



Financial Services Quarterly update

Q3 2018

Deloitte Corporate Finance LLC | www.investmentbanking.deloitte.com

Financial Services trends

Bank stocks Q3 reports beat earnings despite volatile market conditions¹

Bank stocks are reporting forecast-beating earnings for the third quarter of 2018, helping to alleviate woes that our market may be seeing an economic downturn. Despite increasing economic and geopolitical uncertainties, the US and global economy continue to show strength through bank stocks. Many of these banks are reporting an increase in real business consumer banking.



Financial Services firms are seeing increased compliance initiatives²

One big trend among financial services firms are increased compliance examinations. These trends will likely continue to have an effect on investment managers and firms as a whole. Although increased compliance costs have a negative impact on bottom-line profit, many firms are acknowledging the importance of compliance in today's environment.

Information M&A Trends Report³

While many have characterized our trading environment as a sellers market, total transaction volume and value in Q3 2018 has declined in comparison to the previous quarter for many sectors. In reality, the market landscape is comprised of more sellers than buyers and the selective nature of buyers has demonstrated that pricing in the broader M&A market may have peaked.

Federal Reserve raises interest rates for third time⁴

For the third straight quarter, the federal reserve raised interest rates. In September 2018, the interest rate went up a quarter point to 2.25 percent. Short-term interest rates, such as credit cards, will likely have the most drastic impact on consumers. This increase was expected by most, and the US anticipates another rise coming at the end of the year.

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.

In the news

July 24, 2018 – Veritex Holdings (Veritex) entered into a definitive agreement pursuant to which Green Bank will merge with and into Veritex. The combined franchise will create a leading Texas community bank with over 43 locations across the state. This new entity is expected to have approximately \$7.5 billion in assets and \$5.9 billion in deposits. The transaction was valued around \$1.0 billion or \$25.89 per Green bank share.⁵

July 24, 2018 – Synovus Financial Corp. (Synovus) and FCB Financial Holdings (FCB) announced their entry into a definitive merger agreement under which Synovus will acquire Florida's largest community bank, FCB. The merger makes Synovus a top five regional bank in the Southeast with \$36 billion in deposits and \$44 billion in assets. The transaction was valued at \$2.9 billion and will close Q1 2019. FCB's shareholders are expected to own 30 percent of the new entity.⁶

Contacts

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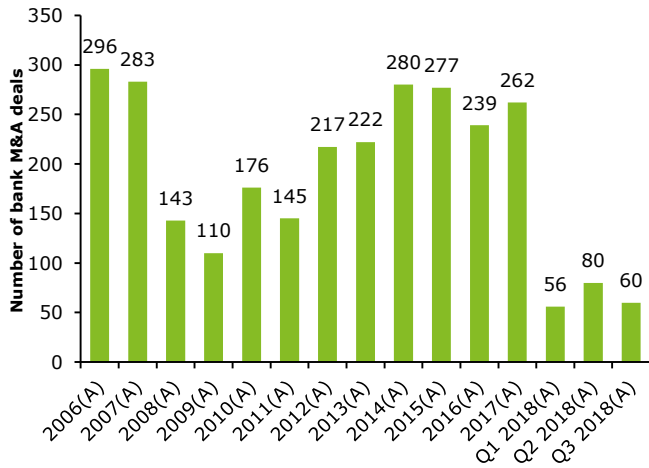
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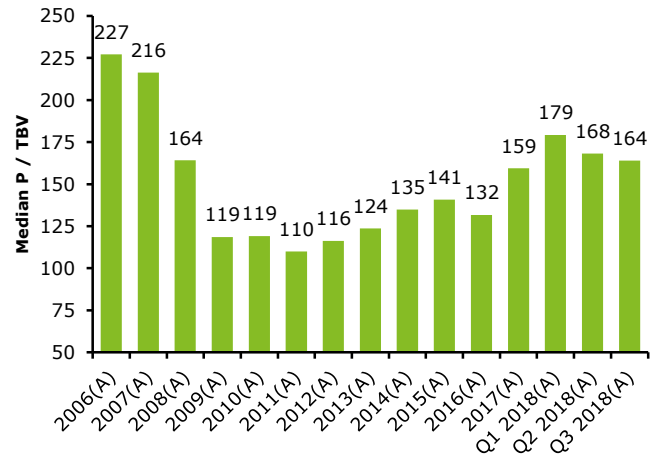
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Banking sector outlook

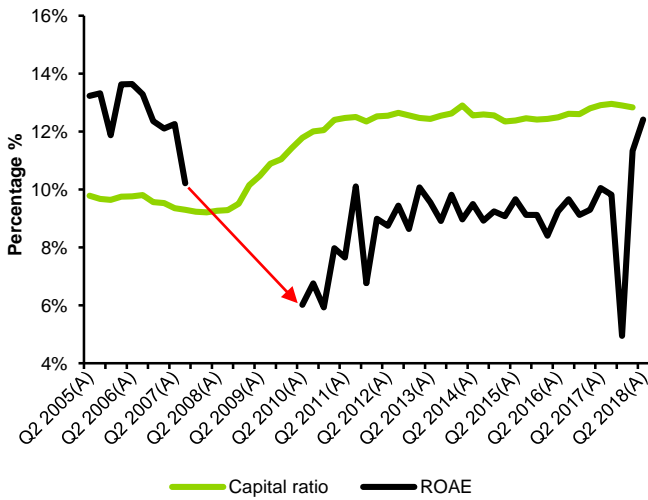
Whole bank M&A volume⁵



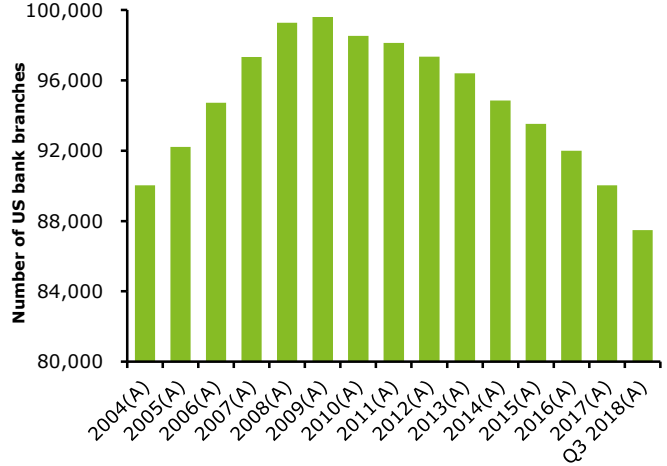
Announced price / TBV⁶



Commercial bank capital ratios & ROAE³

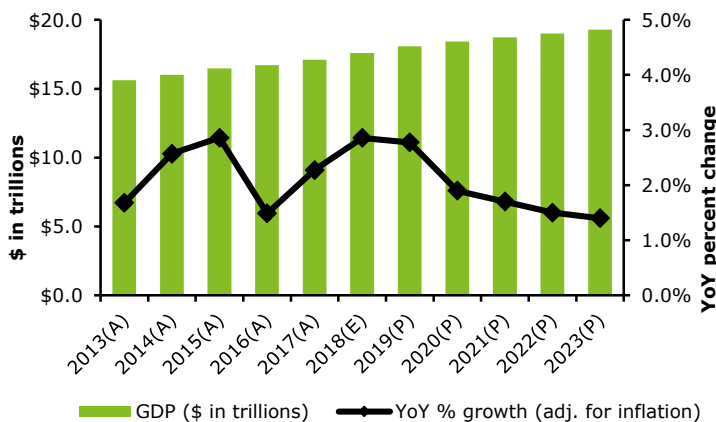


Number of US bank branches⁴

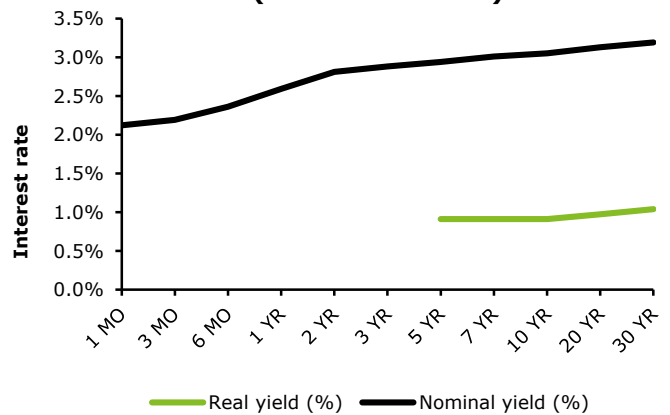


Macroeconomic outlook

US gross domestic product¹



US Treasury yield curve (nominal vs. real)²



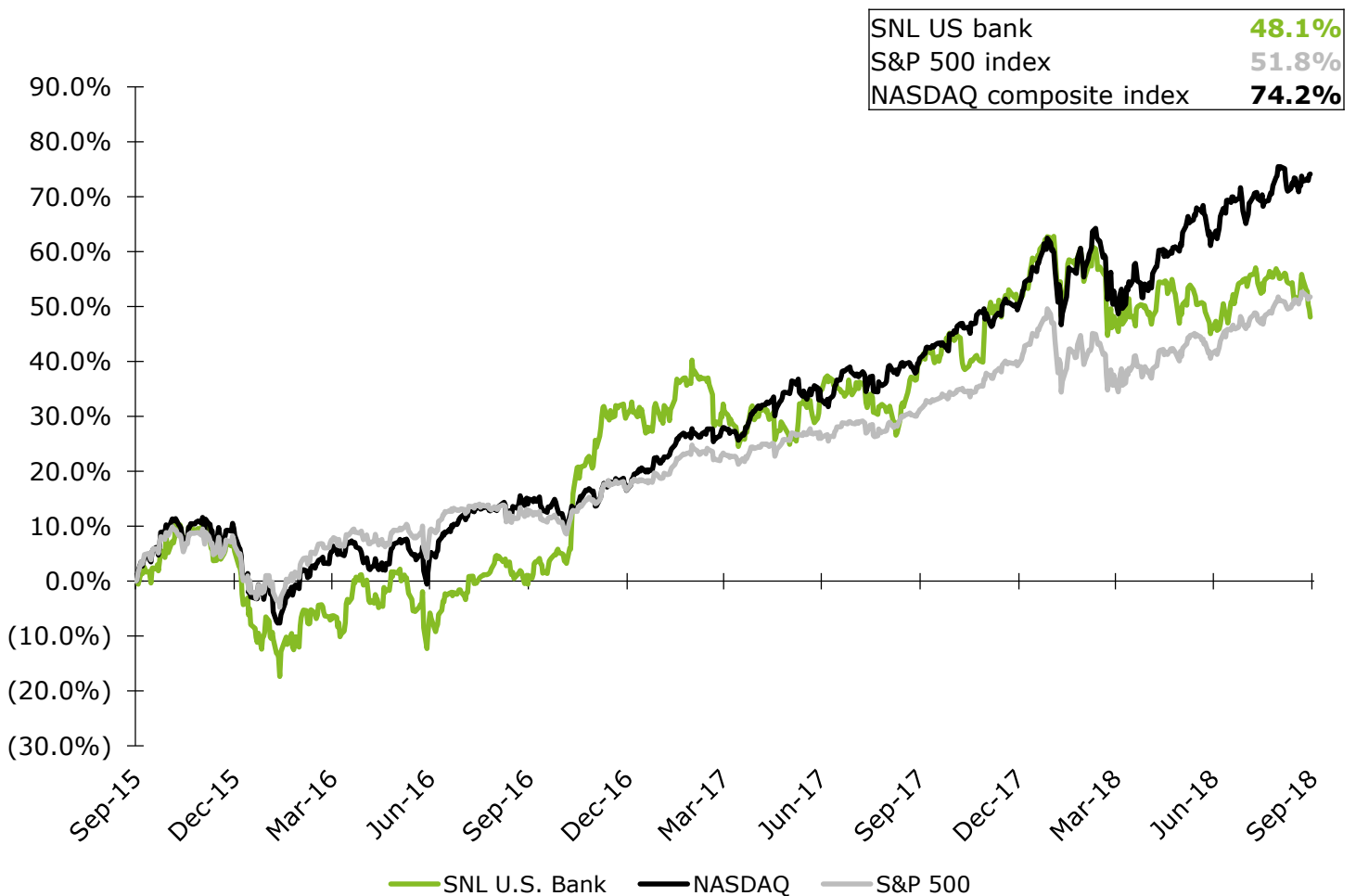
Banking sector breakdown & trading statistics¹

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	7.7 %	127.3 %	0.94 %	3.8 %	9.0 %	71.0 %	9.6 %	0.8 %
Banks (\$1B-\$10B Assets)	270	5.9	162.0	1.14	3.7	10.7	59.6	9.1	0.6
Banks (\$10B-\$50B Asset:	56	(0.4)	139.4	1.29	3.6	10.2	55.3	9.1	0.6
Banks (>\$50B Assets)	22	(1.9)	146.1	1.33	3.2	12.3	58.3	9.0	0.6
Banking Sector Index	823	0.1 %	141.0 %	1.05 %	3.7 %	10.0 %	64.4 %	9.4 %	0.7 %

Notes:

- i. As of September 30, 2018.
- ii. As of Q3 2018.

Public comparables three-year stock market performance²



Recent transactions¹

Recent bank M&A transactions*

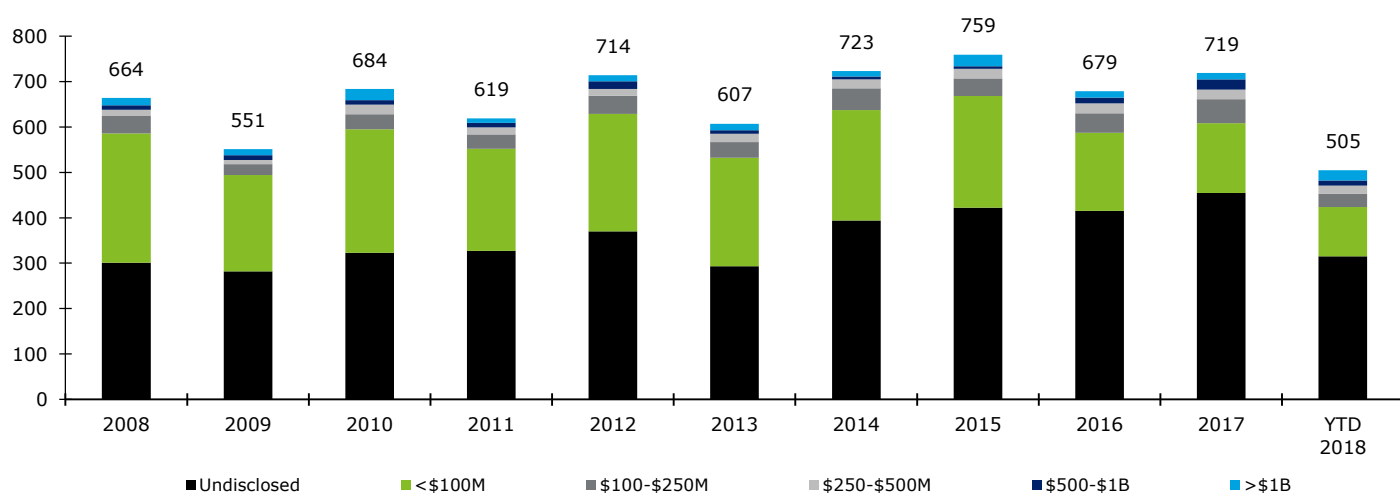
Announced date	Acquiror	Target	Price (\$M)	Price / book (%)
Sep-18	Independent Bank Corp.	Blue Hills Bancorp, Inc.	\$726.5	177.9 %
Sep-18	Park National Corporation	CAB Financial Corporation	140.3	182.6
Sep-18	PacWest Bancorp	El Dorado Savings Bank, F.S.B.	465.1	203.9
Aug-18	First Busey Corporation	Banc Ed Corp.	304.9	164.0
Aug-18	MidWestOne Financial Group, Inc.	ATBancorp	171.7	155.8
Aug-18	WSFS Financial Corporation	Beneficial Bancorp, Inc.	1,510.9	172.7
Jul-18	Banner Corporation	Skagit Bancorp, Inc.	192.4	240.5
Jul-18	Synovus Financial Corp.	FCB Financial Holdings, Inc.	2,868.1	234.4
Jul-18	Veritex Holdings, Inc.	Green Bancorp, Inc.	1,000.0	249.9

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

Recent specialty finance M&A transactions

Announced date	Acquiror	Target	Price (\$M)	Total assets (\$M)
Aug-18	General Finance Corporation	Delmarva Trailer Sales and Rentals, Inc.	\$0.5	N/A
Aug-18	Sierra Income Corporation	Medley Capital Corporation	318.8	826.1
Aug-18	Starwood Property Trust, Inc.	Energy project finance debt business	2,200.0	N/A

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	7.7 %	127.3 %	0.9 %	3.8 %	9.0 %	71.0 %	9.6 %	0.8 %
Mean	9.5 %	132.2 %	0.8 %	3.8 %	8.4 %	74.3 %	10.1 %	1.2 %
Banks (Assets \$1B-\$10B) (264)*								
Median	5.9 %	162.0 %	1.1 %	3.7 %	10.7 %	59.6 %	9.1 %	0.6 %
Mean	5.4 %	166.8 %	1.1 %	3.7 %	10.3 %	60.4 %	9.4 %	0.8 %
Banks (Assets \$10B-\$50B) (50)								
Associated Banc-Corp	2.4 %	131.2 %	1.1 %	3.0 %	9.6 %	61.9 %	7.8 %	0.9 %
Banc of California, Inc.	(8.7)	137.3	0.6	3.0	5.9	71.7	9.2	0.3
Bank of Hawaii Corporation	(8.1)	281.4	1.3	3.0	17.6	54.8	7.1	0.4
BankUnited, Inc.	(12.4)	140.0	1.2	3.6	11.7	55.4	9.7	0.6
Berkshire Hills Bancorp, Inc.	10.6	125.0	1.2	3.5	8.9	57.3	8.5	0.3
BOK Financial Corporation	5.3	173.1	1.3	3.2	13.1	60.3	9.3	0.5
Cathay General Bancorp	(2.8)	159.3	1.9	3.8	14.5	41.0	10.7	0.9
Central Bancompany, Inc.	NA	131.7	1.4	3.6	9.7	56.9	12.8	0.6
Chemical Financial Corporation	(0.3)	144.5	1.4	3.6	10.2	51.2	8.3	0.6
Columbia Banking System, Inc.	(10.8)	152.5	1.3	4.3	8.5	54.8	9.7	0.7
Commerce Bancshares, Inc.	18.0	264.2	1.8	3.5	16.2	55.2	NA	NA
Community Bank System, Inc.	13.4	182.1	1.7	3.7	10.9	56.4	8.6	0.3
Cullen/Frost Bankers, Inc.	9.7	218.5	1.4	3.6	13.6	54.6	8.8	0.4
East West Bancorp, Inc.	(1.5)	229.6	1.8	3.8	17.0	45.3	9.7	0.3
F.N.B. Corporation	(7.8)	99.7	1.1	3.5	7.6	56.0	7.1	0.5
FCB Financial Holdings, Inc.	(7.3)	205.7	1.5	3.3	12.9	40.4	9.9	NA
First BanCorp.	79.5	89.1	1.0	4.7	6.6	53.2	15.1	8.2
First Citizens BancShares, Inc.	NA	140.5	1.1	3.6	11.0	65.9	9.1	0.7
First Hawaiian, Inc.	(9.1)	161.2	1.4	3.2	11.2	47.6	7.5	0.2
First Horizon National Corporation	(14.0)	139.4	0.8	3.5	7.6	65.2	7.5	0.9
First Interstate BancSystem, Inc.	11.4	164.3	1.4	3.9	11.6	58.6	8.2	0.7
First Midwest Bancorp, Inc.	11.0	139.4	0.8	3.9	6.3	58.6	8.0	0.5
First National of Nebraska, Inc.	3.3	112.4	1.2	6.5	12.2	60.1	9.4	1.0
Fulton Financial Corporation	(7.0)	129.2	0.7	3.4	6.3	64.3	8.7	0.9
Great Western Bancorp, Inc.	5.5	136.2	1.5	4.0	10.2	45.8	9.5	1.4
Hancock Whitney Corporation	NA	135.9	1.0	3.4	9.8	57.5	7.8	1.5
Hilltop Holdings Inc.	(20.5)	109.2	1.0	3.5	7.2	86.5	12.2	0.3
Home BancShares, Inc.	(4.8)	170.1	2.1	4.5	13.5	37.0	9.4	0.5
Hope Bancorp, Inc.	(10.6)	122.7	1.3	3.6	9.9	51.4	9.9	NA
IBERIABANK Corporation	5.3	113.0	1.0	3.8	7.7	56.6	9.0	0.8
International Bancshares Corporation	14.4	150.6	1.7	3.9	11.7	52.4	13.8	0.8
MB Financial, Inc.	3.4	142.8	0.8	3.8	5.3	65.9	10.0	0.5
Old National Bancorp	10.9	128.8	1.0	3.6	8.1	61.7	8.0	0.9
PacWest Bancorp	(5.5)	128.8	1.9	5.2	9.6	41.7	9.9	0.7
People's United Financial, Inc.	(8.9)	111.3	1.0	3.1	7.5	58.8	7.9	0.7
Pinnacle Financial Partners, Inc.	(9.8)	124.8	1.5	3.6	9.2	45.4	8.9	0.4
Popular, Inc.	43.8	88.3	2.4	4.1	20.7	55.2	9.9	4.1
PrivateBancorp, Inc.	NA	238.1	1.2	3.3	11.8	54.4	9.4	0.9
Prosperity Bancshares, Inc.	(0.9)	121.3	1.4	3.3	8.3	42.9	9.7	0.1
Signature Bank	(16.8)	170.7	1.4	2.9	15.2	34.4	9.1	0.5
Simmons First National Corporation	2.9	128.5	1.4	4.0	10.0	54.3	7.9	0.7
South State Corporation	(6.1)	135.3	1.1	4.1	6.9	55.0	9.5	0.3
Sterling Bancorp	(9.8)	125.7	1.5	3.6	10.6	38.4	8.7	0.7
Synovus Financial Corp.	(5.0)	218.7	1.4	3.8	14.9	56.4	9.8	0.8
TCF Financial Corporation	NA	178.6	1.0	4.7	9.9	65.2	10.1	0.9
Texas Capital Bancshares, Inc.	(8.9)	209.2	1.2	3.9	12.3	53.0	8.4	0.3
Trustmark Corporation	5.8	139.3	1.2	3.6	10.1	65.9	9.1	0.8
UMB Financial Corporation	(1.7)	173.4	1.1	3.2	10.1	68.8	9.9	0.3
Umpqua Holdings Corporation	(0.1)	125.0	1.0	3.9	6.6	61.4	8.8	0.3
United Bankshares, Inc.	4.3	117.0	1.4	3.6	8.1	48.8	9.7	0.8
United Community Banks, Inc.	(0.4)	176.0	1.3	3.9	11.6	54.8	8.7	0.6
Valley National Bancorp	0.0	131.4	1.0	3.1	8.9	58.8	7.4	0.6
Washington Federal, Inc.	(6.6)	137.5	1.3	3.3	10.3	46.5	10.8	1.5
Webster Financial Corporation	4.5	224.0	1.2	3.6	11.9	58.1	8.3	1.1
Western Alliance Bancorporation	0.0	250.6	2.0	4.7	17.8	42.3	9.9	0.5
Wintrust Financial Corporation	3.2	164.4	1.3	3.6	11.7	61.2	8.9	0.6
Median	(0.4) %	139.4 %	1.3 %	3.6 %	10.2 %	55.3 %	9.1 %	0.6 %
Mean	1.2 %	155.0 %	1.3 %	3.7 %	10.7 %	55.1 %	9.3 %	0.9 %

*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	30.9 %	329.9 %	1.7 %	3.6 %	20.9 %	49.1 %	8.6 %	0.3 %
Zions Bancorporation, National Associatio	(1.1)	145.9	1.2	3.5	10.3	62.0	10.1	0.7
Comerica Incorporated	4.2	192.3	1.8	3.6	16.3	51.5	10.4	0.6
First Republic Bank	13.0	210.1	0.9	3.0	10.1	60.3	8.8	0.1
Huntington Bancshares Incorporated	2.2	158.7	1.4	3.3	12.5	57.4	8.9	1.2
M&T Bank Corporation	(3.9)	171.1	1.7	3.8	12.7	52.4	9.6	1.0
Regions Financial Corporation	5.6	132.5	1.2	3.5	9.6	62.3	9.0	1.0
KeyCorp	(1.4)	147.0	1.4	3.2	12.8	62.8	9.1	0.5
Northern Trust Corporation	2.7	242.4	1.3	1.5	15.3	65.4	7.1	0.1
Fifth Third Bancorp	(8.2)	130.6	1.7	3.2	14.5	57.2	10.0	0.8
Citizens Financial Group, Inc.	(9.6)	94.5	1.1	3.2	8.5	58.3	9.1	1.0
SunTrust Banks, Inc.	3.0	138.4	1.4	3.3	12.0	59.5	8.9	1.6
BB&T Corporation	(2.8)	146.2	1.5	3.4	11.1	57.2	9.2	NA
State Street Corporation	(13.4)	175.8	1.3	1.5	13.2	69.6	6.3	NA
Capital One Financial Corporation	(4.7)	96.5	2.1	6.7	15.3	49.3	10.1	0.6
Bank of New York Mellon Corporation	(5.3)	142.1	1.3	1.3	10.7	65.1	6.3	0.0
PNC Financial Services Group, Inc.	(5.8)	146.1	1.4	3.0	12.0	59.4	10.1	NA
U.S. Bancorp	(2.3)	185.1	1.5	3.1	14.1	54.1	8.9	0.7
Citigroup Inc.	(3.5)	98.4	0.9	2.8	9.3	57.8	NA	NA
Wells Fargo & Company	(14.0)	140.0	1.1	3.0	12.0	63.4	NA	NA
Bank of America Corp.	(1.5)	117.1	1.2	2.4	10.2	58.4	8.7	0.6
JPMorgan Chase & Co.	4.5	162.3	1.3	2.5	13.1	56.9	8.2	NA
Median	(1.9) %	146.1 %	1.3 %	3.2 %	12.3 %	58.3 %	9.0 %	0.6 %
Mean	(0.5) %	159.2 %	1.4 %	3.1 %	12.6 %	58.6 %	8.9 %	0.6 %

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