

# MICHIGAN BANKING MARKET

2009/2010 Snapshot and Trends

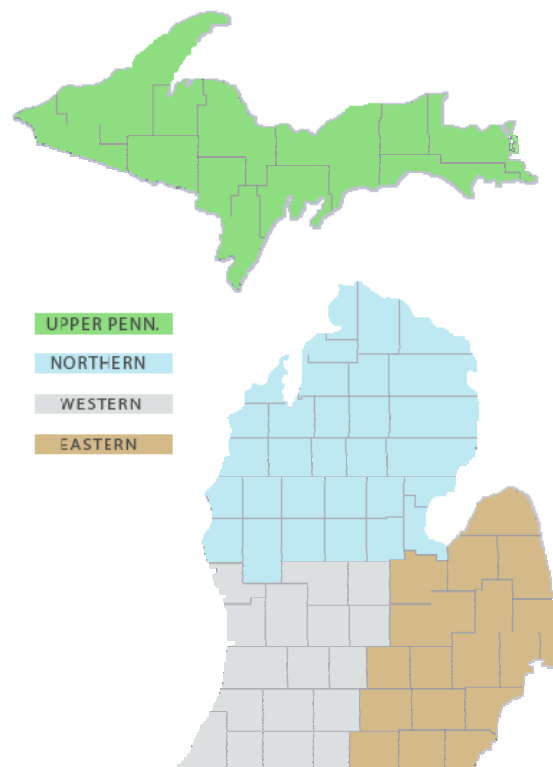
Defined by assets the Michigan banking market is comprised of four groups:

1. **Mega Banks:** these institutions are defined as regional or national banking institutions that do not have a primary focus on serving consumers and businesses in the state of Michigan. This group holds \$109bn of the state's deposits, a 66.9% market share.
2. **Super Community Banks:** these institutions are defined as Michigan based banking institutions with \$1.5bn in assets and above. There are 7 of these institutions in Michigan and hold \$45.6bn of assets in aggregate.
3. **Community Banks:** these institutions are have between \$500mm and \$1.5bn of assets. There are 15 of these institutions in Michigan and hold \$12.7bn of assets in aggregate.
4. **Small Community Banks:** these institutions have less than \$500mm in assets. There are 98 of these institutions in Michigan and hold \$17.3bn of assets in aggregate

### 3 Market Overview Introduction

The Michigan banking market can also be viewed geographically  
(Excludes the mega banks)

1. Eastern Michigan Banks: focused on serving customers in the eastern half of the state, these institutions hold \$48.5bn of assets and \$34.6bn of deposits. Eastern Michigan has 54 banks and a population of approximately 6.36mm.
2. Western Michigan Banks: focused on serving customers in the western half of the state, these institutions hold \$14.9bn of assets and \$11.4bn of deposits. Western Michigan has 26 banks and a population of approximately 2.37mm.
3. Northern Michigan Banks: focused on serving customers in the northern half of the state, these institutions hold \$8.9bn in assets and \$6.9bn of deposits. Northern Michigan has 21 banks and a population of approximately 1.02mm
4. Upper Peninsula Banks: focused on serving customers in the Upper Peninsula of Michigan, these institutions hold \$3.2bn of assets and \$2.7bn of deposits. The Upper Peninsula has 20 banks and a population of 311k.



**Facing a market with minimal population growth and moderate job losses over the past decade, Michigan banks turned to real estate development loans to fuel asset growth.**

- ❑ Commercial Real Estate lending accounts for a larger percentage of total loans outstanding across all bank asset classes and geographies. The Community Bank asset class in particular has seen a substantial growth in CRE lending; as of 3/31/10 39.0% of loans outstanding are classified as CRE loans versus 32.3% as of 3/31/05.
- ❑ The housing bubble and job losses have subsequently led to a severe decline in asset quality. 7.5%, 4.6% and 3.2% of the loans held by Super Community, Community, and Small Community banks respectively are non-performing.

**Thus far in 2010, 3 banks have failed while 4 banks failed in 2009. With the exception of one bank failure, the FDIC resolutions of these failed institutions is indicative of an uncompetitive bid process. With 15 banks that have Tier 1 capital ratios below 8.0% and 12 banks with Texas Ratios above 100% as of 3/31/10, more bank failures are expected.**

- ❑ Citizens First Bancorp, the only failed Michigan Institution with over \$1bn of assets to fail thus far, was also the first failure to attract aggressive bids from multiple parties during the economic downturn. With Wilbur Ross acting as the lead investor, First Michigan Bank was able to raise \$200mm of common equity in order to acquire \$1.1bn of assets and all of the deposits of Citizens First Bancorp. A second investor group was also successful in raising \$200mm of equity contingent upon submitting the winning bid for the failed institution.
- ❑ Other than the failure of Citizens First Bancorp, the majority of the failed bank resolutions have not received significant interest. In 2 of the 4 2009 failures, the acquiring institution paid a premium on deposits and only acquired the cash and marketable securities of the failed bank (Warren Bank & Michigan Heritage Bank). Moreover, in 1 of the 3 failed banks in 2010 was resolved via deposit runoff and liquidation.
- ❑ With poor earnings and asset quality issues concentrated among the largest Michigan based institutions, the large Michigan banks are incapable of serving as the aggregators in the market. 2 of the 4 failed Michigan institutions in 2009 were acquired by out of state banks (Huntington Bancshares- Columbus, OH & Liberty Bank and Trust Co.-New Orleans, LA).
- ❑ The 15 institutions with Tier 1 capital ratios below 8.0% hold \$13.9bn of assets and \$12.0bn of deposits in aggregate. 8 of these institutions are located in the Detroit MSA and 3 are located in the Grand Rapids MSA. The largest of these troubled institutions is Capital Bancorp with \$5.0bn of assets and \$4.5bn of deposits; Capital Bancorp holds investments 34 individually chartered banks in 16 states.

**Given the troubled loans that banks will need to workout combined with minimal population and job growth, valuation metrics of Michigan banks have declined to 0.41x on a Price/Book Value basis as of the end of the 1<sup>st</sup> quarter (3/31/2010).**

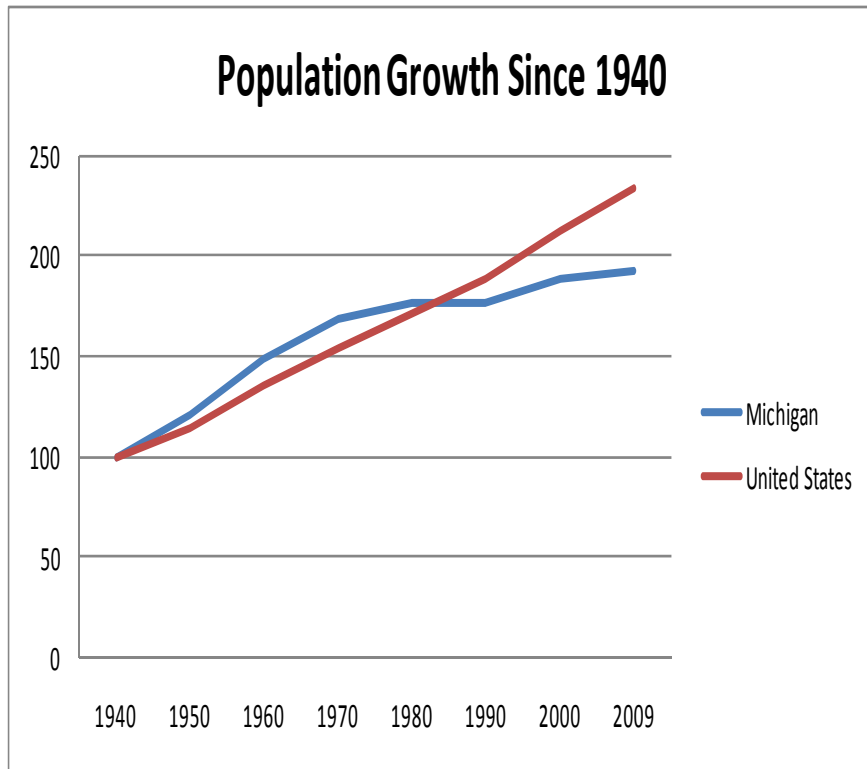
## 5 Michigan - Socioeconomic Introduction

**The Michigan market is facing substantial economic headwinds, but is slowly managing the transition from a manufacturing based economy to a serviced base economy.**

- ❑ The Michigan unemployment rate reached 13.2% in June compared to 9.5% nationally.
- ❑ Michigan's employed population dropped from 4.637mm in 2000 to 4.531mm in 2009. Of the 106k jobs lost, 40k were white collar jobs while 66k were blue collar. The net result is a slight increase in the employed population characterized as white collar; today 57.53% of workers are employed in white collar positions versus 57.07% as of 2000.
- ❑ Michigan's population growth rate since 2000 is positive but close to zero, a trend that is expected to continue for the foreseeable future. Furthermore, Michigan has been a low growth state since the 1980's with a population growth rate below the national trend. In 1960, Michigan had 19 congressional districts. Today, Michigan has 15 congressional districts and that number is expected to drop to 14 after the next census.
- ❑ While jobs have been lost, median household income has increased by approximately 10% from \$44.6k to \$48.8k since the beginning of the decade. The middle class has grown substantially; the number of households making between \$60k and \$100k has nearly doubled from 648k as of 2000 to 1,188k today.

**6 Michigan – Population Trend**

**Michigan’s population growth rate has been below the national trend since 1980. The State’s composition of the national population is at its lowest point post-WWII.**



	<u>1940</u>	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2009</u>
Michigan Population	5,256,106	6,371,766	7,823,194	8,875,083	9,262,078	9,295,297	9,938,444	10,091,787
United States Population	132,164,569	151,325,798	179,323,175	203,211,926	226,545,805	248,709,873	281,421,906	308,209,000
Michigan Pop./U.S. Pop.	3.98%	4.21%	4.36%	4.37%	4.09%	3.74%	3.53%	3.27%



## Key Observations

1. Michigan's middle class nearly doubled in size over the past decade while households with incomes below \$30,000 decreased approximately 25%.
2. While the number of households is heavily concentrated in Southern Michigan, composition by income band is similar among Eastern, Southern and Northern Michigan

Household Income Distribution	Michigan		Eastern Michigan		Western Michigan		Northern Michigan		Upper Peninsula	
	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009
	Census	Current	Census	Current	Census	Current	Census	Current	Census	Current
<b>Income Band</b>										
< \$30,000	1,238,227	1,116,270	749,622	664,147	269,758	245,391	161,288	152,385	57,559	54,347
\$30,000 - \$60,000	1,206,831	1,319,157	733,572	762,336	293,305	336,973	136,944	169,462	43,010	50,386
\$60,000 - \$100,000	648,114	1,188,220	443,082	798,613	140,488	279,525	50,130	85,129	14,414	24,953
\$100,000 +	480,461	422,814	365,120	328,336	81,391	64,865	28,161	25,449	5,789	4,164

Employment	Michigan		Eastern Michigan		Western Michigan		Northern Michigan		Upper Peninsula	
	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009
	Census	Current	Census	Current	Census	Current	Census	Current	Census	Current
<b>Population by Occupation</b>										
White Collar	2,646,782	2,607,021	1,755,191	1,714,258	592,305	601,474	229,420	225,898	69,866	65,391
Management, Professional And Related	1,459,767	1,463,108	984,246	979,366	318,067	328,958	120,525	119,890	36,929	34,894
Sales And Office	1,187,015	1,143,913	770,945	734,892	274,238	272,516	108,895	106,008	32,937	30,497
Blue Collar	1,990,679	1,924,929	1,206,375	1,151,919	505,855	503,056	212,331	208,297	66,118	61,657
Construction, Extraction And Maintenance	425,291	414,386	263,057	253,747	97,862	98,194	49,931	48,995	14,441	13,450
Farming, Fishing And Forestry	21,120	20,897	6,670	6,520	8,756	8,837	4,175	4,136	1,519	1,404
Production, Transportations And Material	856,932	819,310	511,086	481,505	244,280	239,766	80,179	78,198	21,387	19,841
Service	687,336	670,336	425,562	410,147	154,957	156,259	78,046	76,968	28,771	26,962
Employed Population	4,637,461	4,531,950	2,961,566	2,866,177	1,098,160	1,104,530	441,751	434,195	135,984	127,048
<b>% of Population by Occupation</b>										
White Collar	57.07	57.53	58.42	58.91	53.94	54.46	51.93	52.03	51.38	51.47
Management, Professional And Related	31.48	32.28	32.58	33.46	28.96	29.78	27.28	27.61	27.16	27.47
Sales And Office	25.60	25.24	25.84	25.45	24.97	24.67	24.65	24.41	24.22	24.00
Blue Collar	42.93	42.47	41.58	41.09	46.06	45.54	48.07	47.97	48.62	48.53
Construction, Extraction And Maintenance	9.17	9.14	8.81	8.79	8.91	8.89	11.30	11.28	10.62	10.59
Farming, Fishing And Forestry	0.46	0.46	0.35	0.35	0.80	0.80	0.95	0.95	1.12	1.11
Production, Transportations And Material	18.48	18.08	18.26	17.83	22.24	21.71	18.15	18.01	15.73	15.62
Service	14.82	14.79	14.16	14.12	14.11	14.15	17.67	17.73	21.16	21.22

## Key Observations

- Growth in Median Home value outpaced the growth in median household income from 2000 to 2009.
- The total number of homes increased 7.6% from 2000 to 2009 while the population increased only 1.5% over the same time period

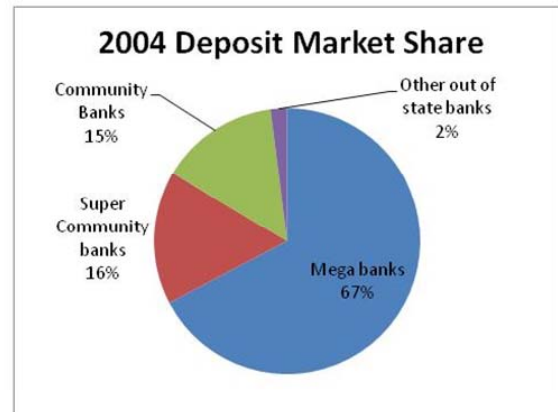
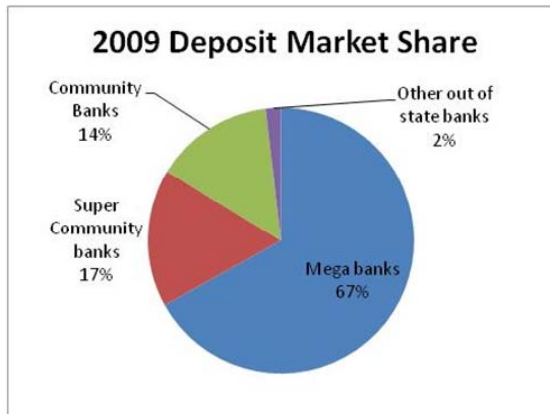
	2000 Census	2009 Current	2009 %Change
Median Home Value	115,600	132,039	14.22
Median Household Income	44,667	48,829	
Median Home Value/Median Household Income	2.59	2.70	

	Number of Homes by Values			% of Homes by Values	
	2000 Census	2009 Current	2009 %Change	2000 Census	2009 Current
<\$100,000	936,251	864,643	-8.28		
\$100,000 - \$124,999	318,345	352,980	10.88	14.03	14.37
\$125,000 - \$149,999	285,109	339,433	19.05	12.56	13.82
\$150,000 - \$174,999	202,302	286,198	41.47	8.92	11.65
\$175,000 - \$199,999	137,414	191,865	39.63	6.06	7.81
\$200,000 - \$249,999	156,487	182,987	16.93	6.90	7.45
\$250,000 - \$299,999	95,557	102,497	7.26	4.21	4.17
\$300,000 - \$399,999	74,361	77,665	4.44	3.28	3.16
\$400,000 - \$499,999	29,718	29,750	0.11	1.31	1.21
\$500,000 - \$749,999	20,814	18,380	-11.69	0.92	0.75
\$750,000 - \$999,999	6,828	5,000	-26.77	0.30	0.20
\$1,000,000 +	5,989	4,257	-28.92	0.26	0.17
Total Homes	2,269,175	2,455,655	7.59		

<b>MARKET SHARE REPORT</b>					
Ownership as of: December 6, 2009 and all Pending Transactions					
Date of Financial Data: June 30, 2009					
All dollars in thousands (\$000)					
<b>Michigan (State)</b>					
<b>Name</b>	<b>2009 Total Deposits</b>	<b>5-year Compound Annual Growth Rate</b>	<b>2009 Market Share</b>	<b>2009 Number of Branches</b>	<b>2009 Deposits per Branch</b>
Comerica, Inc	23,717,095	3.91	14.48	231	102,671
Bank of America Corp	23,063,084	4.68	14.08	253	91,158
J P Morgan Chase & Company	19,301,327	0.76	11.79	294	65,651
PNC Financial Services Group	14,185,369	8.31	8.66	243	58,376
Fifth Third Bancorp	13,658,854	3.58	8.34	237	57,632
Flagstar Bancorp, Inc	8,842,846	4.79	5.4	122	72,482
Citizens Republic Bancorp, Inc	7,110,595	3.34	4.34	149	47,722
Huntington Bancshares, Inc	6,438,447	3.78	3.93	121	53,210
Royal Bank of Scotland Group	5,011,815	0.54	3.06	111	45,151
Chemical Financial Corp	3,130,683	0.8	1.91	121	25,873
Independent Bank Corp	2,403,670	1.84	1.47	106	22,676
TCF Financial Corp	2,162,835	14.96	1.32	56	38,622
Macatawa Bank Corp	1,579,980	6.14	0.96	26	60,768
Mercantile Bank Corp	1,480,477	49.27	0.9	9	164,497
Capitol Bancorp Ltd	1,479,182	3.29	0.9	15	98,612
Citizens First Bancorp, Inc	1,409,744	9.43	0.86	24	58,739
KeyCorp	1,372,752	9.15	0.84	33	41,599
Firstbank Corp	1,070,760	3.85	0.65	49	21,852
MBT Financial Corp	1,039,891	-0.04	0.63	25	41,596
Dearborn Bancorp, Inc	813,299	3.77	0.5	17	47,841
Isabella Bank Corp	774,756	1.23	0.47	22	35,216
Northwestern Bank	774,528	10.39	0.47	27	28,686
United Bancorp, Inc	751,998	7.6	0.46	16	47,000
Lake Michigan Financial Corp	725,285	12.76	0.44	4	181,321
O.A.K. Financial Corp	688,275	12.86	0.42	14	49,163
Wells Fargo & Company	670,624	4.61	0.41	24	27,943

**12 Deposit Market Overview - 5 year Trends**

**Market Share by asset class has been relatively unchanged over the last five years**



	2009 Total Deposits	2004 Total Deposits	Compounded Annual Deposit Growth	2009 Number of Branches	2004 Number of Branches	Compounded Annual Branch Growth	2009 Deposits Per Branch	2004 Deposits Per Branch
Mega banks	109,582,202	90,212,519	3.97%	1,603	1,522	1.04%	68,361	59,272
Super Community banks	27,437,177	21,763,973	4.74%	572	541	1.12%	47,967	40,229
Community Banks	23,716,250	19,390,610	4.11%	701	621	2.45%	33,832	31,225
Other out of state banks	3,031,464	2,693,804	2.39%	94	112	-3.44%	32,250	24,052

## 13 Market Overview - Earnings Trends by Asset Size

### Key Observations

- The returns of the Super Community Banks have the strongest correlation with the performance of the housing market of any bank class. Returns were strong in 2005 but have declined consistently since then and have underperformed the smaller community banks since 2006.
- While small community banks underperformed while the economy was healthy, by avoiding the largest and most speculative housing construction & development projects they are not experiencing a debilitating erosion of capital.

	Asset Weighted Average Return on Assets					
	1Q10	2009	2008	2007	2006	2005
Super Community Banks	-0.57%	-3.15%	-1.80%	0.35%	0.69%	0.92%
Community Banks	0.00%	-0.94%	-0.31%	0.46%	0.76%	0.83%
Small Community Banks	0.08%	-0.17%	-0.33%	0.45%	0.87%	0.98%

	Equity Weighted Average Return on Equity					
LTM Data as of 9/30/09	1Q10	2009	2008	2007	2006	2005
Super Community Banks	-6.87%	-42.42%	-21.89%	4.02%	7.74%	11.56%
Community Banks	-0.04%	-11.24%	-3.56%	4.69%	7.04%	8.06%
Small Community Banks	0.84%	-1.78%	-3.32%	4.24%	8.11%	9.55%

## 14 Market Overview - Earnings Trends by Region

### Key Observations

- Eastern Michigan experienced the largest boom and bust in real-estate construction, and bank returns have followed this cycle. After fueling loan growth and profitability through real estate construction, Eastern Michigan banks are now experiencing a heavy erosion of capital
- Banks in the Upper Peninsula have experienced the smallest peak-to-trough fluctuation in returns.

	Asset Weighted Average Return on Assets					
	1Q10	2009	2008	2007	2006	2005
Eastern Michigan	-0.47%	-2.92%	-1.79%	0.20%	0.61%	0.81%
Western Michigan	-0.75%	-0.85%	0.49%	0.93%	1.10%	1.01%
Northern Michigan	0.25%	0.30%	0.84%	1.08%	1.17%	1.22%
Upper Peninsula	0.03%	0.90%	0.86%	1.33%	1.09%	0.81%

	Equity Weighted Average Return on Equity					
	1Q10	2009	2008	2007	2006	2005
Eastern Michigan	-5.53%	-38.41%	-21.51%	2.26%	6.46%	9.66%
Western Michigan	-9.44%	-10.78%	5.72%	10.57%	13.17%	11.90%
Northern Michigan	2.30%	2.66%	6.95%	9.00%	10.03%	10.76%
Upper Peninsula	3.07%	8.16%	8.03%	12.12%	10.36%	7.88%

## 15 Market Overview - Loan Composition, Growth and Quality Trends

### Key Observations

- Due to their size the Super Community banks were able to finance the largest and most speculative loans. The majority of housing construction occurred in Southern Michigan; loan quality is the poorest in this region.
- Commercial & Industrial loans and Consumer Loans account for a relatively high percentage of total loans for Upper Peninsula banks. The Upper Peninsula consequently boasts the highest loan quality.

Bank Type	5 year Compound Annual Loan Growth	5 year Compound Annual Asset Growth	Data as of 3/31/10					Data as of 3/31/05				
			Commercial & Industrial Loans/GDL	Commercial RE Loans/GDL	Total Real Estate Loans/GDL	Consumer Loans/GDL	Nonperfor ming Loans/GL	Commercial & Industrial Loans/GDL	Commercial RE Loans/GDL	Total Real Estate Loans/GDL	Consumer Loans/GDL	Nonperfor ming Loans/GL
Super Community	1.6%	3.0%	14.4%	36.2%	76.2%	7.5%	7.5%	16.4%	32.1%	75.1%	6.5%	0.6%
Community	4.7%	5.8%	13.1%	39.0%	83.4%	1.9%	4.6%	14.1%	32.3%	78.8%	4.0%	1.7%
Small Community	2.2%	3.3%	13.4%	31.4%	80.1%	4.1%	3.2%	13.3%	25.6%	77.3%	5.9%	1.0%
Eastern Michigan	2.5%	3.2%	13.9%	31.1%	80.1%	3.1%	4.5%	12.2%	24.2%	77.8%	5.9%	1.1%
Western Michigan	4.9%	4.9%	12.6%	29.5%	80.7%	4.0%	3.0%	13.3%	24.0%	76.7%	6.6%	0.9%
Northern Michigan	1.6%	2.3%	10.5%	31.7%	83.8%	4.0%	3.5%	12.4%	25.7%	79.3%	6.8%	0.9%
Upper Peninsula	3.2%	5.9%	14.5%	37.1%	76.7%	7.5%	2.6%	23.4%	23.4%	64.4%	9.5%	1.5%

## 16 Market Overview - Income & Expense Analysis by Asset Size

### Key Observations

- The Super Community banks have the lowest net interest margin but the highest non-interest income.
- Overhead expenses are the highest at the Super Community Banks and the lowest at the Small Community Banks. The Super Community banks pay the least in Salary & Expenses as a percentage of assets but pay the most in overhead as a percentage of assets. This relationship is reversed at the Small Community banks; they pay the least in overhead but the most in salary & benefits as a percentage of assets.
- Small Community banks have the highest loan yields but don't earn much non-interest income

LTM Data as of 3/31/10	Total Interest Income/AA	Net Interest Margin	Total Noninterest Income/AA	Service Charge on Dep Acct/AA	Fiduciary Income/AA	Other Noninterest Inc/AA	Return on Operating Profit/AA	Return on Average Assets	Interest Expense/AA	Total Overhead Expense/AA	Salary & Employee Benefits/AA	Occupancy Expense/AA	Other Noninterest Expense/AA	Income Taxes/AA
	Super Community	19.36%	3.19%	1.01%	0.57%	0.09%	0.59%	-2.89%	-2.99%	1.93%	4.01%	1.43%	0.44%	1.72%
Community	20.80%	3.80%	0.84%	0.24%	0.13%	0.31%	-0.86%	-0.84%	1.78%	3.27%	1.61%	0.42%	1.21%	0.04%
Small Community	20.64%	4.04%	0.83%	0.27%	0.04%	0.52%	-0.10%	-0.05%	1.54%	3.67%	1.88%	0.47%	1.27%	0.01%

LTM Data as of 3/31/10	Return on Average Equity	Yield on Loans	Yield on Securities	Noninterest Income /Overhead Exp	Operating Income / Salaries & Benefits	Cost of Funds (IBL)	Cost of Borrowings	Efficiency Ratio	Salaries & Benefits/ Avg Employees	Total Deposits per Employee	Operating Profit per Employee
	Super Community	-43.48%	5.98%	5.62%	23.23%	-0.06%	2.09%	0.93%	104.93%	61,507	3,479
Community	-15.26%	6.34%	4.73%	24.11%	0.61%	1.97%	0.99%	78.02%	56,989	2,810	-1,313
Small Community	-3.73%	6.47%	3.83%	20.69%	9.15%	1.95%	3.77%	85.24%	57,341	2,833	-1,902

## 17 Market Overview - Income & Expense Analysis by Region

### Key Observations

- Interest margins are the lowest and the cost of funds is the highest in Eastern and Western Michigan.
- Northern Michigan banks have the highest cost of borrowings and the lowest deposits per employee.
- Banks in the Upper Peninsula have a relatively high cost of borrowing but strong loan yields give the region the highest interest margin.

LTM Data as of 3/31/10	Total Interest Income/A	Net Interest Margin	Tot Noninter est Income/A	Service Charge on Dep Acct/AA	Fiduciary Income/A	Other Noninter est Inc/AA	Operating Profit/AA	Return on Average Assets	Interest Expense/AA	Total Overhead Expense/AA	Salary & Benefits/AA	Occupancy Expense/AA	Noninter est Expense/AA	Other Income Taxes/AA
	Eastern Michigan	20.72%	3.93%	0.90%	0.28%	0.04%	0.60%	-0.96%	-0.85%	1.63%	3.93%	1.95%	0.47%	1.44%
Western Michigan	21.11%	3.65%	0.82%	0.34%	0.08%	0.34%	-0.50%	-0.49%	2.02%	3.39%	1.63%	0.46%	1.16%	-0.05%
Northern Michigan	21.75%	3.99%	0.91%	0.34%	0.07%	0.47%	0.20%	0.07%	1.80%	3.35%	1.75%	0.49%	1.09%	0.01%
Upper Peninsula	21.20%	4.29%	0.69%	0.17%	0.06%	0.45%	1.03%	0.94%	1.56%	3.05%	1.55%	0.40%	1.10%	0.11%

LTM Data as of 3/31/10	Return on Average Equity	Yield on Loans	Yield on Securities	Noninterest Income /Overhead Exp	Operating Income / Salaries & Benefits	Cost of Funds (IBL)	Cost of Borrowings	Efficiency Ratio	Salaries & Benefits/ Avg Employees	Total Deposits per Employee	Operating Profit per Employee
	Eastern Michigan	-18.36%	6.49%	3.93%	18.80%	2.87%	1.99%	5.19%	90.64%	63,251	3,173
Western Michigan	-8.42%	6.28%	4.24%	24.27%	5.20%	2.40%	2.66%	82.04%	56,989	2,810	-1,313
Northern Michigan	-0.15%	6.51%	5.08%	26.11%	8.74%	2.21%	3.65%	72.42%	52,138	2,398	10,576
Upper Peninsula	8.31%	6.62%	3.94%	22.21%	20.09%	1.97%	23.70%	66.62%	52,197	2,988	37,610

## Key Observations

- The Super-community banks have the highest cost of deposits and the highest reliance on brokered deposits
- Small Community banks have been able to gather the highest amount of non-interest bearing deposits as a percentage of total demand deposits
- The Cost of deposits is the highest in Southern Michigan and the lowest in the Upper Peninsula

Data as of 3/31/10	Noninterest-Bearing Deposits/ TDD	Core Deposits/ TDD	Brokered Deposits/ TD	Cost of Deposits - T-Bill Rate	Cost of Interest Bearing Deposits
Super Community	5.22%	83.16%	15.51%	1.56%	1.67%
Community	6.22%	82.06%	11.82%	1.52%	1.63%
Small Community	12.96%	82.26%	3.43%	1.48%	1.58%
Eastern Michigan	12.1%	81.0%	5.6%	1.5%	1.6%
Western Michigan	9.5%	83.9%	9.8%	1.9%	2.1%
Northern Michigan	1.1%	9.5%	0.0%	0.2%	0.2%
Upper Peninsula	10.6%	81.3%	3.8%	1.6%	1.7%

## 19 Michigan Banking Market Takeaways

- ✓ Although the Michigan economy has low prospects for growth, the economy is showing signs of stabilization.
  - ✓ The Economy is managing the transition from a manufacturing-based economy to a service based economy.
  - ✓ Median Household Income and Household wealth is projected to grow at an accelerating rate.
  
- ✓ There are many troubled institutions in Michigan with few parties interested in acquiring failed or weakened institutions.
  - ✓ The Large Michigan-based community banks were some of the largest real estate lenders and are unable to serve as the aggregators in the market due to depleted capital reserves.
  - ✓ Few out-of-state banks have indicated an interest in expanding in Michigan.
  - ✓ Bids submitted for failed banks through the FDIC resolutions process are indicative of a very uncompetitive bid process.
  
- ✓ Due to low growth prospects and a poor opinion of the area, banks valuations are very low.
  
- ✓ The opportunity to strongly capitalize an institution and aggregate failed or weakened institutions can be done with greater ease in Michigan due to low bank valuations and a fairly uncompetitive environment.



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