Financial Services Trends

Election Results Spur Bank Growth
The new Trump Administration has brought hopes of lighter regulation, higher growth, and lower taxes, which contributed to boosting bank profitability and stock prices in Q4 2016. The net income of the top 20 U.S. Banks grew 3.7% from 2015 to 2016. In contrast, uncertainty and negative interest rates in Europe have contributed to sluggish European bank growth.

Data-Quality Expectations Continue to Rise
Regulators are making it increasingly clear that banking organizations are expected to have capabilities to access and provide high-quality data. Depending on the institution, regulators are focusing on data in areas such as capital planning, liquidity management and risk-measurement techniques.

Impact of Technology Uncertain
Industry experts have mixed opinions about the impact of technology in the financial services industry. While McKinsey & Co. predicted in a report that increasing automation could reduce bank profits by $45 billion by 2020, a report by Accenture predicted that utilizing the block chain could save banks roughly $8 billion a year.

Index Funds Remain Popular
Passive investment funds that track underlying indexes continue to be in high demand, partly because they are viewed as less reactive to market volatility. As a reaction to investor demand, portfolio managers are likely to continue adding index share classes and index-tracking ETFs in 2017, even if the product demonstrate it is less profitable than others.

In the News

October 3, 2016 – Janus Capital Group Inc. announced that it will be acquired by British rival, Henderson Group PLC. The trans-Atlantic deal will create a global investment firm with over $320.0 billion of assets under management. The new company, based in London, will be called Janus Henderson Global Investors PLC. The merger comes at a time in which active money managers are facing pressure from competitors who offer increasingly popular and low-cost investment strategies.

December 14, 2016 – Simmons First National Corporation announced a $564.4 million stock acquisition of Oklahoma-based Southwest Bancorp, Inc. Southwest has 31 branches and $2.5 billion in assets. The proposed acquisition will allow Simmons to secure a foothold in Oklahoma, Colorado, Texas, and Kansas. Southwest will continue to operate as a separate entity until it is merged into Simmons Bank.

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:

• U.S. Banks
• U.S. 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.

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Macroeconomic Outlook

U.S. Gross Domestic Product

- GDP ($ in Trillions)
- YoY % Growth (Adj. for Inflation)

U.S. Treasury Yield Curve (Nominal vs. Real)

- Real Yield (%)
- Nominal Yield (%)

Banking Sector Outlook

Commercial Bank Capital Ratios & ROAE

- Tier 1 Common Capital Risk-Based Ratio
- Return on Average Equity

Number of U.S. Bank Branches

Whole Bank M&A Volume

- Number of Bank M&A Deals

Annual Transaction Price / TBV

- Median P / TBV
Banking Sector Breakdown & Trading Statistics

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of Companies</th>
<th>Price Change</th>
<th>Price / Book</th>
<th>Return on Assets</th>
<th>Net Interest Margin</th>
<th>Return on Equity</th>
<th>Efficiency Ratio</th>
<th>TE / TA</th>
<th>NPA / TA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks (&lt;$1B Assets)</td>
<td>518</td>
<td>14.9 %</td>
<td>94.4 %</td>
<td>0.81 %</td>
<td>3.6 %</td>
<td>7.7 %</td>
<td>72.1 %</td>
<td>9.9 %</td>
<td>1.1 %</td>
</tr>
<tr>
<td>Banks ($1B-$10B Assets)</td>
<td>254</td>
<td>39.8</td>
<td>128.5</td>
<td>0.99</td>
<td>3.6</td>
<td>9.1</td>
<td>60.6</td>
<td>9.1</td>
<td>0.7</td>
</tr>
<tr>
<td>Banks ($10B-$50B Assets)</td>
<td>43</td>
<td>42.7</td>
<td>121.4</td>
<td>1.01</td>
<td>3.3</td>
<td>8.4</td>
<td>60.2</td>
<td>8.8</td>
<td>0.8</td>
</tr>
<tr>
<td>Banks (&gt; $50B Assets)</td>
<td>21</td>
<td>31.9</td>
<td>114.8</td>
<td>1.02</td>
<td>2.9</td>
<td>8.6</td>
<td>61.2</td>
<td>9.4</td>
<td>0.9</td>
</tr>
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Banking Sector Index 836 24.1 % 105.2 % 0.89 % 3.6 % 8.5 % 66.2 % 9.4 % 0.9 %

Public Comparables Three-Year Stock Market Performance

<table>
<thead>
<tr>
<th></th>
<th>SNL U.S. Bank</th>
<th>S&amp;P 500 Index</th>
<th>NASDAQ Composite Index</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>22.2%</td>
<td>35.4%</td>
<td>29.9%</td>
</tr>
</tbody>
</table>

Footnotes:

i. As of December 31, 2016.
ii. As of the most recently available quarter.
Recent Transactions

Recent Bank M&A Transactions*

<table>
<thead>
<tr>
<th>Announced Date</th>
<th>Acquiror</th>
<th>Target</th>
<th>Price</th>
<th>Price / Book</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dec-16</td>
<td>Simmons First National Corporation</td>
<td>Southwest Bancorp, Inc.</td>
<td>$567.7</td>
<td>200.0%</td>
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<tr>
<td>Dec-16</td>
<td>Veritex Holdings, Inc.</td>
<td>Sovereign Bancshares, Inc.</td>
<td>176.0</td>
<td>187.5</td>
</tr>
<tr>
<td>Dec-16</td>
<td>Pacific Premier Bancorp, Inc.</td>
<td>Heritage Oaks Bancorp</td>
<td>417.6</td>
<td>191.3</td>
</tr>
<tr>
<td>Dec-16</td>
<td>Southern National Bancorp of Virginia, Inc.</td>
<td>Eastern Virginia Bankshares, Inc.</td>
<td>180.9</td>
<td>134.4</td>
</tr>
<tr>
<td>Nov-16</td>
<td>CenterState Banks, Inc.</td>
<td>Gateway Financial Holdings of Florida, Inc.</td>
<td>142.5</td>
<td>163.6</td>
</tr>
<tr>
<td>Nov-16</td>
<td>Independent Bank Group, Inc.</td>
<td>Carle Bancshares, Inc.</td>
<td>494.0</td>
<td>150.0</td>
</tr>
<tr>
<td>Nov-16</td>
<td>First Interstate BancSystem, Inc.</td>
<td>Cascade Bancorp</td>
<td>587.5</td>
<td>158.0</td>
</tr>
<tr>
<td>Oct-16</td>
<td>Access National Corporation</td>
<td>Middleburg Financial Corporation</td>
<td>245.4</td>
<td>189.8</td>
</tr>
<tr>
<td>Oct-16</td>
<td>Community Bank System, Inc.</td>
<td>Merchants Bancshares, Inc.</td>
<td>304.8</td>
<td>185.7</td>
</tr>
<tr>
<td>Oct-16</td>
<td>Enterprise Financial Services Corp</td>
<td>Jefferson County Bancshares, Inc.</td>
<td>130.8</td>
<td>134.2</td>
</tr>
<tr>
<td>Oct-16</td>
<td>First Commonwealth Financial Corporation</td>
<td>DCB Financial Corp</td>
<td>106.4</td>
<td>176.8</td>
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</table>

Recent Specialty Finance M&A Transactions

<table>
<thead>
<tr>
<th>Announced Date</th>
<th>Acquiror</th>
<th>Target</th>
<th>Price</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-16</td>
<td>Bohai Financial Investment Holding Co., Ltd.</td>
<td>C2 Aviation Capital Inc.</td>
<td>NA</td>
<td>$11,100</td>
</tr>
</tbody>
</table>

Annual Bank and Specialty Finance M&A Transaction Volume and Deal Value

*Transactions with purchase price greater than $100 million.
## Public Comparables Analysis

### Banks (Assets <$1B) ($1B)*

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Median</strong></td>
<td>14.9 %</td>
<td>94.4 %</td>
<td>0.81 %</td>
<td>3.6 %</td>
<td>7.7 %</td>
<td>72.1 %</td>
<td>9.9 %</td>
<td>1.1 %</td>
<td></td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>20.0 %</td>
<td>98.0 %</td>
<td>0.77 %</td>
<td>3.7 %</td>
<td>7.3 %</td>
<td>74.3 %</td>
<td>10.3 %</td>
<td>1.4 %</td>
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</tr>
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</table>

### Banks (Assets $1B-$10B) (254)*

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<tbody>
<tr>
<td><strong>Median</strong></td>
<td>39.8 %</td>
<td>128.5 %</td>
<td>0.99 %</td>
<td>3.6 %</td>
<td>9.1 %</td>
<td>60.6 %</td>
<td>9.1 %</td>
<td>0.7 %</td>
<td></td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>39.3 %</td>
<td>133.4 %</td>
<td>0.93 %</td>
<td>3.6 %</td>
<td>8.8 %</td>
<td>61.3 %</td>
<td>9.3 %</td>
<td>1.0 %</td>
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</table>

### Banks (Assets $10B-$50B) (43)

<table>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Median</strong></td>
<td>42.7 %</td>
<td>121.4 %</td>
<td>1.01 %</td>
<td>3.3 %</td>
<td>8.4 %</td>
<td>60.2 %</td>
<td>8.8 %</td>
<td>0.8 %</td>
<td></td>
</tr>
<tr>
<td><strong>Mean</strong></td>
<td>41.7 %</td>
<td>133.9 %</td>
<td>1.06 %</td>
<td>3.5 %</td>
<td>9.1 %</td>
<td>57.7 %</td>
<td>9.3 %</td>
<td>1.1 %</td>
<td></td>
</tr>
</tbody>
</table>

*Individual companies not broken out due to sector size.
## Appendix

### Public Comparables Analysis\(^1\)

<table>
<thead>
<tr>
<th>Company (Ticker)</th>
<th>Price (in Millions)</th>
<th>Change</th>
<th>Price / Book</th>
<th>YTD Return on Assets</th>
<th>Quarterly Net Interest Margin</th>
<th>Quarterly Return on Equity</th>
<th>Quarterly Efficiency Ratio</th>
<th>Quarterly TE / TA</th>
<th>Quarterly NPA / TA</th>
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<tbody>
<tr>
<td><strong>Banks (Assets &gt;$50B) (21)</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Republic Bank</td>
<td>43.3 %</td>
<td>246.4 %</td>
<td>1.03 %</td>
<td>3.2 %</td>
<td>10.6 %</td>
<td>54.7 %</td>
<td>9.0 %</td>
<td>0.1 %</td>
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</tr>
<tr>
<td>Zions Bancorporation</td>
<td>61.1 %</td>
<td>90.7 %</td>
<td>0.85 %</td>
<td>3.4 %</td>
<td>6.6 %</td>
<td>65.5 %</td>
<td>11.1 %</td>
<td>1.2 %</td>
<td></td>
</tr>
<tr>
<td>Huntington Bancshares Incorporated</td>
<td>23.6 %</td>
<td>114.8 %</td>
<td>0.59 %</td>
<td>3.2 %</td>
<td>5.6 %</td>
<td>59.2 %</td>
<td>8.1 %</td>
<td>1.3 %</td>
<td></td>
</tr>
<tr>
<td>Comerica Incorporated</td>
<td>64.4 %</td>
<td>153.2 %</td>
<td>0.82 %</td>
<td>2.6 %</td>
<td>8.5 %</td>
<td>60.2 %</td>
<td>9.9 %</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>KeyCorp</td>
<td>41.0 %</td>
<td>95.2 %</td>
<td>0.55 %</td>
<td>2.9 %</td>
<td>5.1 %</td>
<td>66.1 %</td>
<td>9.1 %</td>
<td>0.7 %</td>
<td></td>
</tr>
<tr>
<td>Northern Trust Corporation</td>
<td>26.2 %</td>
<td>177.0 %</td>
<td>0.91 %</td>
<td>1.2 %</td>
<td>11.2 %</td>
<td>68.2 %</td>
<td>7.5 %</td>
<td>0.2 %</td>
<td></td>
</tr>
<tr>
<td>M&amp;T Bank Corporation</td>
<td>33.2 %</td>
<td>119.1 %</td>
<td>1.12 %</td>
<td>3.1 %</td>
<td>8.6 %</td>
<td>55.8 %</td>
<td>9.5 %</td>
<td>0.9 %</td>
<td></td>
</tr>
<tr>
<td>Regions Financial Corporation</td>
<td>52.1 %</td>
<td>73.8 %</td>
<td>1.02 %</td>
<td>3.1 %</td>
<td>7.4 %</td>
<td>64.1 %</td>
<td>10.3 %</td>
<td>1.8 %</td>
<td></td>
</tr>
<tr>
<td>Citizens Financial Group, Inc.</td>
<td>38.1 %</td>
<td>64.2 %</td>
<td>0.82 %</td>
<td>2.9 %</td>
<td>5.9 %</td>
<td>64.7 %</td>
<td>9.5 %</td>
<td>1.2 %</td>
<td></td>
</tr>
<tr>
<td>Fifth Third Bancorp</td>
<td>38.0 %</td>
<td>100.1 %</td>
<td>1.46 %</td>
<td>2.9 %</td>
<td>12.2 %</td>
<td>54.9 %</td>
<td>10.2 %</td>
<td>1.2 %</td>
<td></td>
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<tr>
<td>SunTrust Banks, Inc.</td>
<td>31.9 %</td>
<td>93.9 %</td>
<td>0.94 %</td>
<td>3.0 %</td>
<td>7.8 %</td>
<td>63.2 %</td>
<td>9.1 %</td>
<td>1.7 %</td>
<td></td>
</tr>
<tr>
<td>BB&amp;T Corporation</td>
<td>28.3 %</td>
<td>113.4 %</td>
<td>1.16 %</td>
<td>3.4 %</td>
<td>8.6 %</td>
<td>58.1 %</td>
<td>9.2 %</td>
<td>0.7 %</td>
<td></td>
</tr>
<tr>
<td>State Street Corporation</td>
<td>19.3 %</td>
<td>141.6 %</td>
<td>0.97 %</td>
<td>1.1 %</td>
<td>10.2 %</td>
<td>71.0 %</td>
<td>5.8 %</td>
<td>0.0 %</td>
<td></td>
</tr>
<tr>
<td>Capital One Financial Corporation</td>
<td>23.3 %</td>
<td>79.3 %</td>
<td>1.17 %</td>
<td>6.8 %</td>
<td>8.2 %</td>
<td>50.1 %</td>
<td>10.1 %</td>
<td>1.0 %</td>
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<tr>
<td>PNC Financial Services Group, Inc.</td>
<td>25.5 %</td>
<td>135.7 %</td>
<td>1.09 %</td>
<td>2.7 %</td>
<td>9.0 %</td>
<td>61.4 %</td>
<td>10.5 %</td>
<td>NA</td>
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<tr>
<td>Bank of New York Mellon Corporation</td>
<td>18.5 %</td>
<td>116.6 %</td>
<td>1.13 %</td>
<td>1.1 %</td>
<td>10.0 %</td>
<td>65.8 %</td>
<td>5.4 %</td>
<td>0.0 %</td>
<td></td>
</tr>
<tr>
<td>U.S. Bancorp</td>
<td>23.8 %</td>
<td>173.0 %</td>
<td>1.38 %</td>
<td>3.0 %</td>
<td>12.5 %</td>
<td>53.7 %</td>
<td>8.6 %</td>
<td>0.9 %</td>
<td></td>
</tr>
<tr>
<td>Citigroup Inc.</td>
<td>16.2 %</td>
<td>63.4 %</td>
<td>0.84 %</td>
<td>3.0 %</td>
<td>6.6 %</td>
<td>59.1 %</td>
<td>11.5 %</td>
<td>0.7 %</td>
<td></td>
</tr>
<tr>
<td>Wells Fargo &amp; Company</td>
<td>4.2 %</td>
<td>156.6 %</td>
<td>1.18 %</td>
<td>2.9 %</td>
<td>10.5 %</td>
<td>61.2 %</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
<tr>
<td>Bank of America Corporation</td>
<td>34.5 %</td>
<td>91.9 %</td>
<td>1.15 %</td>
<td>2.2 %</td>
<td>6.9 %</td>
<td>65.1 %</td>
<td>NA</td>
<td>NA</td>
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</tr>
<tr>
<td>JPMorgan Chase &amp; Co.</td>
<td>35.6 %</td>
<td>134.7 %</td>
<td>1.02 %</td>
<td>2.2 %</td>
<td>10.7 %</td>
<td>58.3 %</td>
<td>NA</td>
<td>NA</td>
<td></td>
</tr>
</tbody>
</table>

| Median | 31.9 % | 114.8 % | 1.02 % | 2.9 % | 8.6 % | 61.2 % | 9.4 % | 0.5 % |
| Mean | 32.5 % | 120.7 % | 1.01 % | 2.8 % | 8.7 % | 61.0 % | 9.1 % | 0.9 % |
Sources Cited

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DCF provides deal execution and lead financial advisory services to large corporate, middle market, private equity and venture capital firms. DCF and its affiliates maintain a presence in key U.S. financial centers.

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