



Financial Services Quarterly update

Q1 2019

Financial Services trends

Interest rates remain unchanged by the Fed¹

The Federal Reserve (the Fed) decided to keep rates unchanged from Q4 2018 and have indicated that there will be no more hikes in 2019. The move came alongside reduced expectations in GDP growth and a bump in the unemployment rate outlook. This combined with the inverted yield curve is expected to eventually lead to margin contraction as the economy slows.

The US bond yield curve has inverted²

The yield on the US 10-year Treasury note dipped below the yield on the 3-month paper. It was the first time since mid-2007 that the yield curve inverted. The inverted yield curve is one of the most widely accepted predictors of a recession. As the outlook for growth in the US slows, its experience is not uncommon

as other areas in Europe such as Germany are also experiencing similar uncertainty.



In this update

- Financial Services Trends
- Economic Outlook
- Industry Analysis
- Select M&A Transactions
- Appendix

This update will focus on news and trends in the following areas:

- US Banks
- US Specialty Finance

Who we are

Deloitte Corporate Finance LLC is a leading global middle market M&A adviser. The firm's professionals have extensive knowledge and years of experience in the Financial Services space.

Contacts

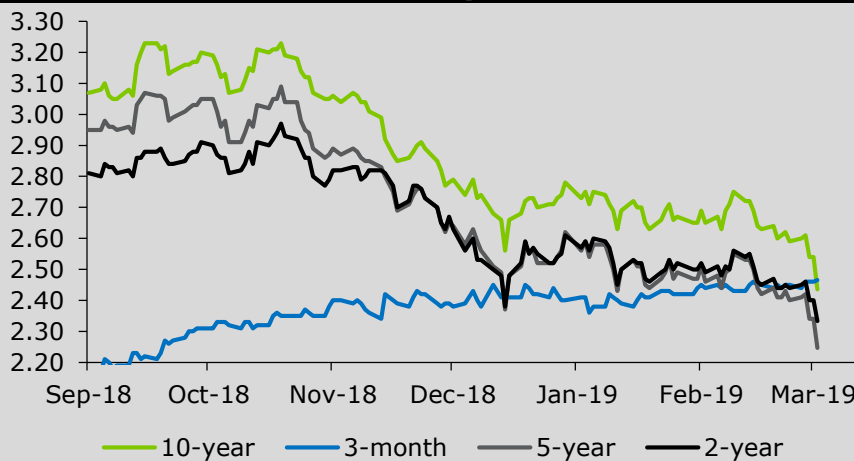
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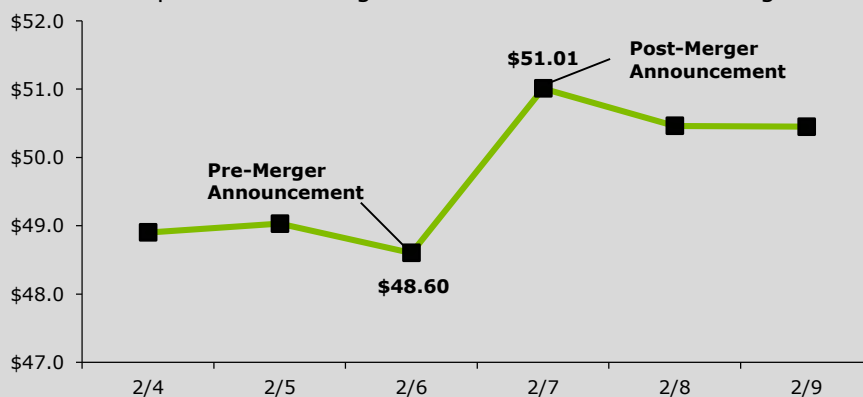
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10-Year Treasury Yield Curve³



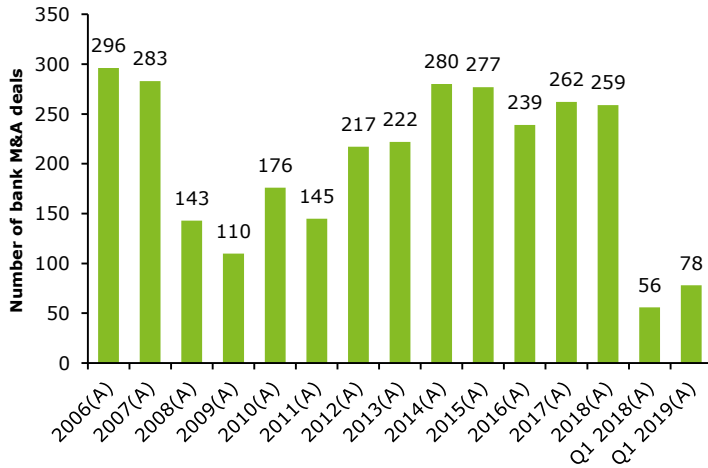
BB&T/SunTrust Banks case study^{4/5}

February 07 2019 – BB&T Corporation and SunTrust Banks, Inc. announced an agreement to combine in a merger to create the 6th largest US bank holding company. Although coined a merger of equals, execution from both sides will be needed to realize the expected \$1.6 billion in net synergies by 2022. The deal will be comprised of 100 percent stock consideration. The pro forma company will have approximately \$442 billion in assets, \$301 billion in loans, and \$324 billion in deposits serving more than 10 million households in the United States. BB&T's stock price increased 5 percent following the announcement of the merger.

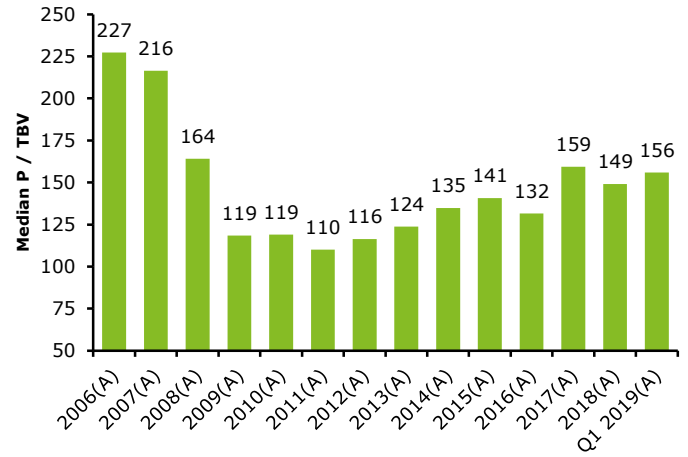


Banking sector outlook

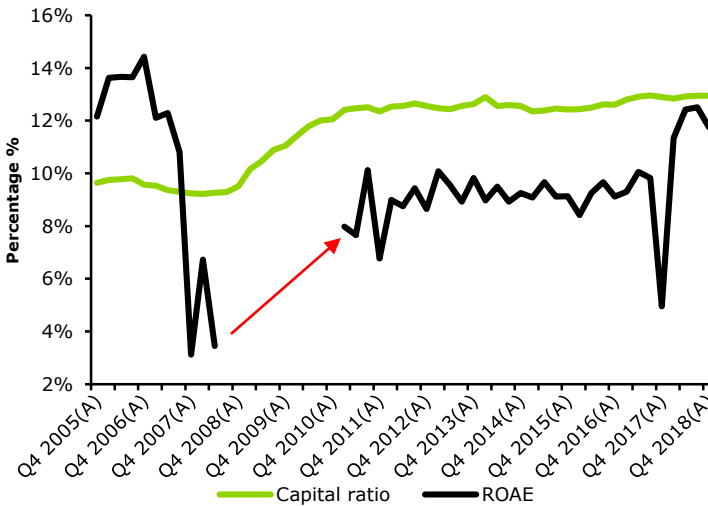
Whole bank M&A volume¹



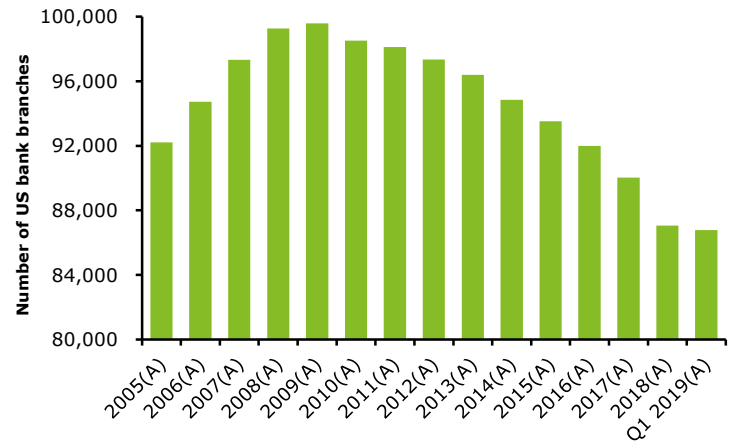
Announced price / TBV²



Commercial bank capital ratios & ROAE³

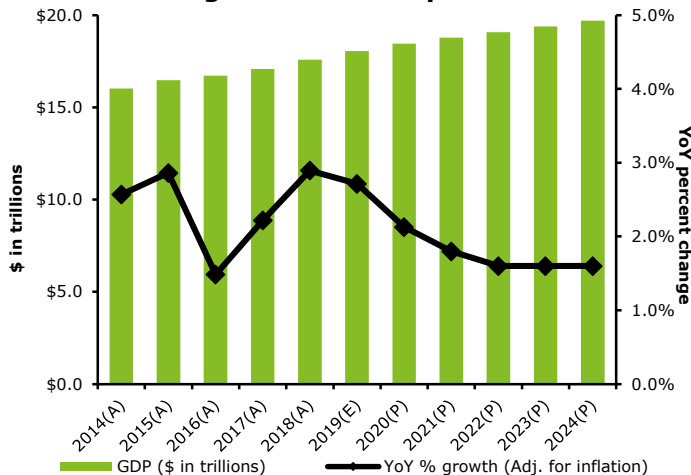


Number of US bank branches⁴

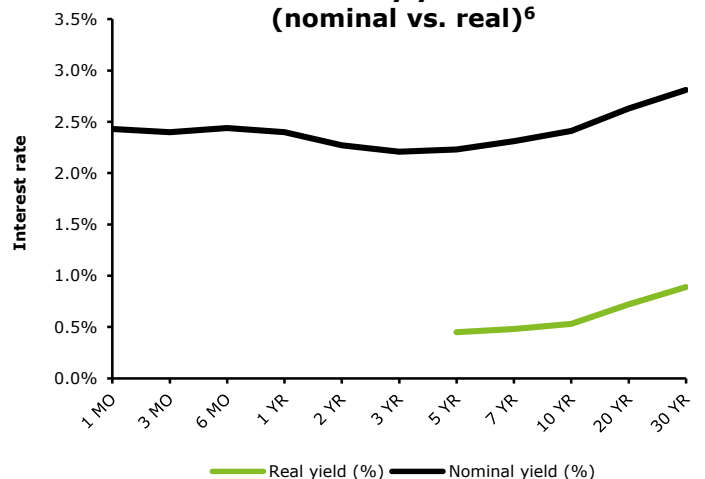


Macroeconomic outlook

US gross domestic product⁵



US Treasury yield curve (nominal vs. real)⁶



Banking sector breakdown & trading statistics¹

Sector	Number of companies	YTD ⁱ		Quarterly ⁱⁱ					
		Price change	Price / Book	Return on assets	Net interest margin	Return on equity	Efficiency ratio	TE / TA	NPA / TA
Banks (<\$1B Assets)	475	2.4 %	112.7 %	0.95 %	3.8 %	9.1 %	70.4 %	9.8 %	0.7 %
Banks (\$1B-\$10B Assets)	270	2.4	127.5	1.19	3.7	10.7	58.8	9.3	0.6
Banks (\$10B-\$50B Assets)	56	6.1	109.5	1.33	3.7	10.0	55.8	9.2	0.5
Banks (>\$50B Assets)	22	5.4	121.5	1.30	3.2	11.3	58.2	9.1	0.5
Banking Sector index	823	0.0 %	118.4 %	1.08 %	3.7 %	9.8 %	64.0 %	9.5 %	0.6 %

Notes:

- i. As of March 31, 2019.
- ii. As of Q1 2019.

Public comparables three-year stock market performance²

SNL US Bank	41.5%
S&P 500 index	37.6%
NASDAQ Composite index	57.9%



Recent transactions¹

Recent bank M&A transactions*

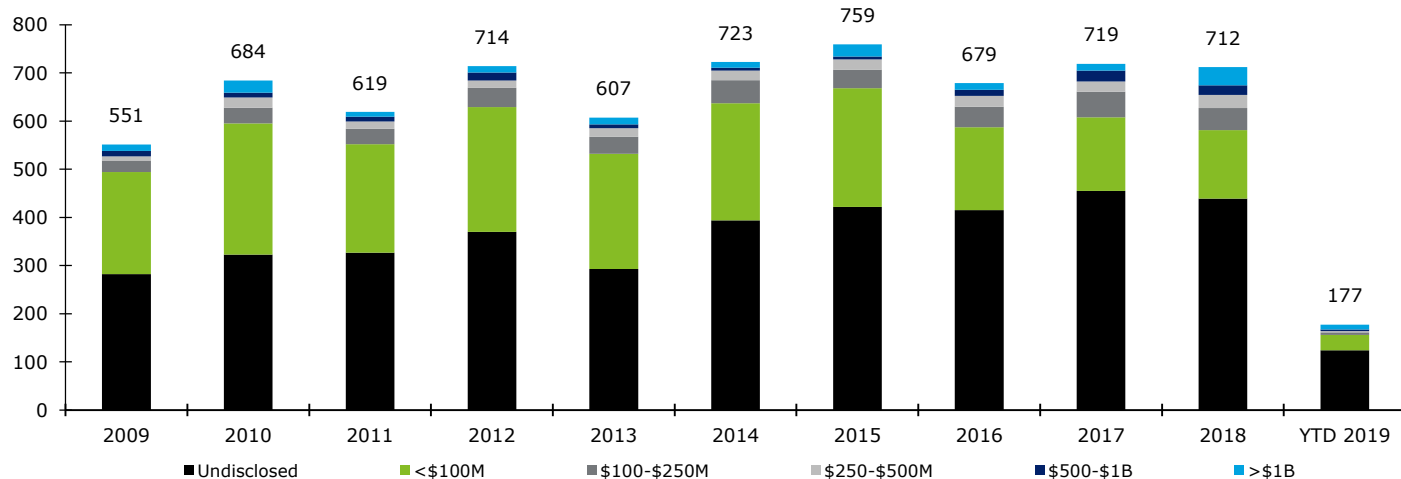
Announced date	Acquiror	Target	Price (\$M)	Price / Book (%)
Mar-19	Mechanics Bank	Rabobank, National Association	\$2,100.0	NM
Mar-19	BancorpSouth Bank	Summit Financial Enterprises, Inc.	100.3	173.1
Feb-19	BB&T Corporation	SunTrust Banks, Inc.	28,188.3	127.3
Jan-19	Chemical Financial Corporation	TCF Financial Corporation	3,545.3	149.4
Jan-19	SmartFinancial, Inc.	Entegra Financial Corp.	158.2	98.3
Jan-19	First Financial Corporation	HopFed Bancorp, Inc.	133.3	152.5

*Transactions with purchase price greater than \$100 million.

Recent specialty finance M&A transactions

Announced date	Acquiror	Target	Price (\$M)	Total assets (\$M)
Feb-19	Origami Capital Partners, LLC	Medley SBIC LP	\$45.0	NA
Jan-19	EAST Asset Management LLC	Rand Capital Corporation	25.0	38,658.0
Jan-19	Redwood Trust, Inc.	5 Arch Funding Corp.	40.0	NA
Jan-19	Brookline Bancorp, Inc.	Eastern Funding, LLC	35.9	NA
Jan-19	People's United Financial, Inc.	VAR Technology Finance	60.0	NA

Annual bank and specialty finance M&A transaction volume by deal value²



Appendix

Public comparables analysis¹

Company (ticker)	YTD		Quarterly					
	Price change	Price/book	Return on assets	Net interest margin	Return on equity	Efficiency ratio	TE/TA	NPA/TA
Banks (Assets <\$1B) (475)*								
Median	2.4 %	112.7 %	1.0 %	3.8 %	9.1 %	70.4 %	9.8 %	0.7 %
Mean	5.9 %	120.7 %	0.8 %	3.9 %	7.1 %	75.2 %	10.3 %	1.1 %
Banks (Assets \$1B-\$10B) (264)*								
Median	2.4 %	127.5 %	1.2 %	3.7 %	10.7 %	58.8 %	9.3 %	0.6 %
Mean	3.2 %	137.8 %	1.1 %	3.8 %	10.2 %	59.7 %	9.7 %	0.7 %
Banks (Assets \$10B-\$50B) (50)								
Banc of California, Inc.	1.8 %	94.4 %	0.4 %	2.9 %	4.6 %	66.4 %	8.5 x	0.3 x
FCB Financial Holdings, Inc.	(0.1)	161.1	1.3	3.2	12.8	37.6	10.0	0.2
Community Bank System, Inc.	1.0	174.4	1.5	3.8	9.7	58.3	9.2	0.3
Berkshire Hills Bancorp, Inc.	(0.1)	81.0	0.5	3.5	3.6	61.2	8.6	0.4
Great Western Bancorp, Inc.	(0.6)	98.2	1.5	3.8	10.1	45.9	9.0	1.4
United Community Banks, Inc.	14.0	116.7	1.4	4.0	12.7	55.0	9.2	0.6
International Bancshares Corporation	10.2	116.4	2.0	4.1	12.3	47.6	14.5	0.7
First Interstate BancSystem, Inc.	7.4	130.8	1.2	4.0	9.8	58.6	8.6	0.6
First BanCorp.	34.2	93.0	3.3	5.0	20.4	52.1	16.4	7.7
Columbia Banking System, Inc.	(11.2)	130.7	1.4	4.4	9.0	57.2	9.9	0.6
Central Banccompany, Inc.	3.4	127.5	1.3	3.7	8.9	58.8	13.0	0.4
Hilltop Holdings Inc.	0.5	85.6	0.8	3.8	6.0	83.8	12.3	0.5
Trustmark Corporation	16.9	117.6	1.1	3.6	9.2	67.5	9.3	0.8
First Midwest Bancorp, Inc.	1.5	102.5	1.1	4.0	8.2	54.1	8.6	0.5
Hope Bancorp, Inc.	7.3	78.9	1.2	3.4	9.4	50.6	9.6	NA
Home BancShares, Inc.	6.2	118.7	1.9	4.3	12.1	38.3	9.4	0.5
South State Corporation	12.6	90.8	1.3	4.0	8.3	57.4	9.6	0.3
Simmons First National Corporation	0.1	99.2	1.4	3.8	10.1	52.0	8.4	0.5
Washington Federal, Inc.	6.1	109.3	1.3	3.2	10.6	51.3	10.5	1.3
Cathay General Bancorp	(0.0)	127.2	1.6	3.8	12.2	48.4	10.6	0.7
Bank of Hawaii Corporation	15.3	220.3	1.3	3.1	17.2	57.0	7.2	0.4
Old National Bancorp	5.5	100.3	1.0	3.6	7.6	63.4	8.5	0.9
United Bankshares, Inc.	13.9	97.9	1.3	3.5	7.8	49.8	9.8	0.8
Chemical Financial Corporation	9.1	92.2	1.4	3.5	10.4	51.3	8.2	0.6
Fulton Financial Corporation	(1.3)	117.2	1.2	3.5	10.2	64.7	8.5	1.0
PrivateBancorp, Inc.	9.3	238.1	1.2	3.3	11.8	54.4	9.4	0.9
MB Financial, Inc.	4.5	117.6	1.5	4.0	10.2	58.7	10.4	0.5
Western Alliance Bancorporation	2.9	158.6	2.1	4.7	18.6	42.4	10.1	0.4
First National of Nebraska, Inc.	7.4	109.6	1.3	6.6	12.3	56.9	9.3	1.0
First Hawaiian, Inc.	12.8	120.2	1.2	3.3	9.8	44.2	7.8	0.2
UMB Financial Corporation	3.4	134.4	0.5	3.3	4.6	69.9	8.8	0.2
Pinnacle Financial Partners, Inc.	17.5	90.1	1.5	3.6	9.7	46.5	9.1	0.4
Prosperity Bancshares, Inc.	7.5	107.4	1.5	3.2	8.3	42.3	10.2	0.1
TCF Financial Corporation	(12.9)	134.9	1.5	4.6	14.0	65.7	10.1	1.0
Valley National Bancorp	5.9	93.7	1.0	3.1	9.2	60.0	7.2	0.6
Commerce Bancshares, Inc.	3.0	225.2	1.8	3.6	15.6	55.2	11.0	0.3
PacWest Bancorp	12.3	85.0	1.9	5.0	9.7	42.4	9.6	0.4
Texas Capital Bancshares, Inc.	5.8	109.1	1.1	3.8	11.6	50.6	8.8	0.3
Umpqua Holdings Corporation	1.1	86.3	1.2	4.2	8.0	57.3	8.9	0.3
Webster Financial Corporation	1.0	165.7	1.4	3.7	13.9	56.4	8.6	1.1
Hancock Whitney Corporation	3.2	96.3	1.4	3.4	12.9	59.0	8.0	1.2
IBERIABANK Corporation	8.7	89.8	1.7	3.8	13.1	51.8	9.3	0.8
Wintrust Financial Corporation	(0.9)	119.3	1.1	3.7	10.0	62.0	8.6	0.5
BankUnited, Inc.	9.3	101.5	0.7	4.0	6.9	73.9	8.9	0.5
Sterling Bancorp	10.6	83.2	1.5	3.6	10.3	38.0	9.1	0.7
Associated Banc-Corp	7.0	92.3	1.1	3.0	9.5	60.9	7.8	0.6
Synovus Financial Corp.	5.1	126.1	1.3	3.9	13.9	53.5	9.4	0.7
F.N.B. Corporation	6.9	70.9	1.2	3.3	8.8	54.1	7.4	0.5
Cullen/Frost Bankers, Inc.	9.1	171.8	1.5	3.8	14.6	55.1	8.6	0.2
BOK Financial Corporation	10.4	119.3	1.1	3.4	10.0	61.3	8.8	0.5
First Citizens BancShares, Inc.	(4.2)	125.7	1.0	3.8	10.2	63.4	9.1	0.7
East West Bancorp, Inc.	8.3	142.6	1.7	3.8	16.0	45.6	9.7	0.3
First Horizon National Corporation	4.6	95.4	1.0	3.4	8.5	62.6	8.1	0.9
Signature Bank	22.6	128.4	1.4	2.9	14.9	34.9	9.2	0.5
Popular, Inc.	8.6	87.6	0.9	4.6	7.6	60.0	10.1	4.2
People's United Financial, Inc.	11.9	86.6	1.1	3.2	8.2	56.6	8.1	0.7
Median	6.1 %	109.5 %	1.3 %	3.7 %	10.0 %	55.8 %	9.2 %	0.5 %
Mean	6.4 %	117.8 %	1.3 %	3.8 %	10.6 %	55.1 %	9.4 %	0.8 %

*Individual companies not broken out due to sector size.

Appendix

Public comparables analysis¹

Company (ticker)	YTD		Quarterly					
	Price change	Price/book	Return on assets	Net interest margin	Return on equity	Efficiency ratio	TE/TA	NPA/TA
Banks (Assets >\$50B) (21)								
SVB Financial Group	13.5 %	195.2 %	1.9 %	3.7 %	20.9 %	43.7 %	9.2 x	0.2 x
Zions Bancorporation, National Association	9.2	109.0	1.3	3.7	12.0	58.1	9.7	0.5
Comerica Incorporated	5.1	146.5	1.7	3.7	16.5	49.9	9.8	0.5
First Republic Bank	14.8	185.2	1.0	3.0	10.5	59.0	8.5	0.1
Huntington Bancshares Incorporated	4.4	126.0	1.3	3.4	12.3	58.6	8.3	1.1
M&T Bank Corporation	8.4	139.4	1.9	4.0	14.2	51.7	9.4	1.0
Regions Financial Corporation	3.5	96.1	1.3	3.6	11.1	58.0	8.4	0.8
KeyCorp	4.9	106.5	1.4	3.2	12.6	60.3	9.3	0.5
Northern Trust Corporation	7.6	190.2	1.4	1.5	15.9	67.1	7.4	0.1
Fifth Third Bancorp	4.2	102.0	1.3	3.3	11.5	56.5	9.6	0.6
Citizens Financial Group, Inc.	6.5	69.4	1.2	3.3	9.2	56.6	9.0	1.0
SunTrust Banks, Inc.	14.2	101.8	1.2	3.3	11.1	61.9	8.6	1.4
BB&T Corporation	4.8	122.2	1.4	3.5	10.7	55.9	9.1	NA
State Street Corporation	2.9	113.9	0.8	1.6	7.1	70.4	6.4	-
Capital One Financial Corporation	5.7	74.7	1.4	7.0	9.9	61.0	10.3	0.6
Bank of New York Mellon Corporation	6.2	121.9	1.0	1.2	8.3	73.4	5.9	0.0
PNC Financial Services Group, Inc.	3.2	122.1	1.4	3.0	11.5	58.4	10.3	0.7
U.S. Bancorp	4.0	163.2	1.6	3.2	14.5	55.6	9.1	0.7
Citigroup Inc.	16.2	69.4	0.9	2.8	8.7	58.1	9.0	0.4
Wells Fargo & Company	2.9	121.1	1.3	3.0	12.4	63.3	9.1	0.9
Bank of America Corporation	10.5	98.0	1.2	2.5	11.0	57.5	8.5	0.5
JPMorgan Chase & Co.	1.9	138.8	1.1	2.6	11.0	59.3	8.1	0.4
Median	5.4 %	121.5 %	1.3 %	3.2 %	11.3 %	58.2 %	9.1 %	0.5 %
Mean	7.0 %	123.3 %	1.3 %	3.2 %	12.0 %	58.8 %	8.8 %	0.6 %

Sources cited

Page 2:

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