



Financial Services Quarterly Update

Q4 2016

Financial Services Trends

Election Results Spur Bank Growth¹

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 Rise²

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 Uncertain³

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 Popular⁴

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 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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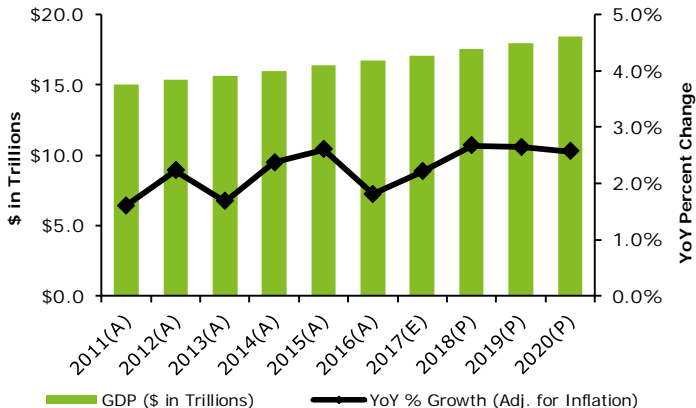
In the News

October 3, 2016⁵ – 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.

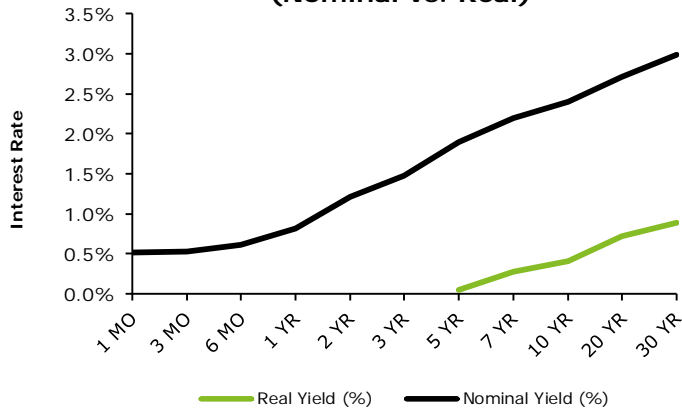
December 14, 2016⁶ – Simmons First National Corporation announced a \$564.4 million stock acquisition of Oklahoma-based Southwest Bancorp, Inc. Southwest has 31 branches and \$2.5 billion in assets. The proposed acquisition will allow Simmons to secure a foothold in Oklahoma, Colorado, Texas, and Kansas. Southwest will continue to operate as a separate entity until it is merged into Simmons Bank.

Macroeconomic Outlook

U.S. Gross Domestic Product¹

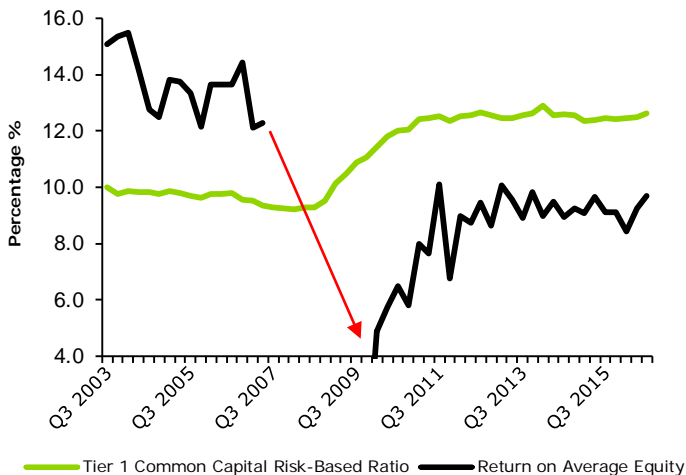


U.S. Treasury Yield Curve (Nominal vs. Real)²

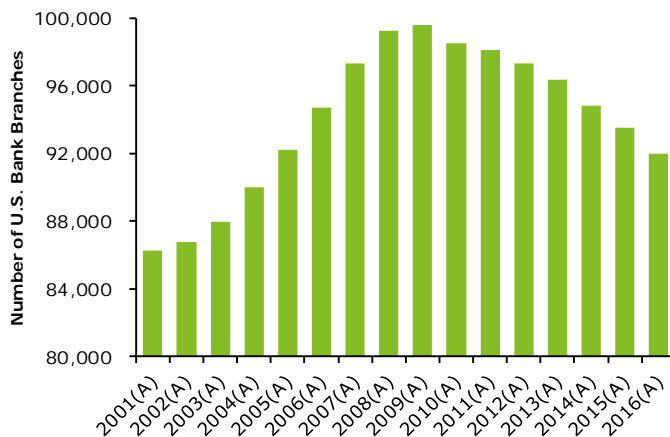


Banking Sector Outlook

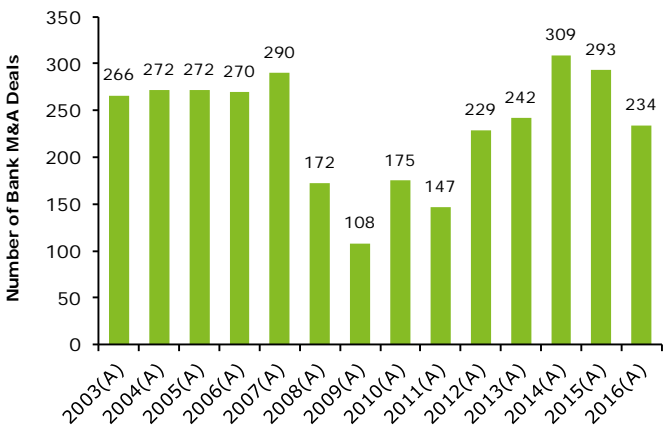
Commercial Bank Capital Ratios & ROAE³



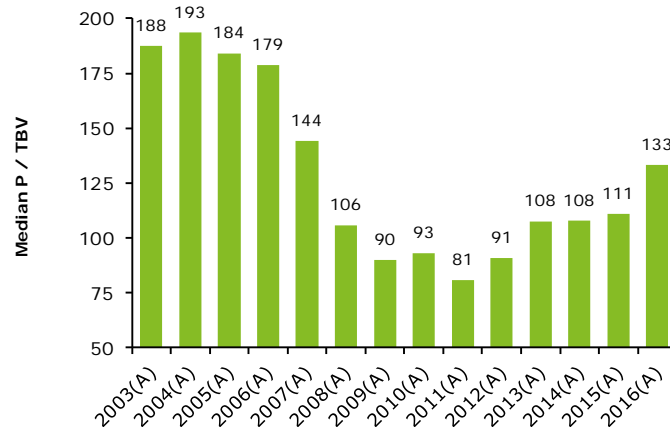
Number of U.S. Bank Branches⁴



Whole Bank M&A Volume⁵



Annual Transaction Price / TBV⁶

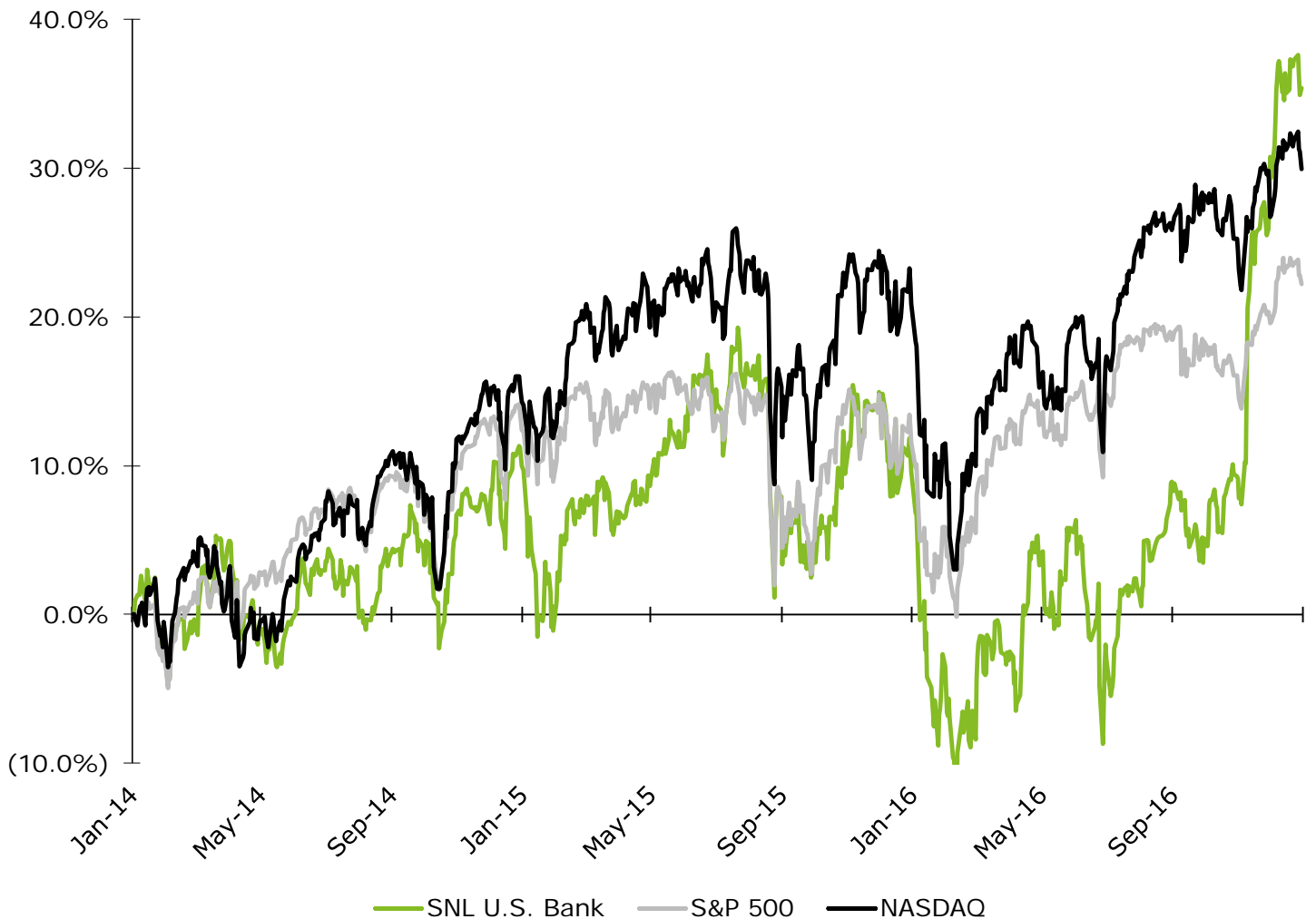


Banking Sector Breakdown & Trading Statistics¹

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)	518	14.9 %	94.4 %	0.81 %	3.6 %	7.7 %	72.1 %	9.9 %	1.1 %
Banks (\$1B-\$10B Assets)	254	39.8	128.5	0.99	3.6	9.1	60.6	9.1	0.7
Banks (\$10B-\$50B Assets)	43	42.7	121.4	1.01	3.3	8.4	60.2	8.8	0.8
Banks (>\$50B Assets)	21	31.9	114.8	1.02	2.9	8.6	61.2	9.4	0.9
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 Performance²

SNL U.S. Bank	22.2%
S&P 500 Index	35.4%
NASDAQ Composite Index	29.9%



Footnotes:

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

Recent Transactions¹

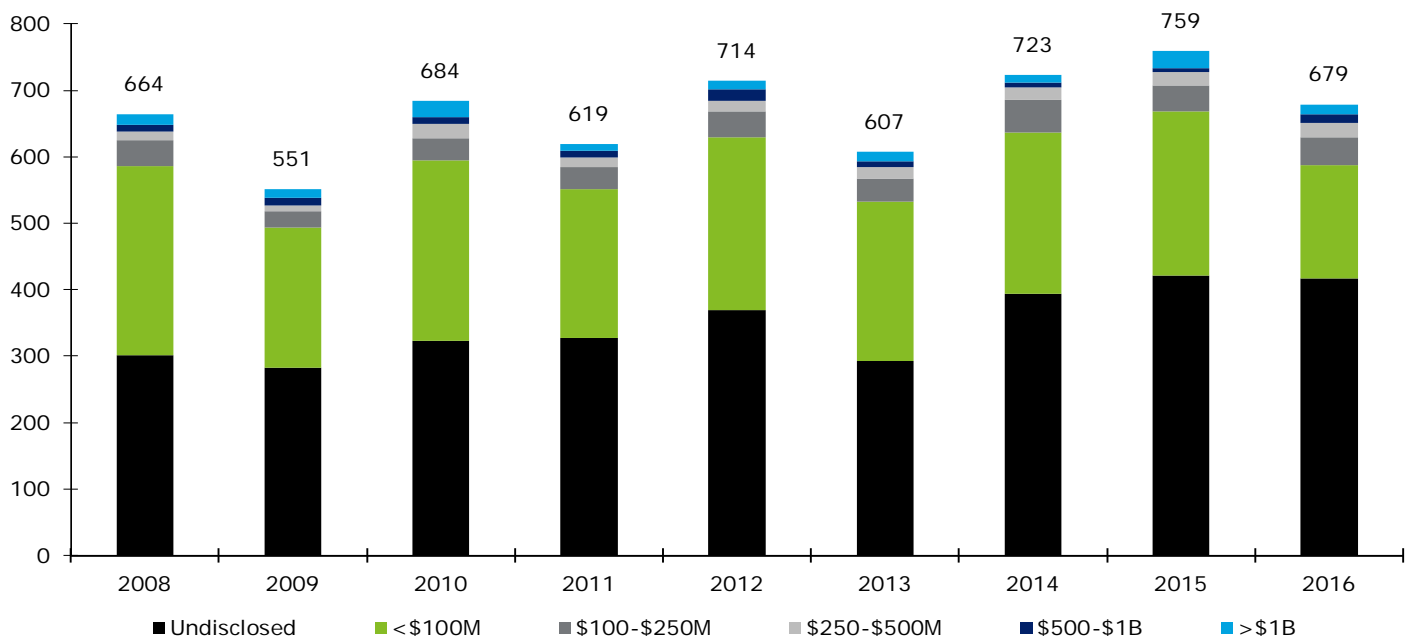
Recent Bank M&A Transactions*

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

Recent Specialty Finance M&A Transactions

Announced Date	Acquiror	Target	Price	Total Assets
Oct-16	Bohai Financial Investment Holding Co., Ltd.	C2 Aviation Capital Inc.	NA	\$11,100

Annual Bank and Specialty Finance M&A Transaction Volume and Deal Value²



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

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
(\$ in Millions)								
Banks (Assets <\$1B) (518)*								
Median	14.9 %	94.4 %	0.81 %	3.6 %	7.7 %	72.1 %	9.9 %	1.1 %
Mean	20.0 %	98.0 %	0.77 %	3.7 %	7.3 %	74.3 %	10.3 %	1.4 %
Banks (Assets \$1B-\$10B) (254)*								
Median	39.8 %	128.5 %	0.99 %	3.6 %	9.1 %	60.6 %	9.1 %	0.7 %
Mean	39.3 %	133.4 %	0.93 %	3.6 %	8.8 %	61.3 %	9.3 %	1.0 %
Banks (Assets \$10B-\$50B) (43)								
International Bancshares Corporation	64.1 %	112.4 %	1.21 %	3.2 %	8.2 %	58.3 %	12.6 %	0.8 %
Hilltop Holdings Inc.	58.6	119.9	1.68	3.7	11.6	78.5	12.8	0.3
Sterling Bancorp	48.2	129.7	1.14	3.5	8.5	45.2	7.8	0.8
Old National Bancorp	38.1	103.5	0.96	3.6	7.6	62.5	8.1	1.3
Central Banccompany, Inc.	8.3	104.8	1.45	3.4	10.7	55.3	11.7	0.8
First BanCorp.	107.2	64.1	0.79	4.2	5.4	60.0	14.6	9.3
United Bankshares, Inc.	28.8	141.9	1.17	3.6	8.1	45.1	8.5	0.9
Trustmark Corporation	57.5	121.4	0.95	3.5	8.1	66.4	9.0	0.9
Cathay General Bancorp	26.3	135.4	1.39	3.4	10.4	45.7	10.3	1.1
BancorpSouth, Inc.	33.8	126.6	1.05	3.5	8.8	68.0	9.9	0.7
Western Alliance Bancorporation	38.7	212.4	1.59	4.5	14.6	42.5	9.3	0.9
Washington Federal, Inc.	49.1	121.1	1.19	3.0	9.0	48.0	11.5	2.2
Bank of Hawaii Corporation	43.5	266.6	1.09	2.8	15.0	56.3	7.1	0.4
MB Financial, Inc.	51.6	129.9	1.03	3.7	7.7	64.2	8.2	0.6
PrivateBancorp, Inc.	36.8	194.3	1.05	3.2	10.5	49.0	9.4	0.9
F.N.B. Corporation	23.8	105.0	0.98	3.4	8.1	54.4	7.2	0.7
Fulton Financial Corporation	48.3	118.1	0.92	3.2	7.8	65.2	8.8	1.0
First National of Nebraska, Inc.	3.1	100.9	2.18	6.0	20.4	49.3	10.2	1.0
Texas Capital Bancshares, Inc.	62.7	160.4	0.79	3.1	9.9	52.3	7.7	0.8
UMB Financial Corporation	69.9	145.5	0.86	2.9	8.3	70.1	9.0	0.5
First Hawaiian, Inc.	NA	148.5	1.17	2.9	8.5	47.5	8.1	0.3
IBERIABANK Corporation	55.8	108.8	0.94	3.6	7.2	60.3	9.5	NA
TCF Financial Corporation	41.3	114.3	1.07	4.4	9.7	68.1	10.7	1.7
PacWest Bancorp	29.2	115.1	1.79	5.3	8.3	40.1	12.2	1.2
Valley National Bancorp	21.8	115.4	0.78	3.1	7.6	62.6	7.1	0.6
Prosperity Bancshares, Inc.	54.2	106.1	1.27	3.3	7.7	41.5	8.5	0.3
Hancock Holding Company	73.1	101.1	0.81	3.2	7.6	61.3	7.9	1.4
Wintrust Financial Corporation	53.5	118.6	0.85	3.3	8.0	64.6	8.7	0.6
Umpqua Holdings Corporation	21.6	84.5	1.01	4.0	6.3	60.2	9.1	0.3
BankUnited, Inc.	6.2	132.5	0.77	3.7	8.6	58.6	8.4	0.4
Commerce Bancshares, Inc.	45.8	197.7	1.14	3.1	10.8	60.6	9.8	0.3
Webster Financial Corporation	50.6	145.6	0.82	3.1	8.3	61.8	7.7	1.1
First Horizon National Corporation	41.3	202.0	0.94	3.0	8.4	71.6	8.8	NA
Associated Banc-Corp	35.1	100.9	0.74	2.8	7.1	61.9	7.5	1.3
Cullen/Frost Bankers, Inc.	52.4	149.9	1.11	3.5	10.2	56.5	8.6	0.3
Synovus Financial Corp.	30.4	179.3	0.89	3.3	9.4	61.1	9.5	1.2
First Citizens BancShares, Inc.	42.3	114.5	0.63	3.1	6.7	73.5	8.8	0.8
BOK Financial Corporation	43.0	133.8	0.91	2.6	8.9	69.1	9.3	0.8
East West Bancorp, Inc.	25.3	156.6	1.34	3.3	13.2	55.1	8.8	0.6
Signature Bank	3.4	181.6	0.82	3.2	8.6	32.1	9.4	0.7
Popular, Inc.	57.1	74.4	0.49	4.4	3.5	61.6	12.3	4.5
People's United Financial, Inc.	22.8	101.2	0.73	2.8	6.1	61.6	7.2	0.8
SVB Financial Group	47.3	160.2	1.02	2.8	12.5	54.1	8.6	0.3
Median	42.7 %	121.4 %	1.01 %	3.3 %	8.4 %	60.2 %	8.8 %	0.8 %
Mean	41.7 %	133.9 %	1.06 %	3.5 %	9.1 %	57.7 %	9.3 %	1.1 %

*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
<i>(\$ in Millions)</i>								
Banks (Assets >\$50B) (21)								
First Republic Bank	43.3 %	246.4 %	1.03 %	3.2 %	10.6 %	54.7 %	9.0 %	0.1 %
Zions Bancorporation	61.1	90.7	0.85	3.4	6.6	65.5	11.1	1.2
Huntington Bancshares Incorporated	23.6	114.8	0.59	3.2	5.6	59.2	8.1	1.3
Comerica Incorporated	64.4	153.2	0.82	2.6	8.5	60.2	9.9	NA
KeyCorp	41.0	95.2	0.55	2.9	5.1	66.1	9.1	0.7
Northern Trust Corporation	26.2	177.0	0.91	1.2	11.2	68.2	7.5	0.2
M&T Bank Corporation	33.2	119.1	1.12	3.1	8.6	55.8	9.5	0.9
Regions Financial Corporation	52.1	73.8	1.02	3.1	7.4	64.1	10.3	1.8
Citizens Financial Group, Inc.	38.1	64.2	0.82	2.9	5.9	64.7	9.5	1.2
Fifth Third Bancorp	38.0	100.1	1.46	2.9	12.2	54.9	10.2	1.2
SunTrust Banks, Inc.	31.9	93.9	0.94	3.0	7.8	63.2	9.1	1.7
BB&T Corporation	28.3	113.4	1.16	3.4	8.6	58.1	9.2	0.7
State Street Corporation	19.3	141.6	0.97	1.1	10.2	71.0	5.8	0.0
Capital One Financial Corporation	23.3	79.3	1.17	6.8	8.2	50.1	10.1	1.0
PNC Financial Services Group, Inc.	25.5	135.7	1.09	2.7	9.0	61.4	10.5	NA
Bank of New York Mellon Corporation	18.5	116.6	1.13	1.1	10.0	65.8	5.4	0.0
U.S. Bancorp	23.8	173.0	1.38	3.0	12.5	53.7	8.6	0.9
Citigroup Inc.	16.2	63.4	0.84	3.0	6.6	59.1	11.5	0.7
Wells Fargo & Company	4.2	156.6	1.18	2.9	10.5	61.2	NA	NA
Bank of America Corporation	34.5	91.9	1.15	2.2	6.9	65.1	NA	NA
JPMorgan Chase & Co.	35.6	134.7	1.02	2.2	10.7	58.3	NA	NA
Median	31.9 %	114.8 %	1.02 %	2.9 %	8.6 %	61.2 %	9.4 %	0.9 %
Mean	32.5 %	120.7 %	1.01 %	2.8 %	8.7 %	61.0 %	9.1 %	0.9 %

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