



Financial Services Quarterly Update

Q2 2017

Financial Services Trends

Cryptocurrency Growth¹

Cryptocurrencies, a form of encrypted digital payment, are experiencing tremendous growth. The cryptocurrency market cap grew 687% to \$100 billion from July 1, 2016 to July 1, 2017. Additionally, an IBM report published in August 2016 indicates that 15% of surveyed global banks will implement blockchain technology, a system used for cryptocurrency payments, by the end of 2017.

Analytics on the Rise²

Accenture reports that 35% of banking revenues will be at risk by 2020 due to technological disruptions in the financial sector. Analytics can assist with boosting traditional P&L levers, finding new sources of growth, and delivering digital banking capabilities. The Big Data and Business Analytics market is expected to grow at an 11.7% CAGR through 2020.



Artificial Intelligence and Machine Learning³

Artificial intelligence is becoming commonplace in the banking sector. Banks are using products like chatbots, algorithmic trading, robo-advisors, and cognitive computing to assist in their business operations and optimize their customer satisfaction. Global spending on AI will see significant corporate investment over the coming years, experiencing a 54.4% CAGR through 2020.

M&A Pricing Increases⁴

Valuation for bank M&A has increased in the wake of the U.S. presidential election. As of June 19, average deal value was 31% higher than the average in mid-2016. Moreover, the average price to tangible book value metric increased from 129% to 166%. While pricing has increased for bank M&A, deal volume in the sector has decreased 8.3% since 2016.

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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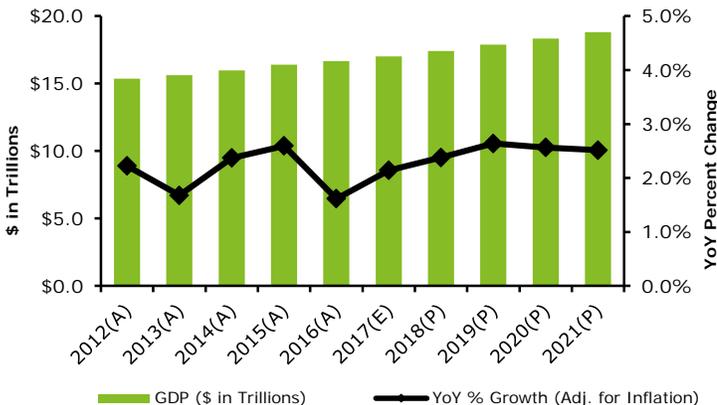
In the News

May 4, 2017⁵ – First Horizon National Corporation (“First Horizon”) announced it would purchase Capital Bank Financial Corporation (“Capital Bank”) for \$2.2 billion. The acquisition of Capital Bank allows First Horizon to boost its presence in the fast-growing southeastern U.S. market. First Horizon will finance the transaction using 80% stock and 20% cash.

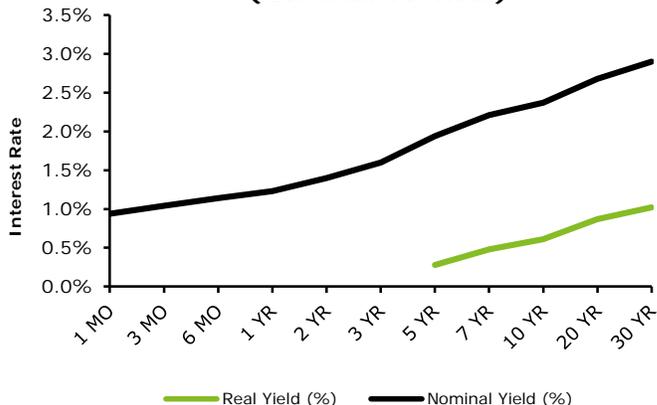
April 6, 2017⁶ – PacWest Bancorp announced plans to acquire CU Bancorp for \$705 million in a cash and stock deal. This value represents \$39.45 per CU Bancorp share, based on its April 5, 2017 closing price of \$51.72. CU Bancorp is headquartered in California and has approximately \$3.0 billion in assets. The combined company was estimated to have \$25.0 billion in assets and 87 branches as of December 31, 2016.

Macroeconomic Outlook

U.S. Gross Domestic Product¹

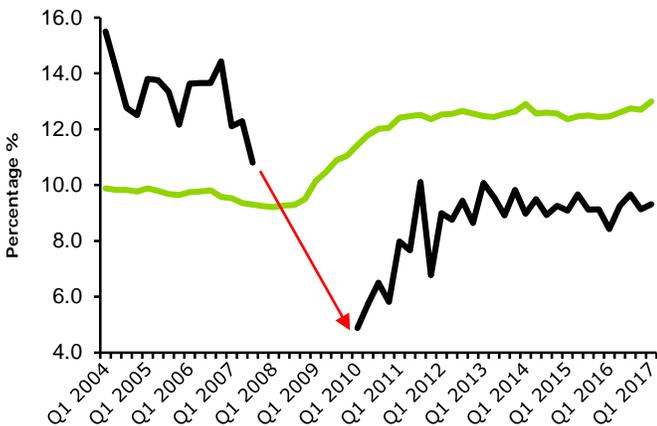


U.S. Treasury Yield Curve (Nominal vs. Real)²

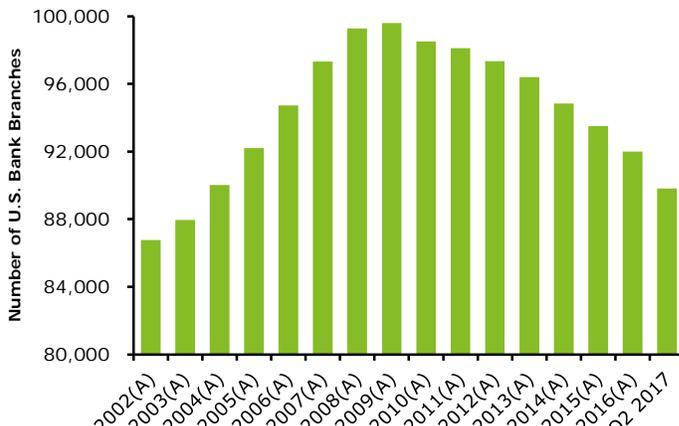


Banking Sector Outlook

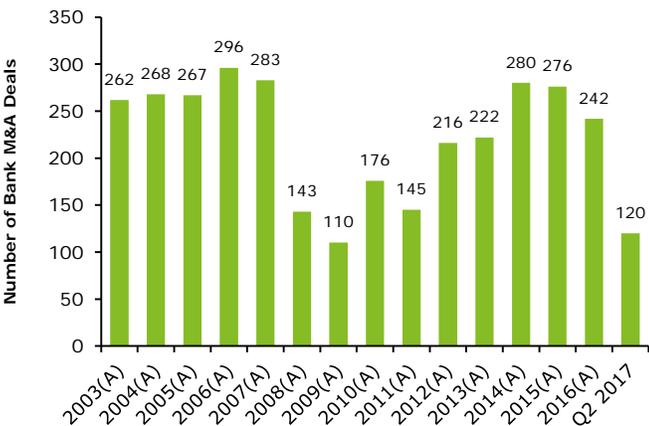
Commercial Bank Capital Ratios & ROAE³



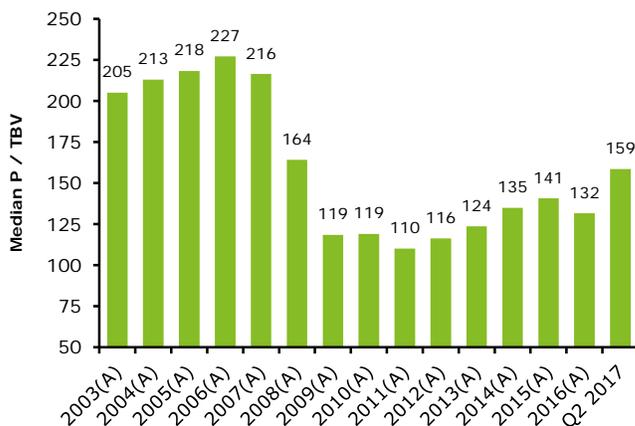
Number of U.S. Bank Branches⁴



Whole Bank M&A Volume⁵



Annual Transaction Price / TBV⁶

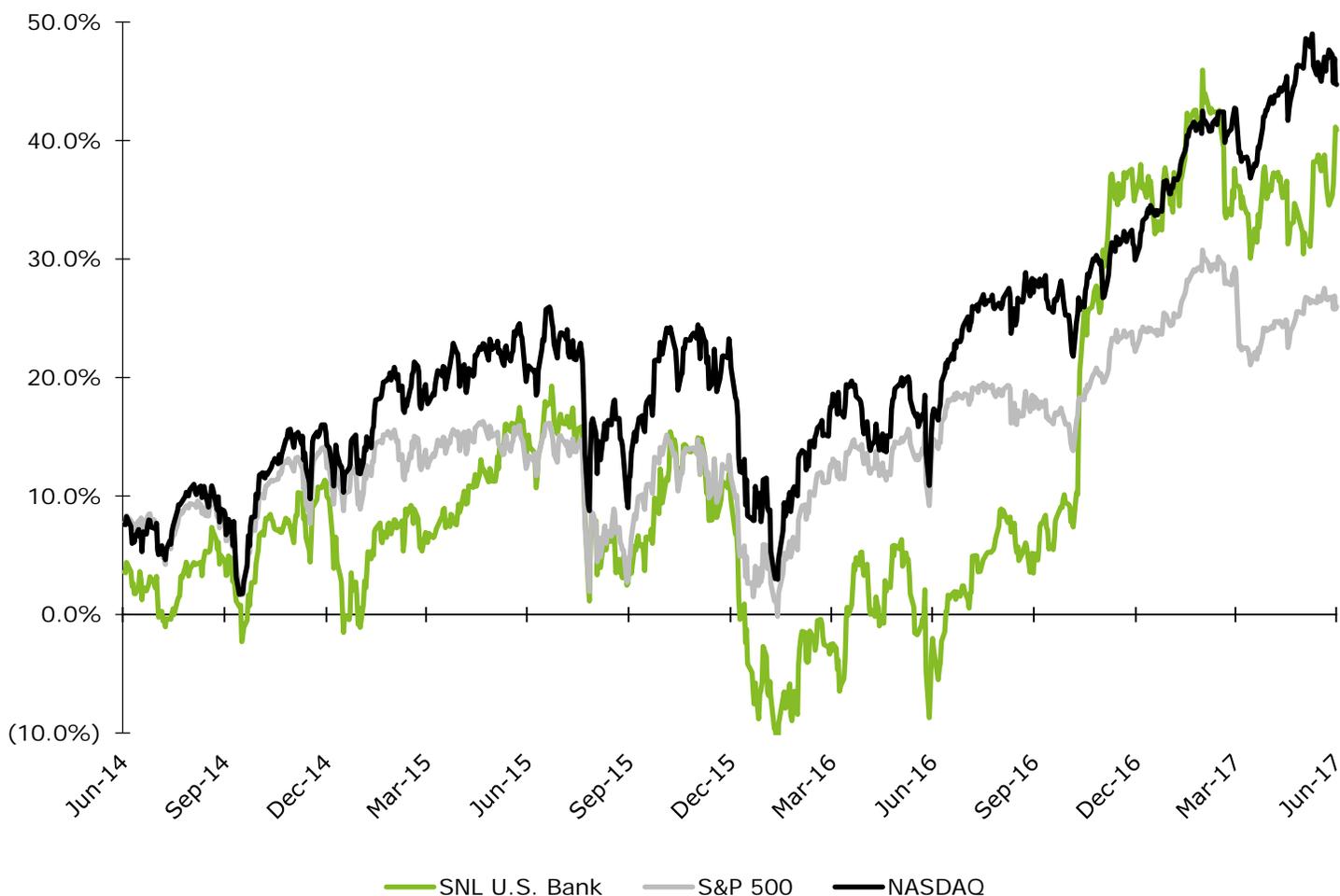


Banking Sector Breakdown & Trading Statistics¹

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	9.2 %	110.6 %	0.74 %	3.6 %	7.3 %	72.7 %	9.6 %	1.0 %
Banks (\$1B-\$10B Assets)	254	0.4	158.9	0.96	3.5	8.9	61.6	9.0	0.7
Banks (\$10B-\$50B Assets)	43	(2.3)	144.4	0.94	3.3	8.4	61.2	8.9	0.8
Banks (>\$50B Assets)	21	2.6	138.0	0.95	3.0	8.6	61.4	9.0	0.9
Banking Sector Index	836	5.7 %	126.0 %	0.84 %	3.5 %	8.1 %	67.1 %	9.3 %	0.8 %

Public Comparables Three-Year Stock Market Performance²

SNL U.S. Bank	36.2%
S&P 500 Index	29.0%
NASDAQ Composite Index	42.7%



Footnotes:

- i. As of June 30, 2017.
- ii. As of the most recently available quarter.

Recent Transactions¹

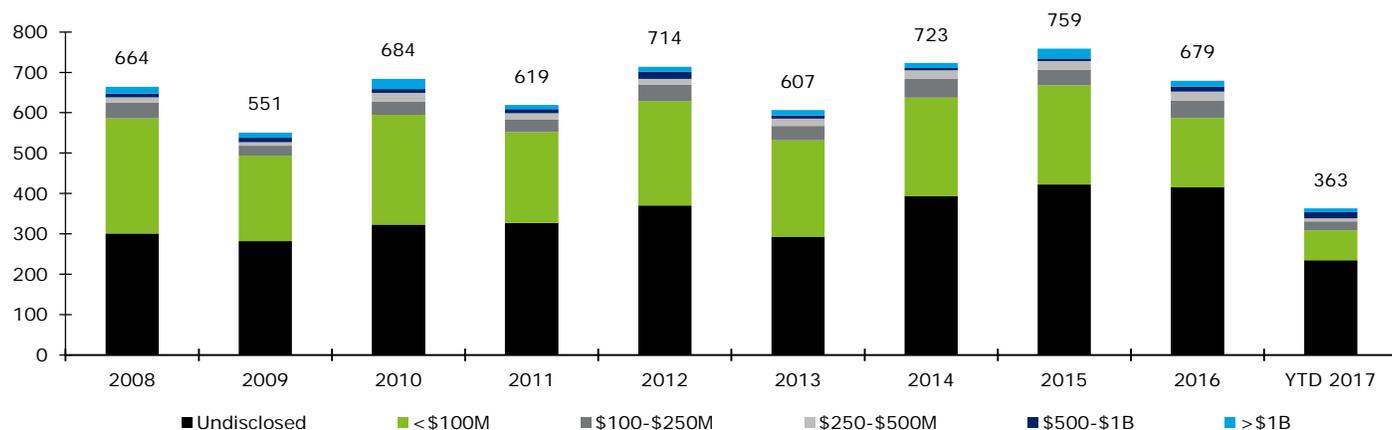
Recent Bank M&A Transactions*

Announced Date	Acquiror	Target	Price (\$M)	Price / Book (%)
Jun-17	OceanFirst Financial Corp.	Sun Bancorp, Inc.	\$488.1	149.2 %
Jun-17	United Community Banks, Inc.	Four Oaks Fincorp, Inc.	124.6	178.8
Jun-17	National Bank Holdings Corporation	Peoples, Inc.	143.6	173.0
Jun-17	State Bank Financial Corporation	AloStar Bank of Commerce	196.0	101.4
Jun-17	Carolina Financial Corporation	First South Bancorp, Inc.	161.6	179.8
Jun-17	Southside Bancshares, Inc.	Diboll State Bancshares, Inc.	222.3	221.6
May-17	Berkshire Hills Bancorp, Inc.	Commerce Bancshares Corp.	209.2	128.6
May-17	Union Bankshares Corporation	Xenith Bankshares, Inc.	701.0	146.1
May-17	Sandy Spring Bancorp, Inc.	WashingtonFirst Bankshares, Inc.	501.1	244.2
May-17	First Horizon National Corporation	Capital Bank Financial Corp.	2,185.5	162.2
Apr-17	South State Corporation	Park Sterling Corporation	692.4	188.9
Apr-17	TowneBank	Paragon Commercial Corporation	324.0	237.3
Apr-17	PacWest Bancorp	CU Bancorp	706.3	213.5

Recent Specialty Finance M&A Transactions

Announced Date	Acquiror	Target	Price (\$M)	Total Assets (\$M)
Jun-17	Blackstone Group L.P.	Primary Capital Mortgage, LLC	2.2	NA
Jun-17	ECN Capital Corp.	Service Finance Holdings, LLC	304.0	NA
Jun-17	VTG Aktiengesellschaft	Nacco, A CIT Company	780.0	NA
Jun-17	Woori Bank	AJU Capital Co., Ltd.	309.5	NA
May-17	Laurentian Bank of Canada	NCF Holdings LLC	257.4	NA
May-17	TCG BDC, Inc.	NF Investment Corp.	NA	274.0

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
Banks (Assets <\$1B) (518)*								
Median	9.2 %	110.6 %	0.74 %	3.6 %	7.3 %	72.7 %	9.6 %	1.0 %
Mean	13.6 %	115.6 %	0.72 %	3.7 %	6.5 %	75.2 %	10.1 %	1.3 %
Banks (Assets \$1B-\$10B) (254)*								
Median	0.4 %	158.9 %	0.96 %	3.5 %	8.9 %	61.6 %	9.0 %	0.7 %
Mean	2.4 %	162.9 %	0.92 %	3.6 %	8.9 %	62.0 %	9.3 %	0.9 %
Banks (Assets \$10B-\$50B) (43)								
Associated Banc-Corp	1.0 %	125.7 %	0.78 %	2.8 %	7.2 %	64.3 %	7.7 %	1.2 %
BancorpSouth, Inc.	(2.1)	164.1	1.03	3.4	8.8	67.0	9.5	0.6
Bank of Hawaii Corporation	(6.4)	295.0	1.25	2.9	17.4	56.5	7.0	0.4
BankUnited, Inc.	(10.5)	157.4	0.90	3.7	9.9	58.6	8.8	NA
BOK Financial Corporation	2.8	153.2	1.07	2.8	10.7	63.7	9.0	0.7
Cathay General Bancorp	(0.6)	161.9	1.40	3.4	10.6	43.3	10.7	1.1
Central Bancompany, Inc.	6.0	108.2	1.04	3.3	7.8	58.8	11.4	0.8
Commerce Bancshares, Inc.	(1.4)	236.9	1.14	3.1	11.3	61.3	9.6	0.2
Cullen/Frost Bankers, Inc.	7.6	192.6	1.13	3.6	11.1	55.8	8.2	0.4
East West Bancorp, Inc.	15.4	209.1	1.94	3.3	19.4	47.8	8.8	0.6
F.N.B. Corporation	(11.5)	113.0	0.38	3.3	3.1	57.2	7.2	0.6
First BanCorp.	(14.0)	69.1	0.86	4.5	5.7	56.2	15.1	8.5
First Citizens BancShares, Inc.	5.0	129.9	0.81	3.2	8.8	70.1	8.6	0.7
First Hawaiian, Inc.	(11.7)	166.6	1.18	3.0	9.1	47.3	8.0	0.3
First Horizon National Corporation	(12.9)	184.2	0.77	2.9	8.6	71.4	8.6	1.3
First National of Nebraska, Inc.	6.8	115.6	0.80	6.1	7.4	61.3	9.9	1.0
Fulton Financial Corporation	0.5	144.4	0.91	3.2	8.1	64.8	8.7	1.0
Hancock Holding Company	11.0	139.3	0.79	3.3	7.2	61.2	7.9	1.3
Hilltop Holdings Inc.	(12.8)	143.3	0.87	3.5	5.6	87.4	13.2	0.3
IBERIABANK Corporation	(2.1)	121.2	0.92	3.5	6.5	61.9	12.7	1.4
International Bancshares Corporation	(14.1)	133.7	1.08	3.3	7.4	59.9	12.6	0.7
MB Financial, Inc.	(7.1)	143.5	1.15	3.7	8.4	63.1	8.6	0.5
Old National Bancorp	(4.7)	127.3	0.98	3.5	7.9	63.7	8.2	1.0
PacWest Bancorp	(15.3)	143.4	1.45	5.1	7.0	42.3	11.7	1.1
People's United Financial, Inc.	(8.4)	116.7	0.70	2.8	5.5	63.8	8.0	0.8
Popular, Inc.	(4.6)	80.8	0.94	4.3	7.0	60.1	11.4	4.5
PrivateBancorp, Inc.	(18.4)	238.1	1.15	3.3	11.8	54.4	9.4	0.9
Prosperity Bancshares, Inc.	(10.7)	131.3	1.23	3.2	7.5	41.1	8.5	0.2
Signature Bank	(3.6)	216.7	1.35	3.1	14.5	33.1	9.3	0.9
Sterling Bancorp	(0.6)	170.2	1.11	3.5	8.4	42.4	8.1	0.7
SVB Financial Group	2.1	259.2	0.90	2.8	11.2	57.9	8.4	0.3
Synovus Financial Corp.	7.4	176.9	0.94	3.3	9.8	61.5	9.5	1.2
TCF Financial Corporation	(35.5)	132.2	0.85	4.4	7.9	74.2	10.5	1.4
Texas Capital Bancshares, Inc.	(1.1)	217.6	0.82	3.2	8.3	58.1	9.7	0.8
Trustmark Corporation	(9.9)	140.0	0.94	3.4	8.2	66.5	8.8	0.9
UMB Financial Corporation	(2.3)	186.7	0.87	3.0	8.9	70.1	8.6	0.4
Umpqua Holdings Corporation	(2.3)	99.4	0.74	3.8	4.7	66.9	9.2	0.3
United Bankshares, Inc.	(15.0)	152.2	1.08	3.4	6.9	47.2	9.9	1.0
Valley National Bancorp	1.1	136.1	0.80	3.1	7.7	64.1	7.5	0.6
Washington Federal, Inc.	(3.5)	146.9	1.13	3.1	8.4	48.4	11.7	2.0
Webster Financial Corporation	(3.4)	188.8	0.91	3.2	9.3	62.7	7.8	1.2
Western Alliance Bancorporation	(0.3)	262.8	1.68	4.6	15.1	43.8	9.4	0.7
Wintrust Financial Corporation	5.7	144.4	0.92	3.3	8.5	62.9	8.9	0.5
Median	(2.3) %	144.4 %	0.94 %	3.3 %	8.4 %	61.2 %	8.9 %	0.8 %
Mean	(4.1) %	159.9 %	1.02 %	3.5 %	8.9 %	58.7 %	9.4 %	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
Banks (Assets >\$50B) (21)								
First Republic Bank	8.1 %	239.7 %	0.96 %	3.1 %	10.2 %	57.3 %	8.9 %	0.1 %
Zions Bancorporation	1.7	121.2	0.87	3.3	7.2	65.9	10.4	1.2
Huntington Bancshares Incorporated	1.5	155.4	0.83	3.3	8.0	58.3	8.2	1.3
Comerica Incorporated	6.2	153.4	1.12	2.8	10.3	60.9	10.1	0.9
KeyCorp	2.6	139.9	0.96	3.1	8.6	61.4	9.3	0.6
Northern Trust Corporation	8.4	218.5	0.95	1.3	11.3	69.0	7.8	0.2
M&T Bank Corporation	3.3	158.8	1.14	3.3	8.6	56.8	9.7	1.0
Regions Financial Corporation	1.5	110.1	0.96	3.2	7.2	62.2	9.8	1.7
Citizens Financial Group, Inc.	(0.5)	89.8	0.86	2.9	6.5	63.5	9.0	1.2
Fifth Third Bancorp	(4.0)	126.2	0.87	3.0	7.4	67.1	10.2	1.1
SunTrust Banks, Inc.	2.2	121.2	0.91	3.1	7.9	65.3	8.6	1.7
BB&T Corporation	(3.3)	134.7	0.77	3.4	5.7	58.1	9.3	0.7
State Street Corporation	13.2	165.6	0.92	1.2	9.3	73.7	6.0	0.0
Capital One Financial Corporation	(7.0)	95.8	0.92	6.9	6.7	50.8	10.0	0.9
PNC Financial Services Group, Inc.	5.8	139.6	1.15	2.8	9.2	60.5	10.1	0.9
Bank of New York Mellon Corporation	6.4	138.0	1.10	1.1	9.5	67.8	5.9	0.0
U.S. Bancorp	0.9	205.6	1.33	3.0	12.2	54.8	8.7	0.9
Citigroup Inc.	10.4	78.8	0.89	2.8	7.2	58.5	11.3	0.6
Wells Fargo & Company	(1.1)	155.9	1.13	2.8	11.0	62.6	9.0	1.2
Bank of America Corporation	7.7	96.9	0.87	2.4	7.2	66.2	9.0	0.7
JPMorgan Chase & Co.	4.8	135.8	1.02	2.3	10.2	60.1	8.3	0.5
Median	2.6 %	138.0 %	0.95 %	3.0 %	8.6 %	61.4 %	9.0 %	0.9 %
Mean	3.3 %	142.0 %	0.98 %	2.9 %	8.6 %	61.9 %	9.0 %	0.8 %

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