

Key Terminology (1)

Key Terms	Definitions
BankVQ Proprietary Metrics	
Winning %	<i>Akin to sports, Winning % measures win/loss records for banks when they compete head-to-head for deposits in a local market¹</i>
Matches	<i>A match occurs when a bank competes head-to-head against another bank for deposits in a local market (zip code)</i>
Wins	<i>In each head-to-head match, the bank with the higher deposits 'wins'</i>
CompetitiveStrength™	<i>Also akin to sports, CompetitiveStrength is a bank's overall rating taking into account its win/loss record and the strength of its competition¹</i>
Predicted Share	<i>Local market share you would expect / predict a bank to achieve given the # of banks and branches in a market, and the relative strength of each bank</i>
Predicted ROTE	<i>Predicted ROTE – ROTE predicted at the bank x local market level, based on BankVQ predicted analytics drivers (e.g. market concentration, winning %, cost productivity, capital productivity, and institutional scale)</i>
Business Model Similarity	<i>Based on similarity in the range, mix, and concentration of products across two banks</i>

Note: 1.) See more on third page: The Thinking Behind Winning and CompetitiveStrength

Key Terminology (2)

Key Terms	Definitions
Market and Market Deposits	
Local Market	<i>Boundaries based on zip code</i>
Local Market Deposits	<i>Deposits in a zip code (local market) that reflect the deposit activity within that zip code; bank branch deposits <\$1B are treated as local market deposits¹</i>
National Deposits	<i>Deposits held in a specific bank branch (e.g. HQ branch), but are not sourced from deposit activity in that zip code; deposits above \$1B in a single branch location are treated as National deposits</i>
Market Share	<i>Unless otherwise noted, market share in BankVQ refers to share of local market deposits to better depict relative position of each bank in serving a specific market</i>
Market Coverage	<i>% of a market's (e.g. MSA) deposits reached by a bank's branch network</i>
Footprint Share	<i>Share of deposits in the portion of a market (e.g. MSA) where bank has coverage</i>
Financial Metrics	
Economic Profit	<i>Net income after tax (NIAT) less a charge for tangible common equity (Tier 1 capital)</i>
NPV	<i>10 year present value of net cash flows calculated at a bank x local market level</i>
NPV / Investment	<i>10 year present value of net cash flows divided by 10 year present value of cash outflows</i>

Note: 1.) 60% of deposits are local market deposits, this has remained stable over time

The Thinking Behind Winning % and CompetitiveStrength™

- Common competitive performance measures (market position, market share) are inadequate
 - Don't capture head-to-head performance (Bank A vs. Bank B in markets they directly compete)
 - Don't capture differences in branch footprint and strength of competition
- For example, competitive performance is very different for:
 - A bank that is #2 (or 20% market share) in a local market with 2 competitors vs 20 competitors
 - A bank that is #1 in a market with weak vs strong competitors
- We define wins and losses at a local market level based on a bank's share vs each competitor in that local market – a #2 bank in a local market with 20 competitors wins 18 matches and loses one
- Winning % captures head-to-head competitive performance in each local market and across each bank's footprint
- We assess CompetitiveStrength™ across banks taking into account their winning percentage and the strength of the competition they compete head-to-head against
- CompetitiveStrength™ is the best measure of overall competitive performance (akin to sport team national ranking measures) and correlates with ROE and value creation
- CompetitiveStrength™ can also be used to predict expected market share (vs actual market share) and identify opportunities and vulnerabilities by bank and local market