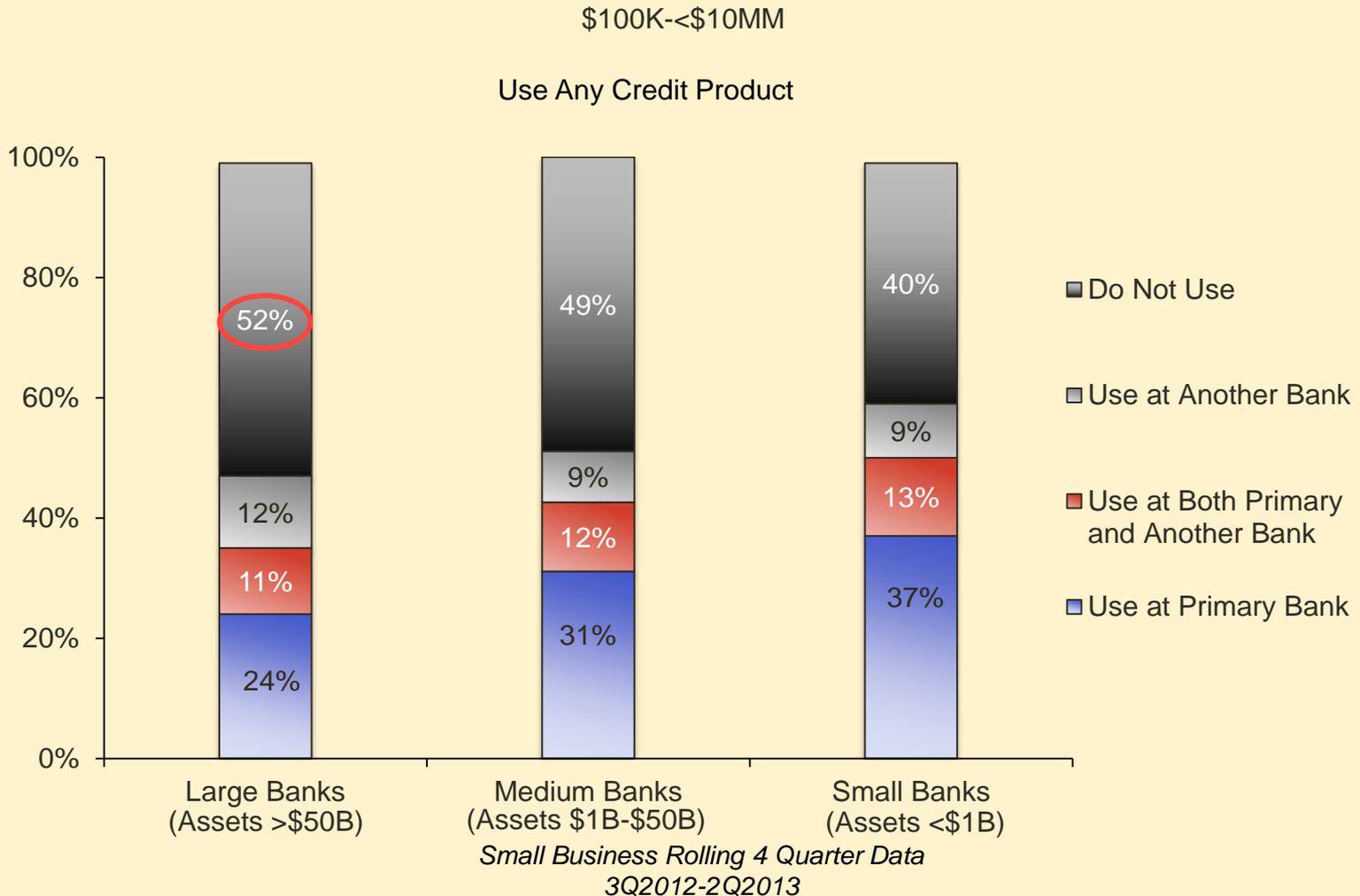


Note: Bank trending data is representative of bank organization in 2Q2013.

Small Business Trailing 4 Quarter Data



Large Banks Had a Greater Percentage of Non-Borrowers





Use of Lending Products

- Not all credit products were used at the primary bank.
- Use of top credit products has declined over time.

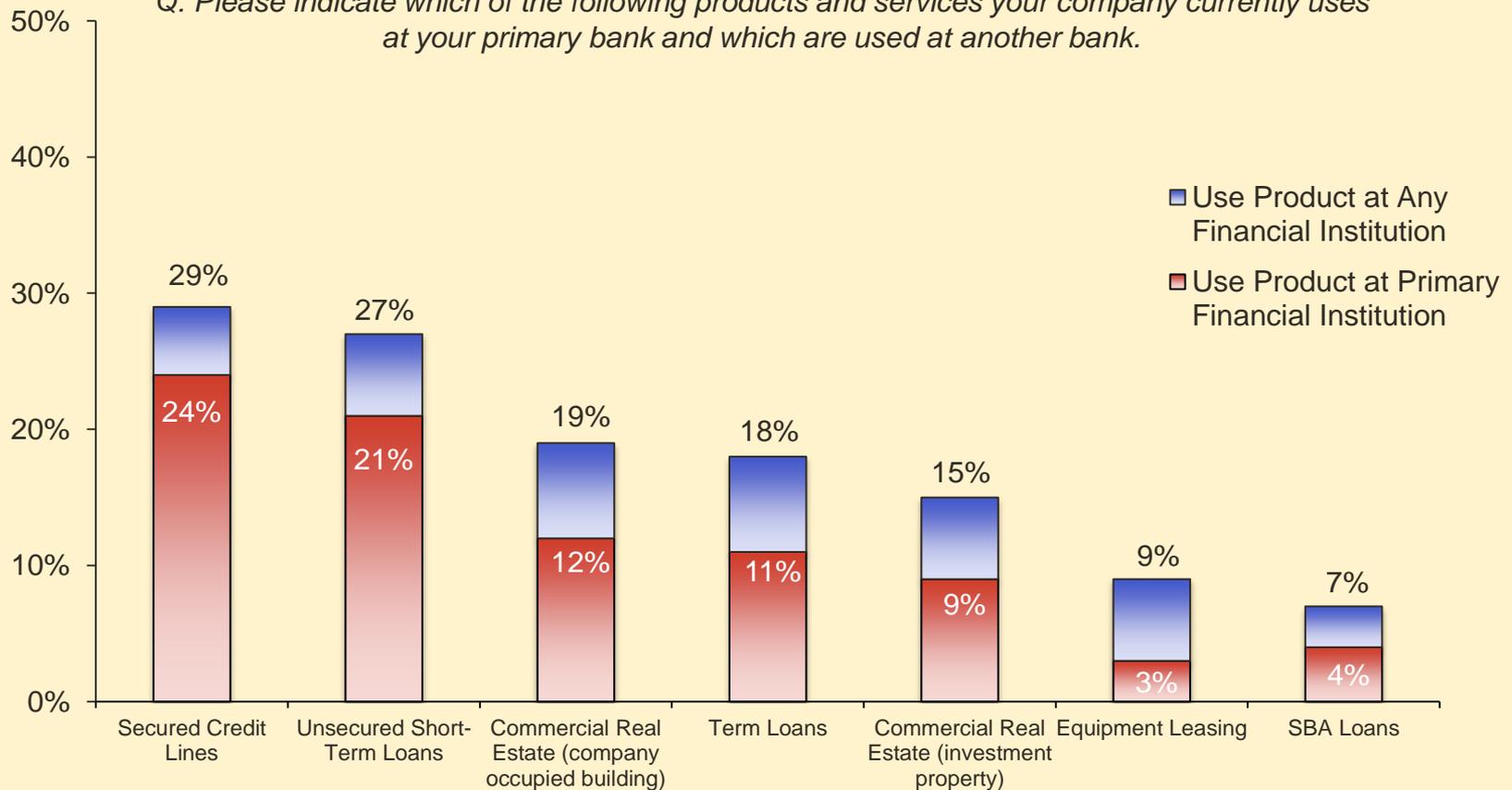




Secured Credit Lines Were the Most Common Credit Product Among Small Businesses

\$100K-<\$10MM

Q: Please indicate which of the following products and services your company currently uses at your primary bank and which are used at another bank.

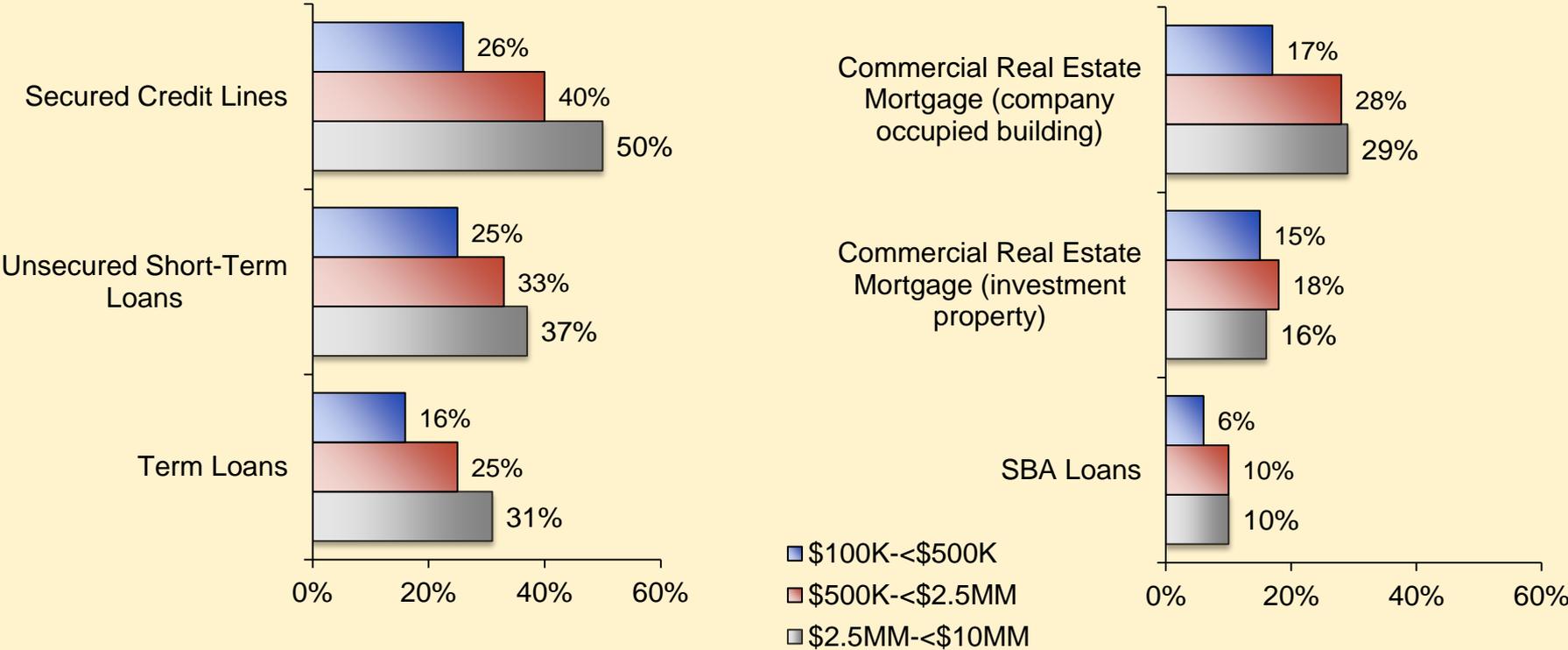


Small Business Rolling 4 Quarter Data
3Q2012-2Q2013



Larger Companies Were Heavier Users of Secured Credit Lines, Unsecured Short-Term Loans and Term Loans

Q: Please indicate which of the following products and services your company currently uses at any financial institution.



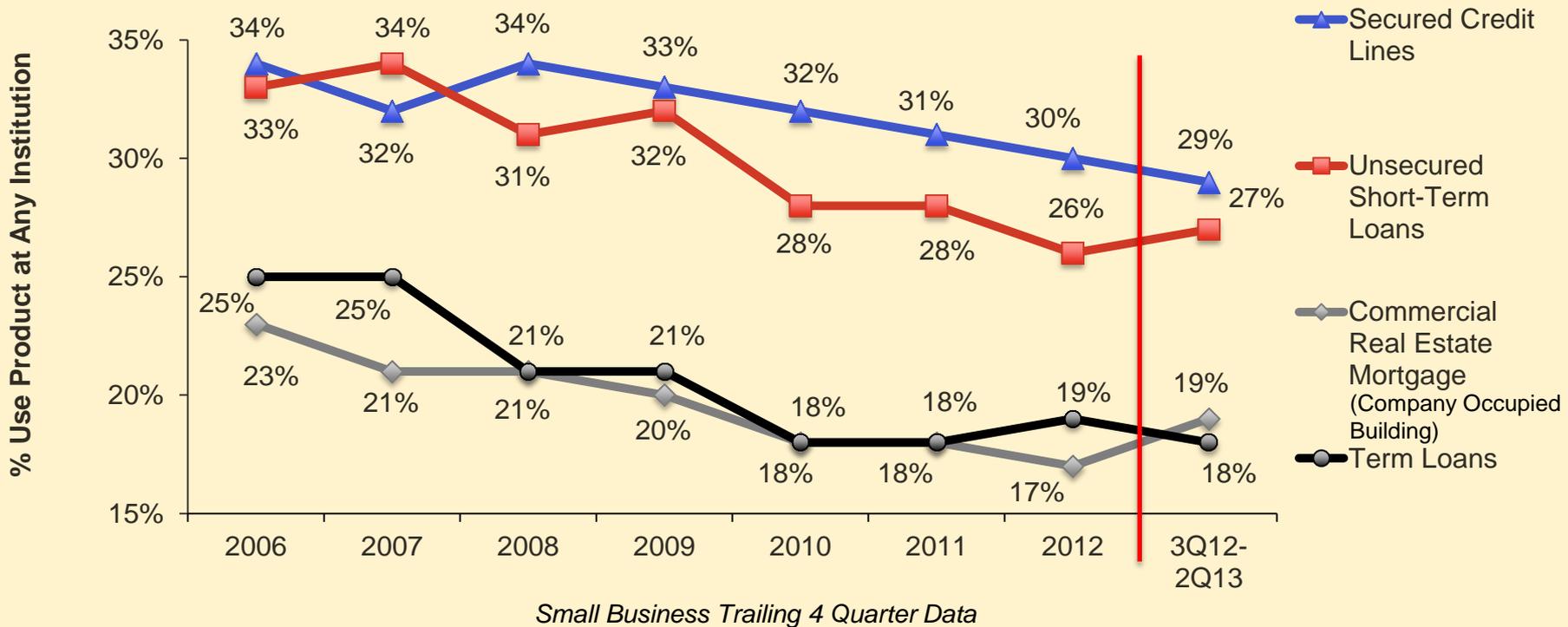
Small Business Rolling 4 Quarter Data
3Q2012-2Q2013



Use of Major Loan Products Have Declined Since 2006

\$100K-<\$10MM

Q: Please indicate which of the following products and services your company currently uses at any financial institution.





Applications for Additional Credit

- Larger companies were more likely to apply for additional credit.
- Fewer large bank customers applied for additional credit during last four quarters.





Regardless of Sales Size, Additional Credit or Loan Applications in Small Business Were Below 30%

Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?



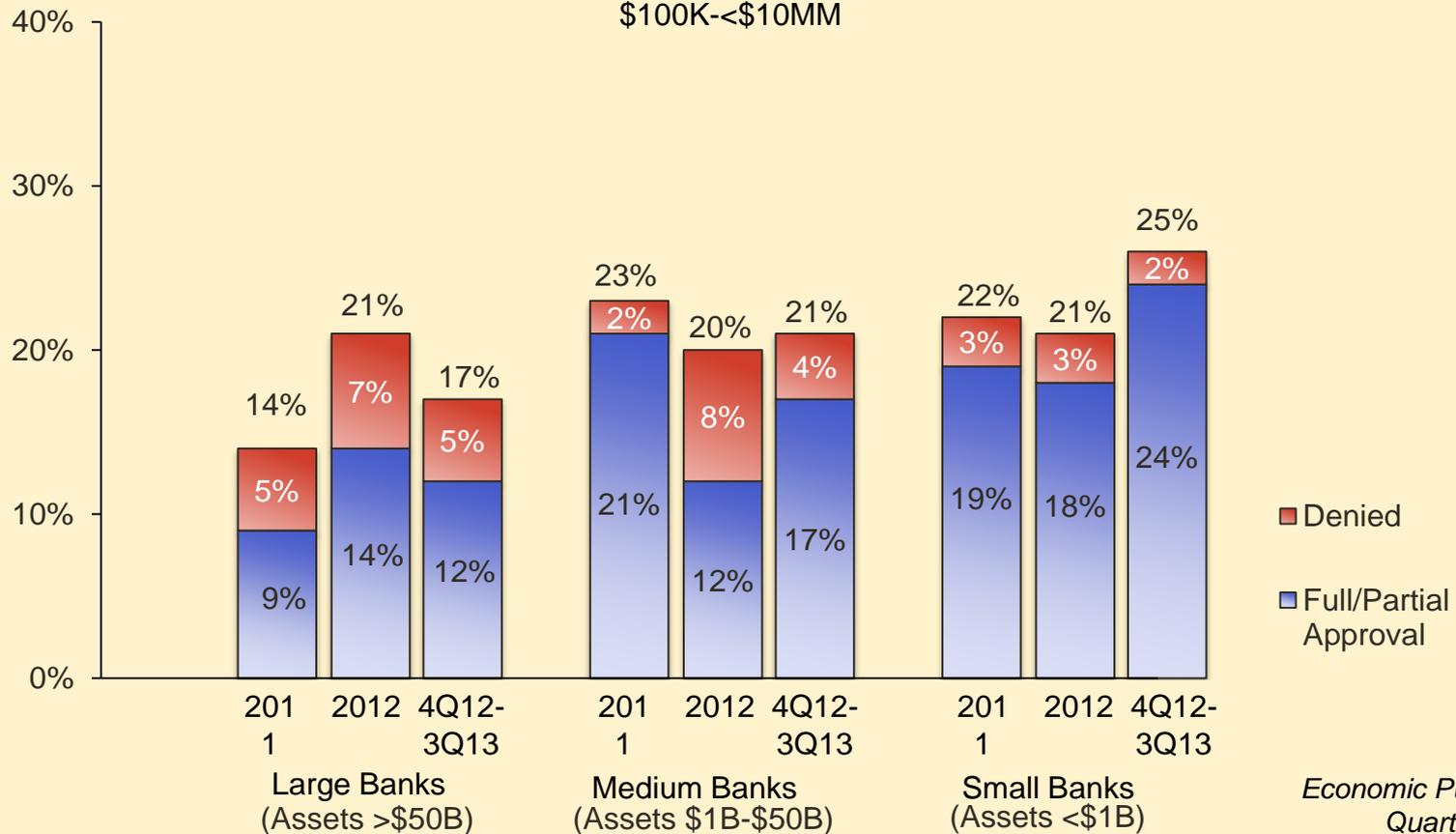
Economic Pulse Quarterly Trending Data



Large Bank Customer Applications Were Down in Small Business as Medium Bank Customer Approvals Increased

Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?

\$100K-<\$10MM





Business Scoreboard: Which Companies Applied for Additional Credit?

Q: During the last 12 months, has your company applied for additional credit or loans from a financial institution?

	Small Business (\$100K-<\$10MM)	Middle Market (\$10MM-<\$500MM)
Top Industry:	Agriculture (41%)	Trans., Comm. & Utilities (60%)
Top Region:	Midwest (22%)	West (41%)

Sales Size	Midwest	Northeast	South	West
Small Business \$100K-<\$10MM	Wholesale (41%)	Construction (44%)	Agriculture (56%*)	Agriculture (37%*)
Middle Market \$10MM-<\$500MM	Trans., Comm. & Utilities (65%*)	Trans., Comm. & Utilities (58%*)	Construction (69%)	Trans., Comm. & Utilities (52%*)

*Low base (<30 respondents)

Industries with less than 10 respondents were not compared.

Economic Pulse Rolling 4 Data (2Q2012-1Q2013)



Conclusions

- Beware of general statements on lending. Small business borrowing patterns differed based on sales, geographic regions, industry and size of primary bank.
- Although optimism and borrowing activities have not returned to their pre-recession levels, signs of improvement began to surface during the last four quarters.



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