

Sheshunoff & Co

INVESTMENT BANKING



American State Bank & Trust Company

has agreed to buy

Rose Hill Bank

June 2011



Eagle Bank

has agreed to sell to

Round Top State Bank

May 2011



Cameron State Bank

has agreed to sell to

IBERIABANK

March 2011



The Leader in Community Bank Mergers and Acquisitions

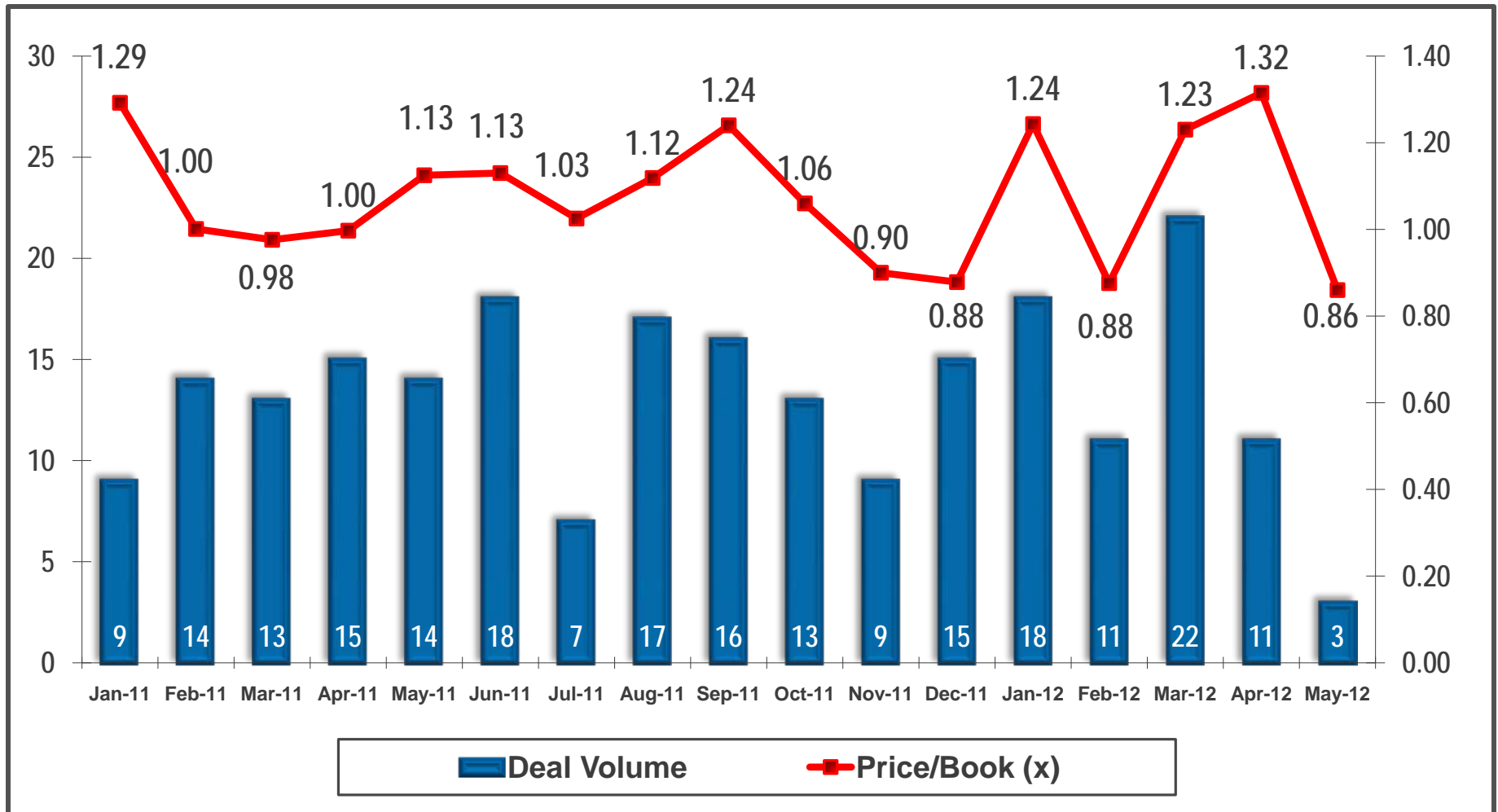
M&A and Industry Update

May 2012

M&A Update

National Bank and Thrift Acquisition Pricing

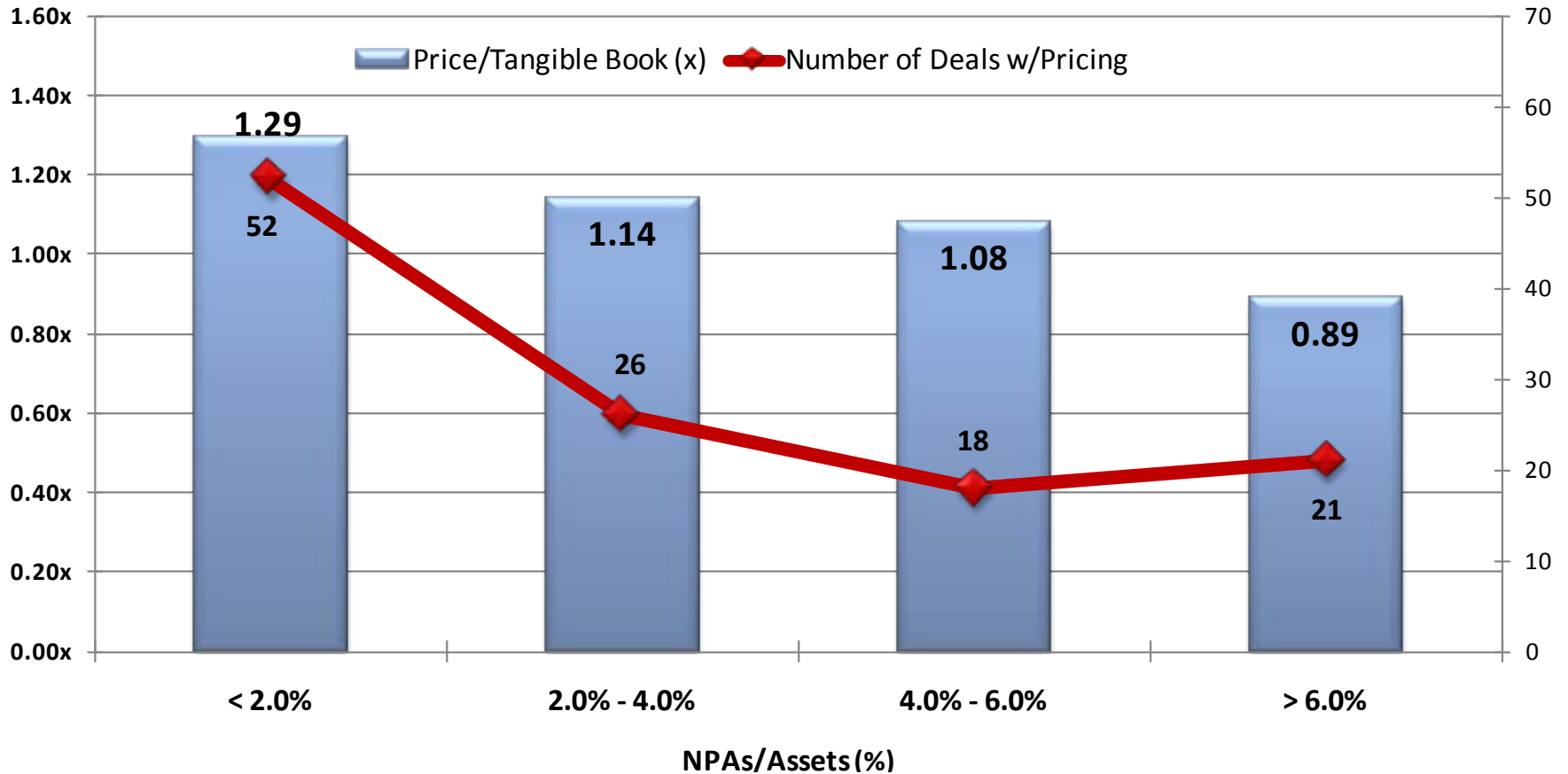
Deal Volume & Price / Book



Data as of May 4, 2012

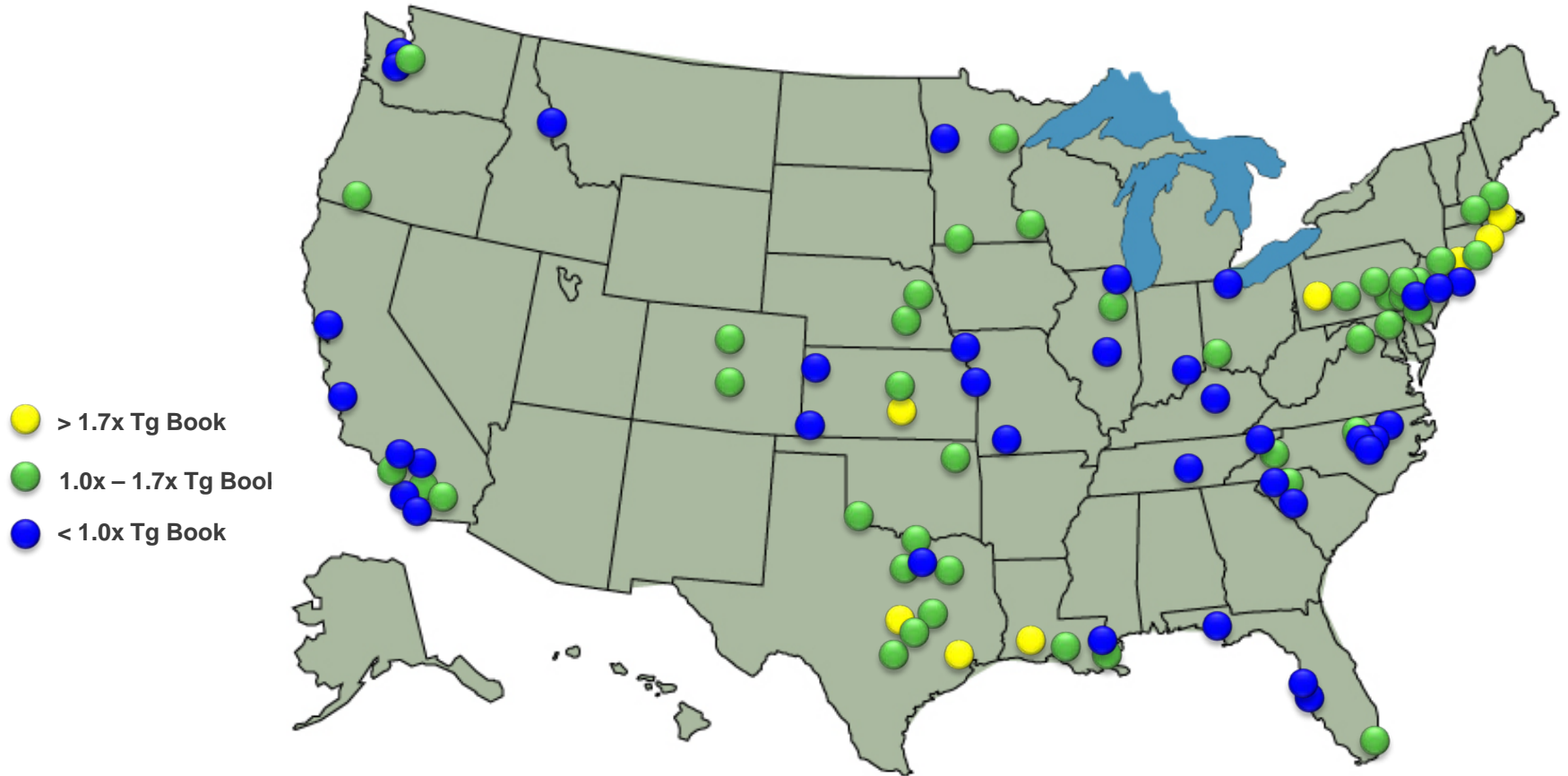
Price to Tangible Book by Asset Quality

Bank & Thrift Transactions Since January 1, 2011 (Excludes Recaps)



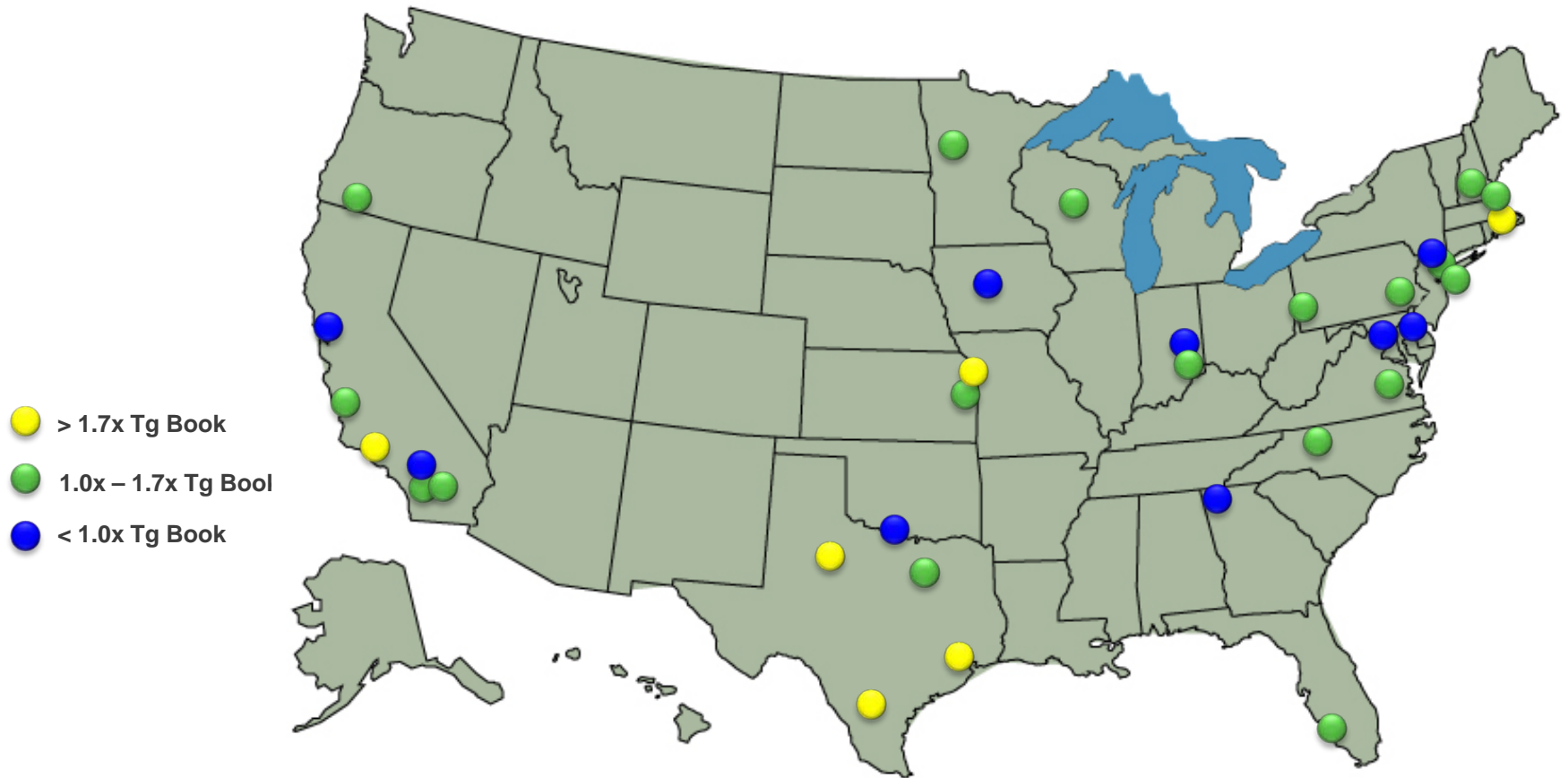
Data as of May 4, 2012

2011 Bank & Thrift Deal Activity Map



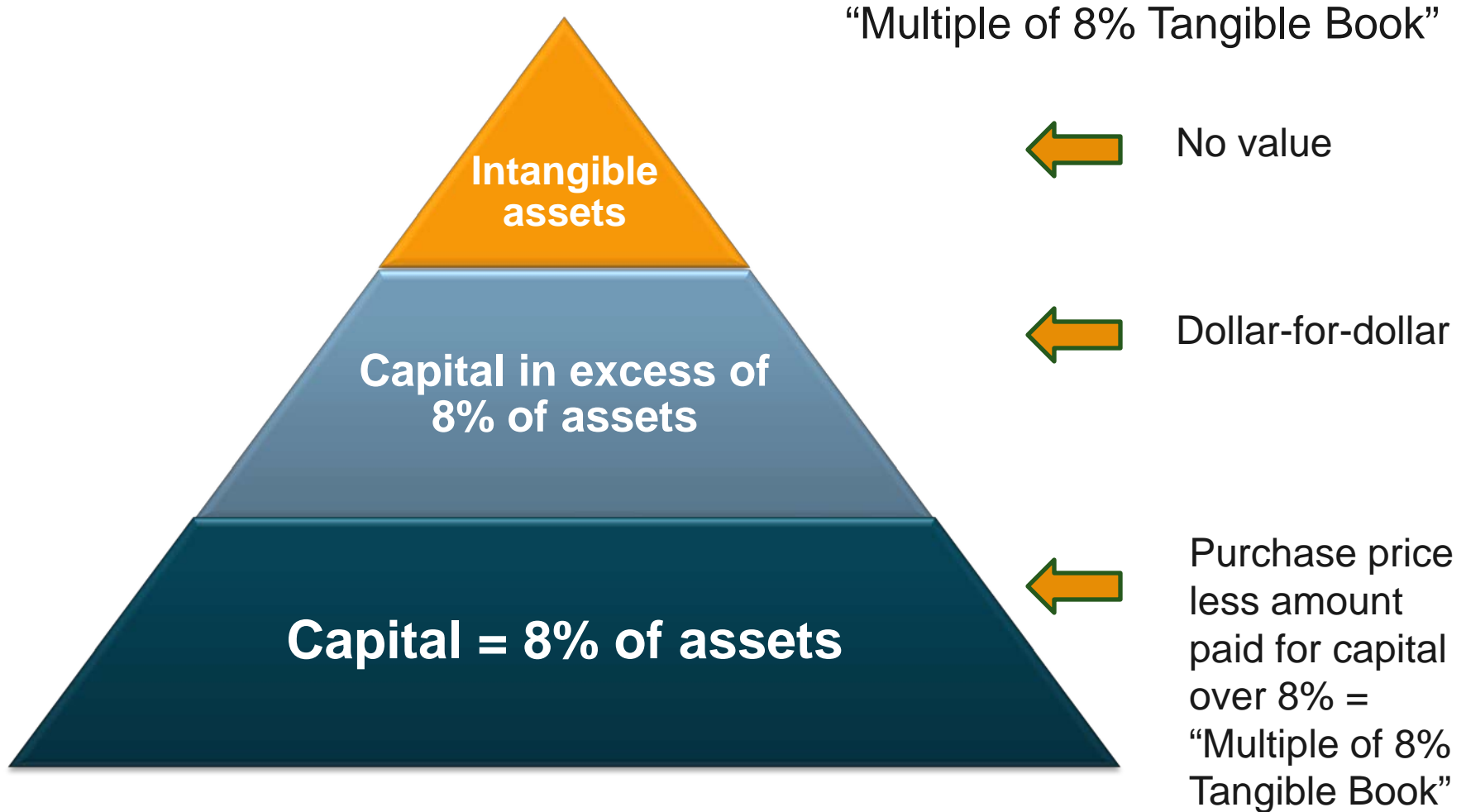
Note: Deals without pricing are not included on map

2012 Bank & Thrift Deal Activity Map



Note: Deals without pricing are not included on map
As of May 4, 2012

How are Prices for Banks Reported?



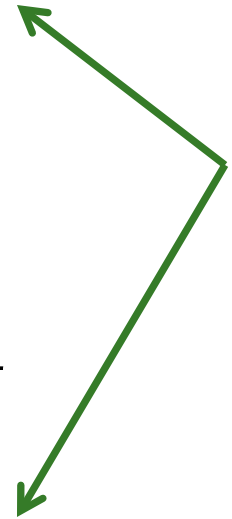
Multiple of 8% Book - Example

Multiple of Book

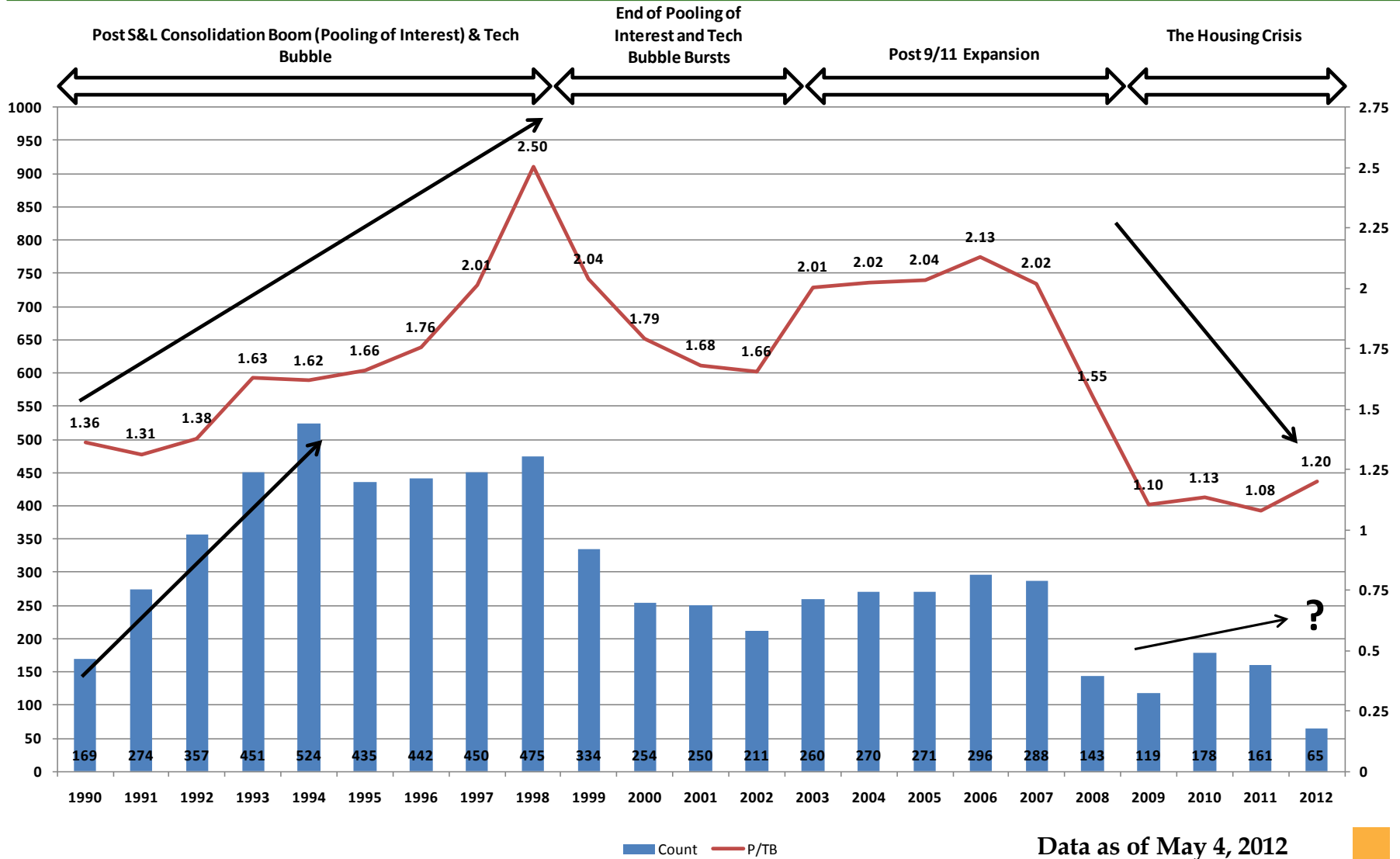
Total assets	200,000	Purchase price:	\$ 33,200
Equity capital	22,000	Multiple of book:	1.51
Equity to assets	11.0%		

Multiple of 8% Book

Total assets	200,000	Purchase price	\$ 33,200
	8.00%	Less: excess capital	<u>(6,000)</u>
Equity at 8%	<u>16,000</u>	Adjusted purchase price	\$ 27,200
"Excess capital"	<u>6,000</u>	Equity at 8%	16,000
Total capital	<u><u>22,000</u></u>	Multiple of 8% book	1.70



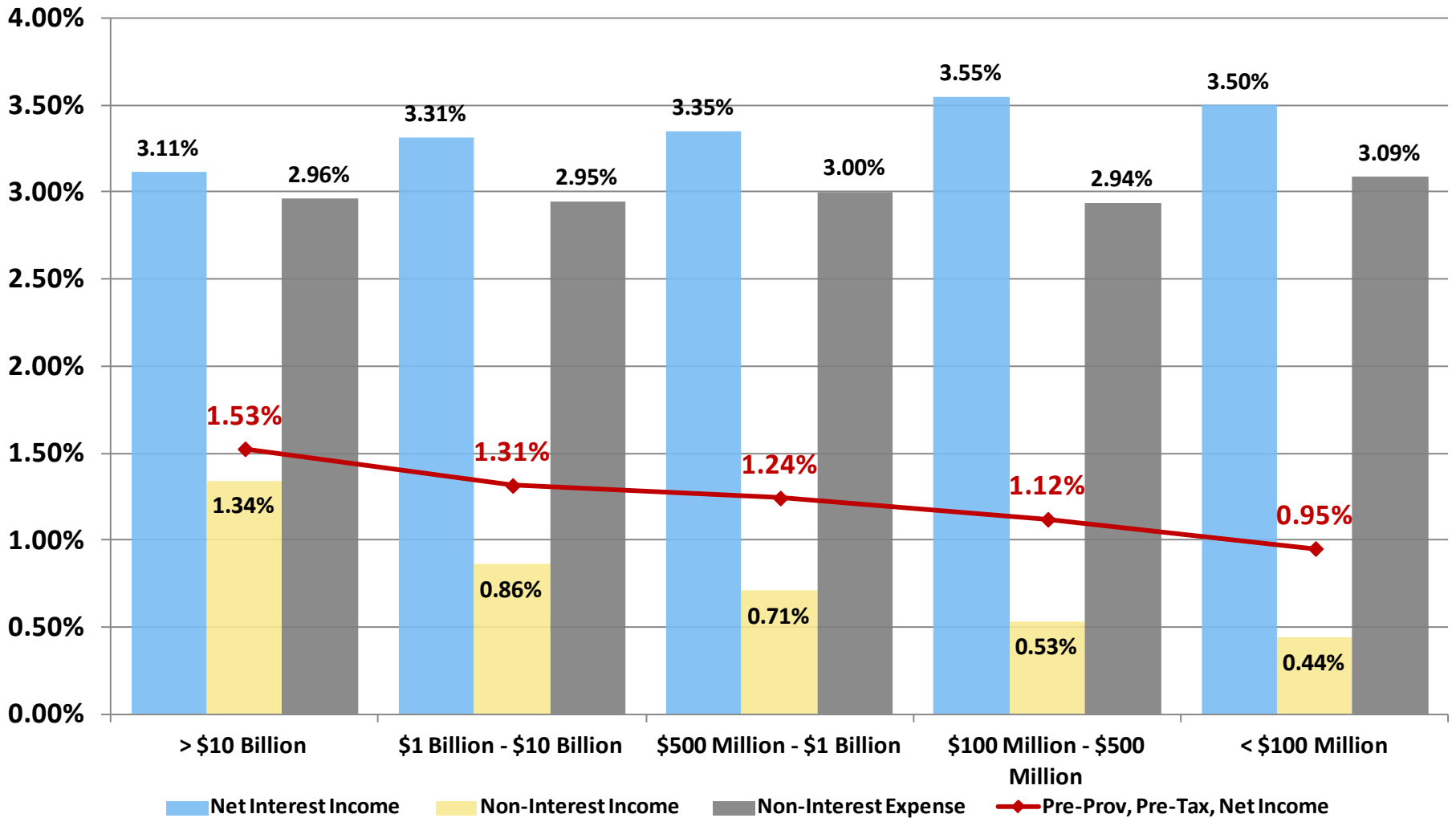
Recent M&A Cycles



Industry Update

Comparison of Earnings Components

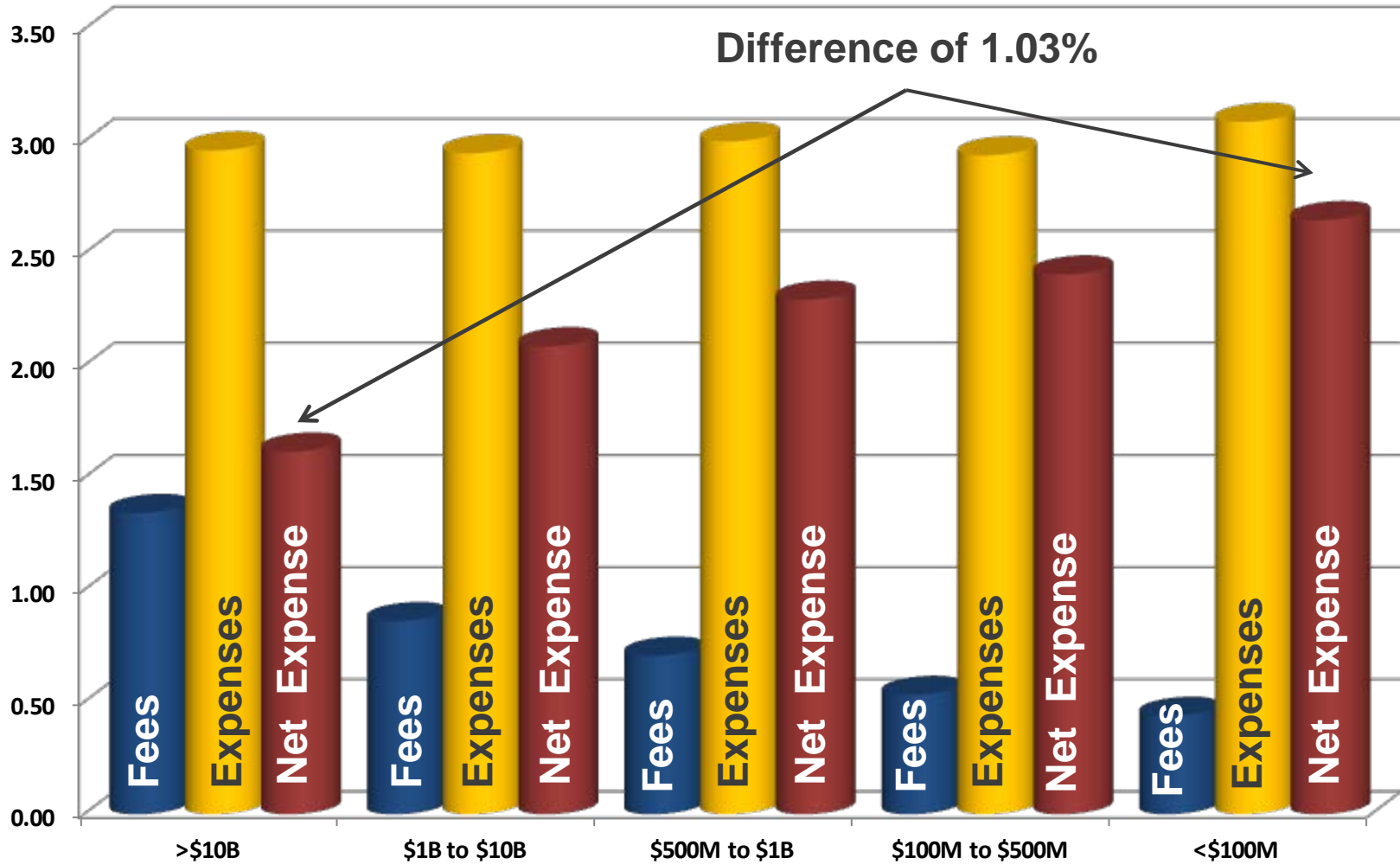
(% of average assets)



Median Bank Level Data, % of Average Assets, LTM March 31, 2012

Net Noninterest Expense by Size

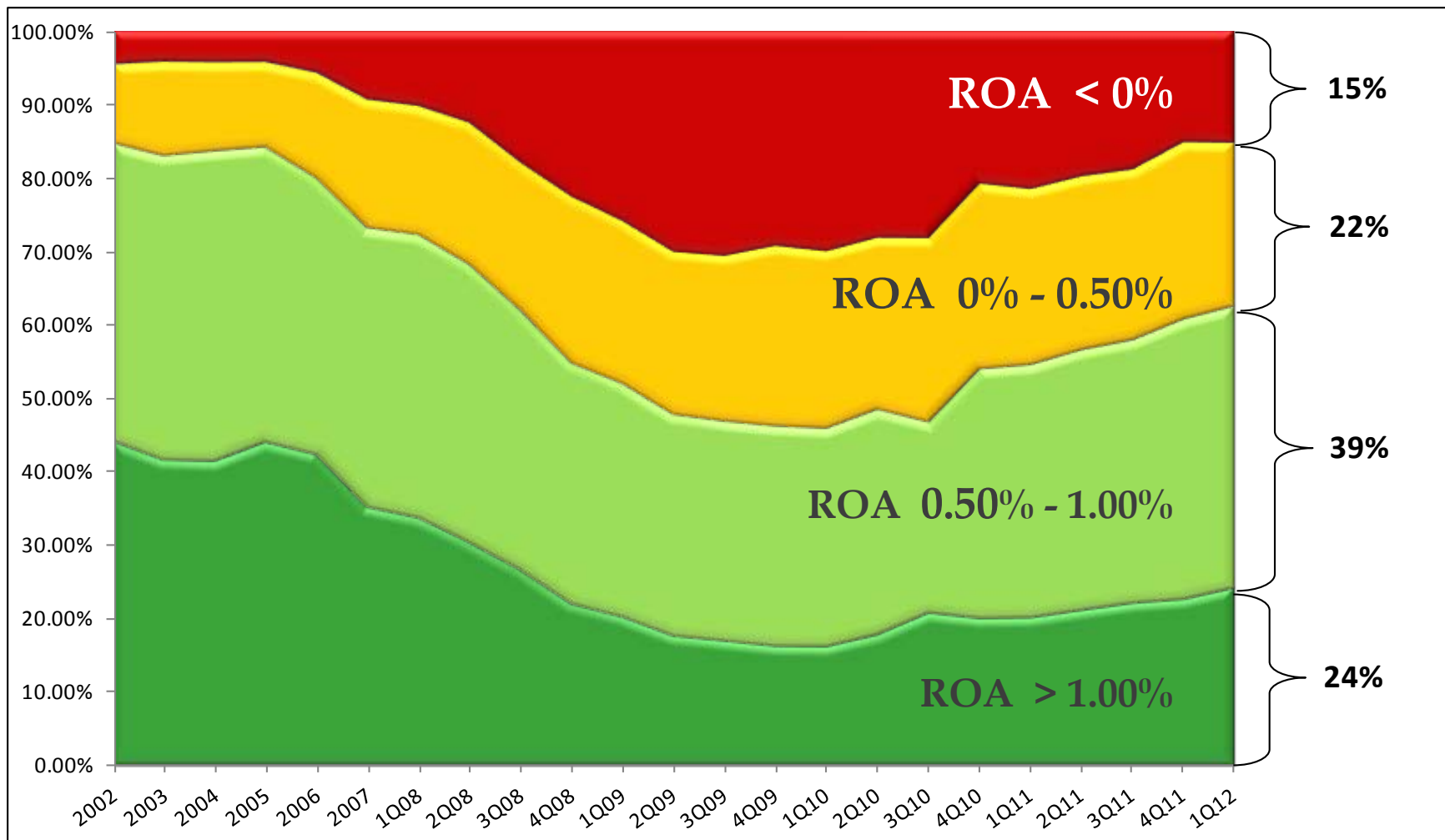
LTM 03/31/2012



Median Data, % of Average Assets

Bank and Thrift ROAs

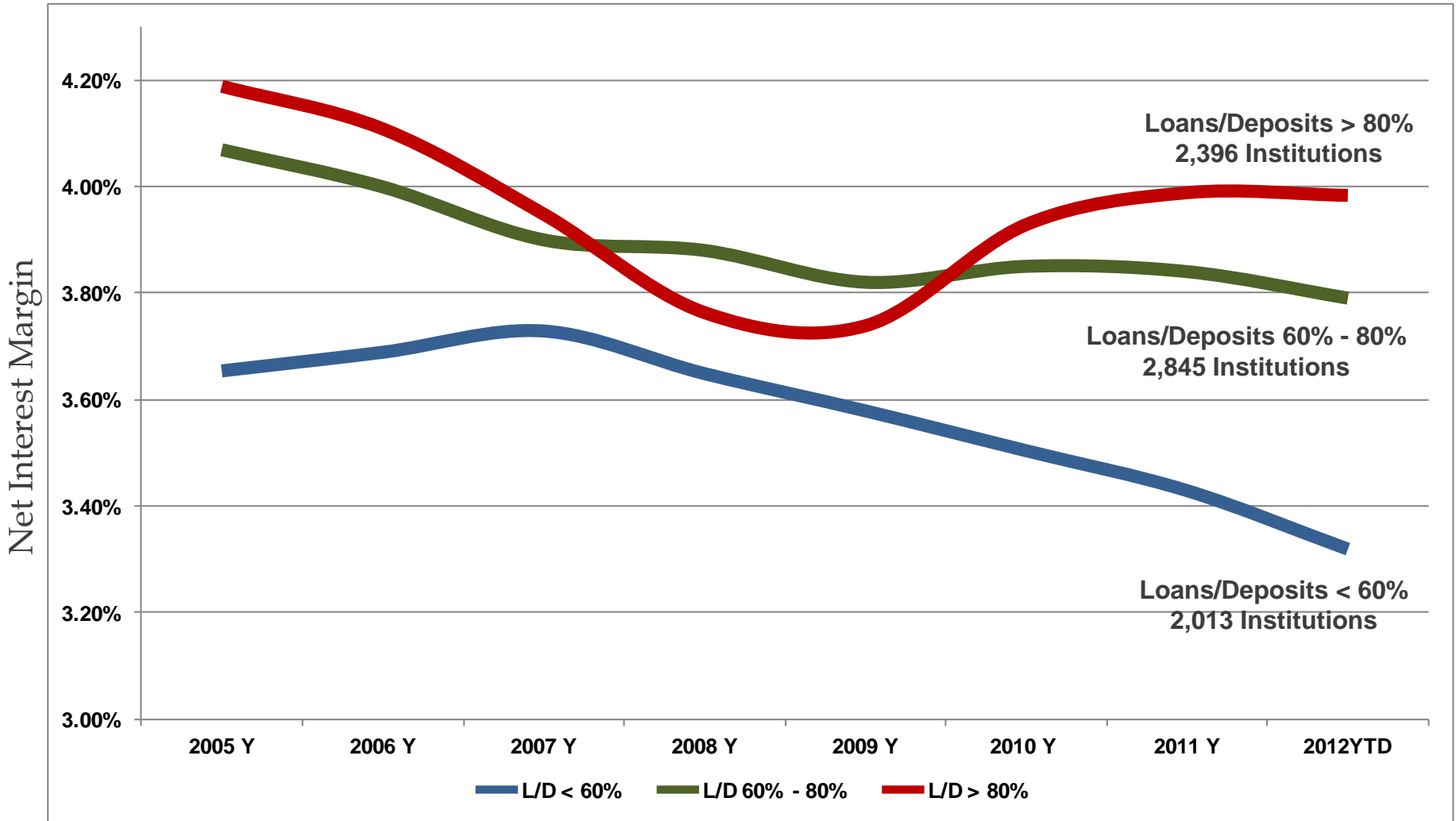
% of the industry by bank



35% Tax Rate Applied to S-Corps

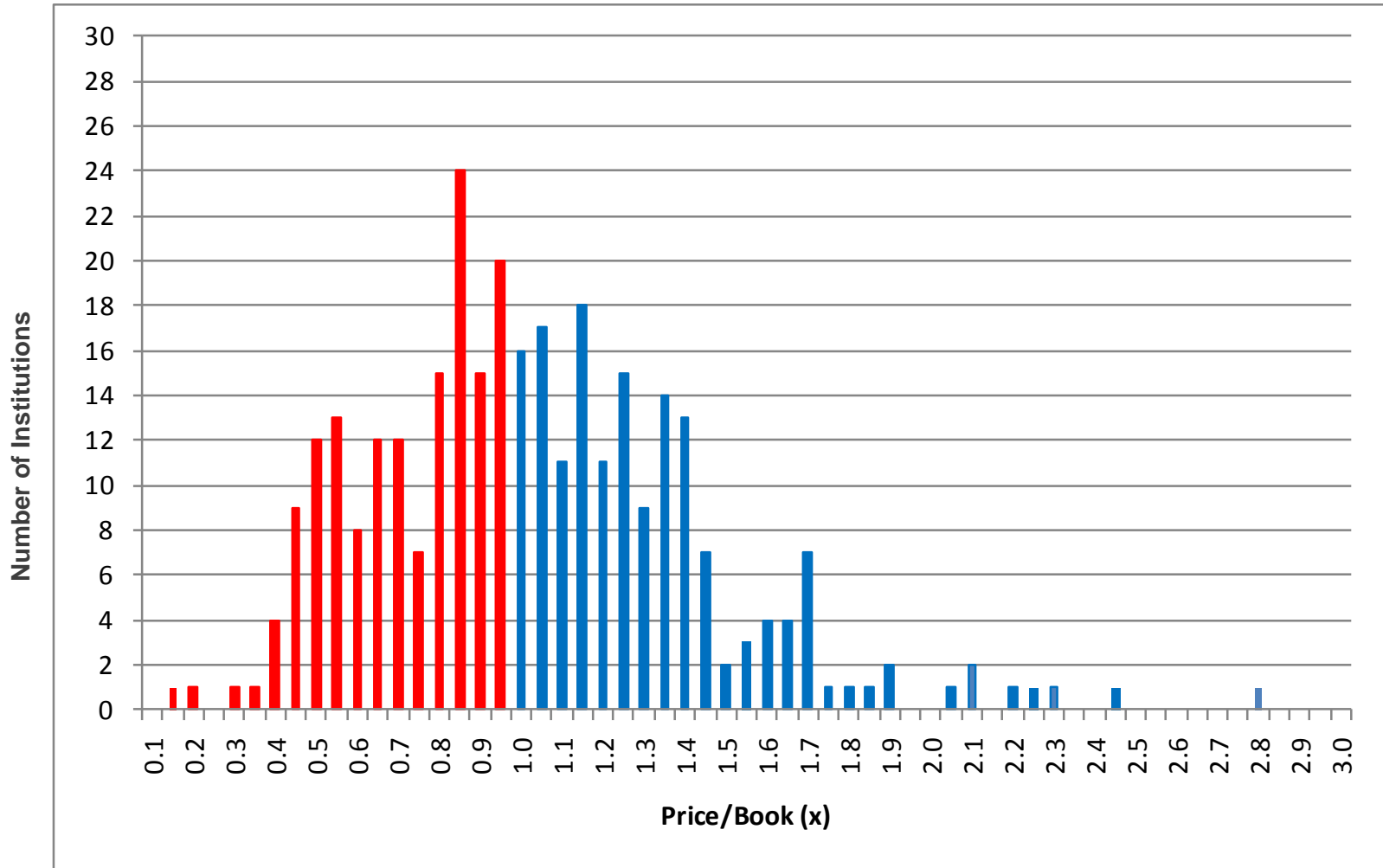
Last Twelve Months Data 3/31/12

Loan to Deposits Impact on Net Interest Margin



2012 Year-to Date

Publicly Traded Price Distribution

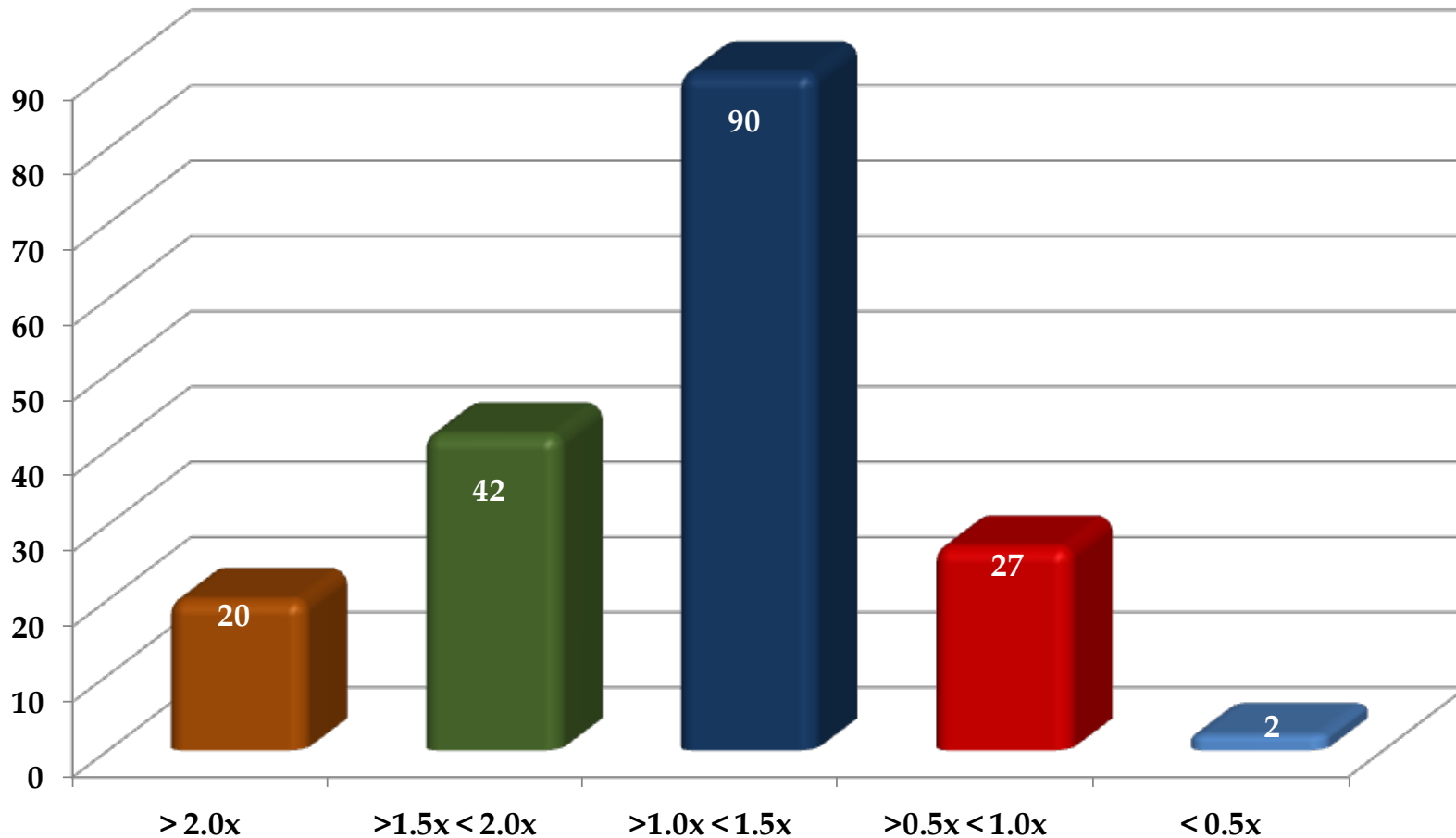


Financial Data as of March 31, 2012 and December 31, 2011, Stock Prices as of May 3, 2012 Intervals of 0.05x;

Publicly Traded Banks and Thrifts

Greater than \$2 Billion in Assets

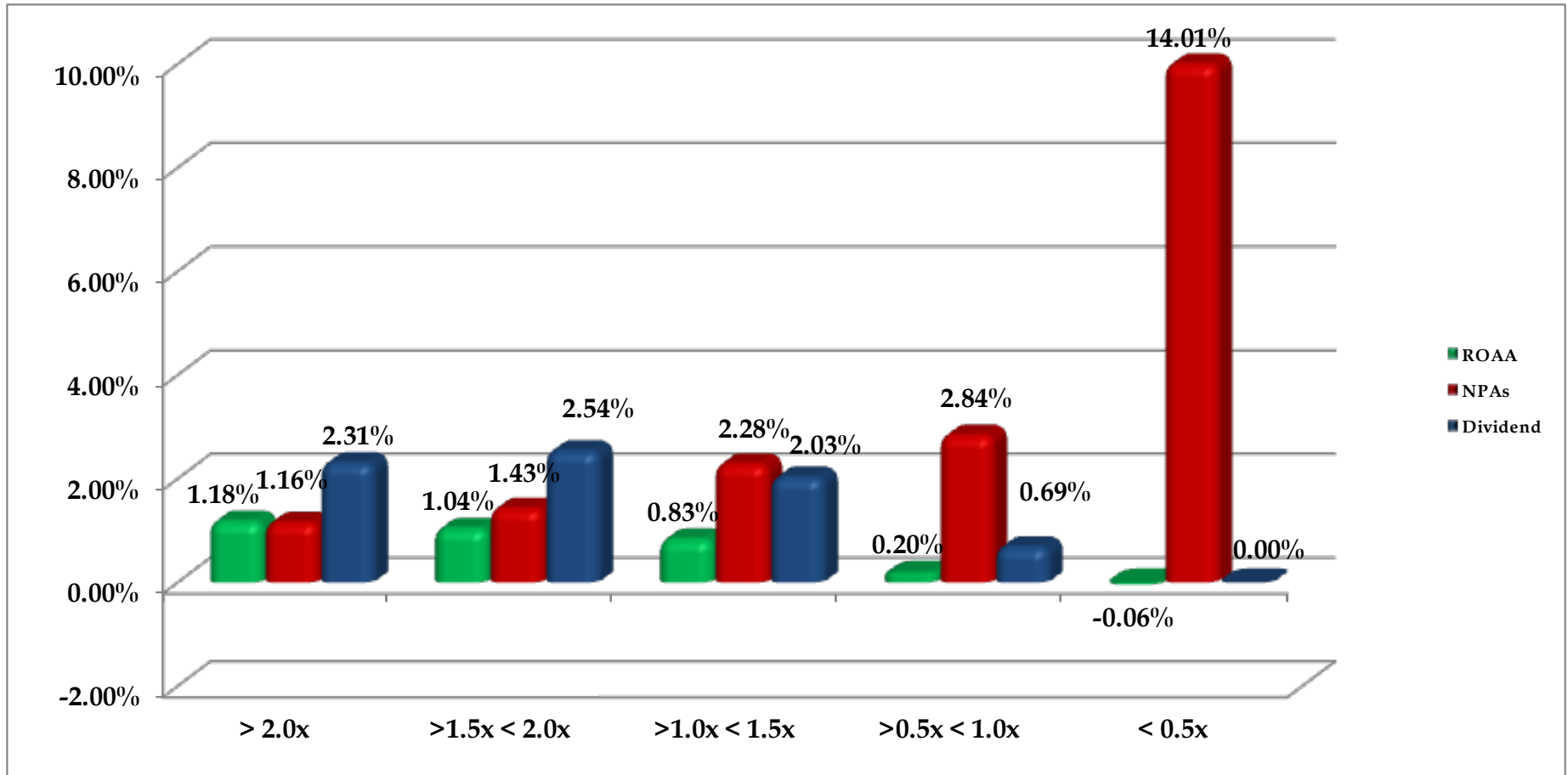
Price to Tangible Book as of May 3, 2012



Publicly Traded Banks and Thrifts

Greater than \$2 Billion in Assets

Comparison of Median ROAA, NPAs and Dividend Yield

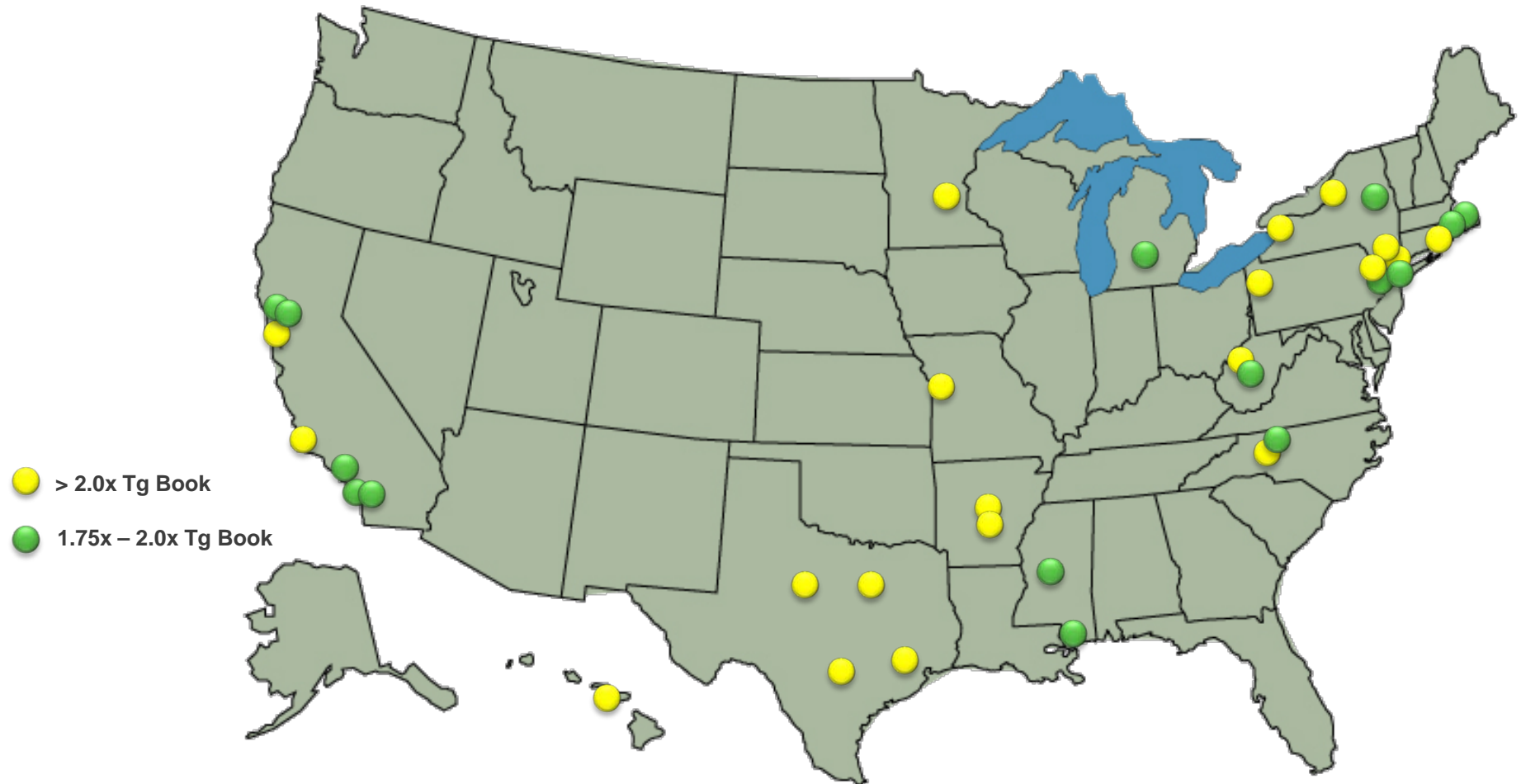


Price to Tangible Book

As of May 3, 2012

Publicly Traded Banks and Thrifts > \$2 Billion

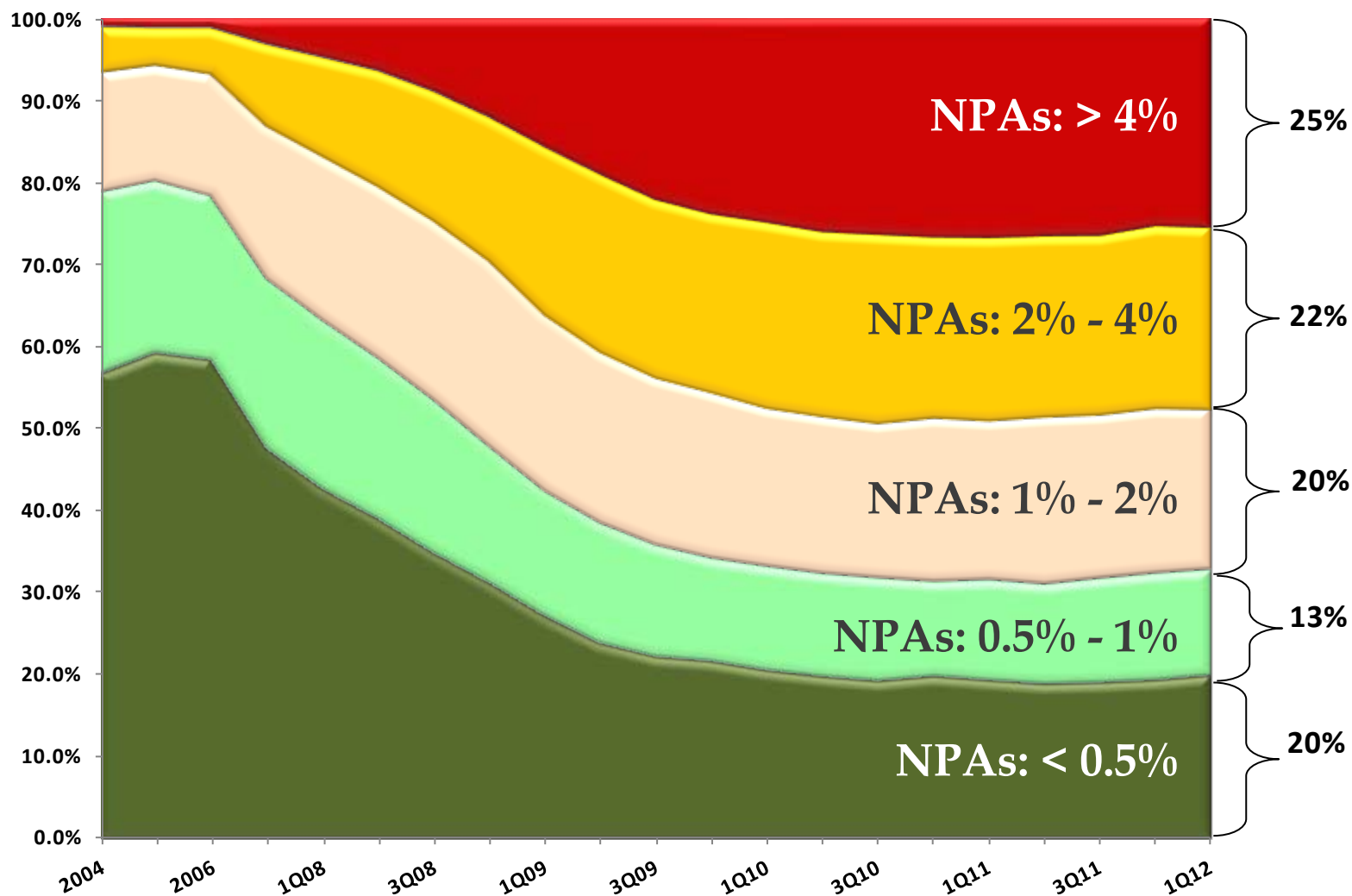
Price-to-Tangible Book Locations



As of May 3, 2012

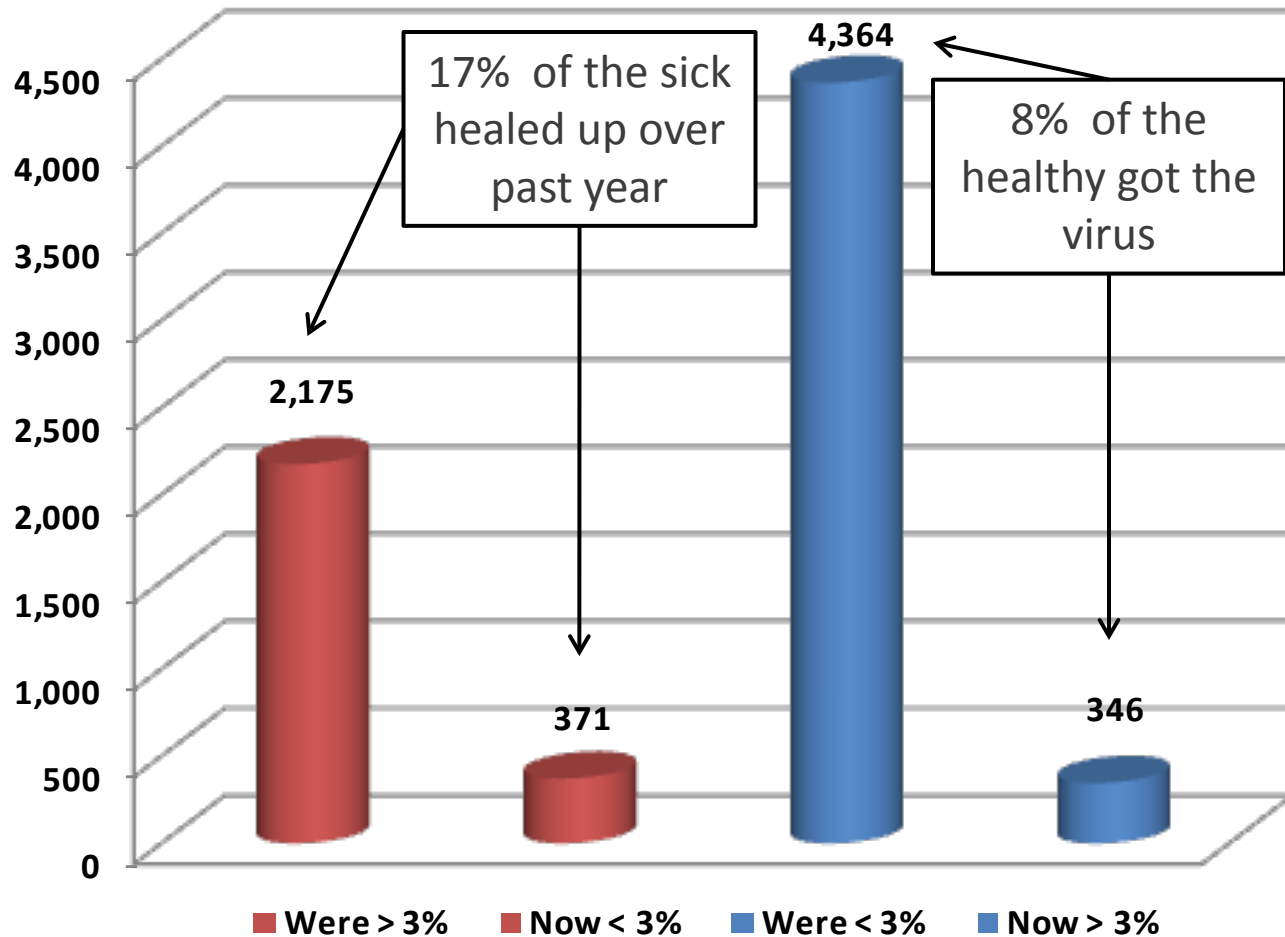
Non-Performing Assets / Assets

% of the industry by bank and thrift



Non-Performing Assets – One Year Trend

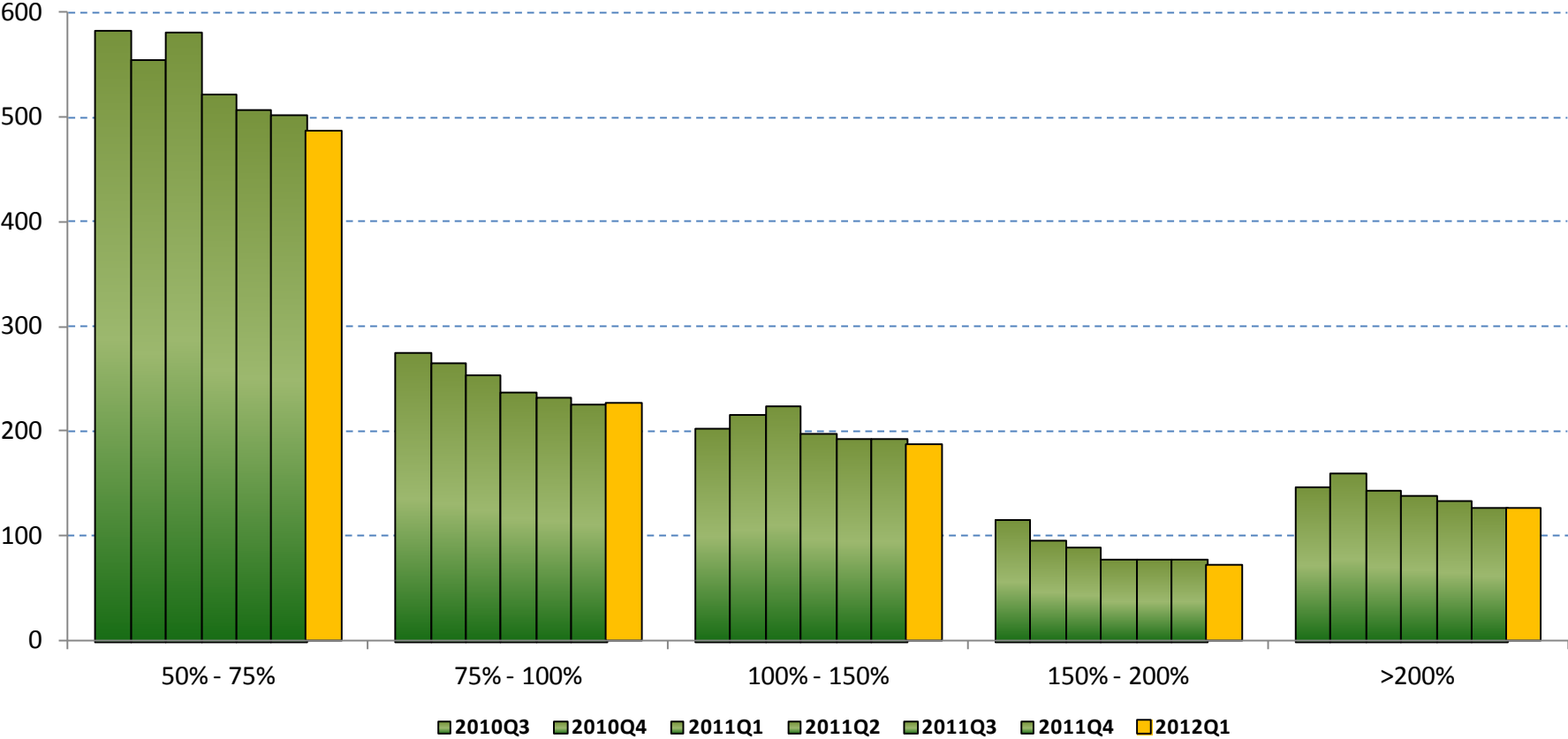
First Quarter 2012 to First Quarter 2011



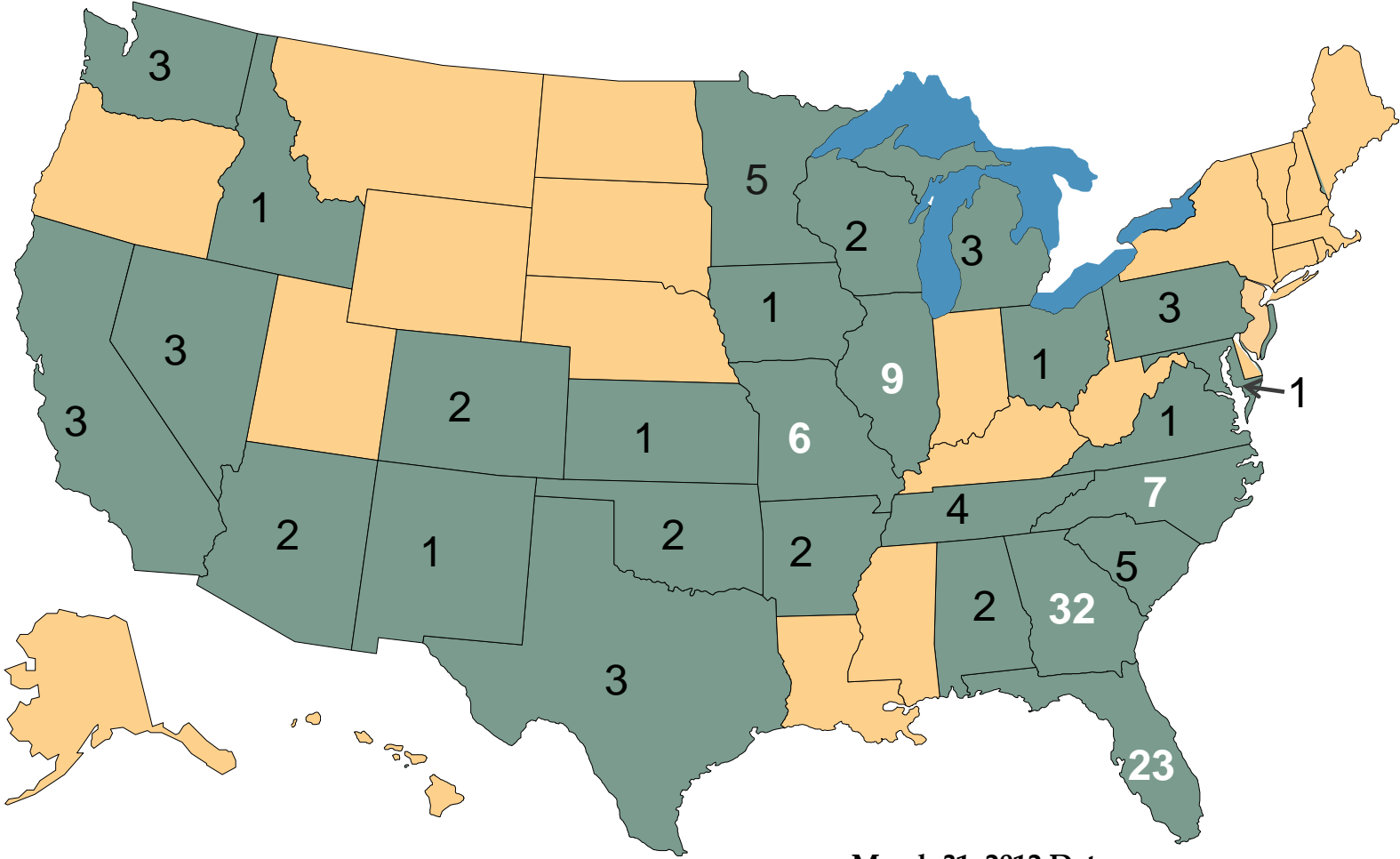
March 31, 2012 Data

Modified Texas Ratio: Quarterly Trend

Modified Texas Ratio Breakdown by Number of Institutions



Institutions with Modified Texas Ratio Above 200%



March 31, 2012 Data

New Trend - Using Private Stock as Deal Currency ?

Helps buyer capitalize transaction

Provides tax deferral on stock portion

Capital gains rate on cash

Seller keeps some chips on table

Have some sellers requesting it

Helps limit intangibles

Will deal volume increase and deal pricing improve in 2012?



Factors supporting both sides of the debate...

Effect of Dodd-Frank on Community Banks?

No rush for the exits.....yet

Optimist View

Wait and see approach

Largest banks impacted most

Might get repealed

Oppressive compliance costs

Further restricts product development

Creates uneven playing field

Pessimist View

Reasons M&A Activity Could Remain Sluggish

High level of NPA's and classified loans on buyer's books

Purchase accounting – effect on tangible book value

Paralysis from Dodd/Frank – What is going to happen?

Renewed volatility in financial markets from sovereign debt levels

Why Merger Activity Could Accelerate

Buyers are Motivated

- Need size for economies of scale
- Perception that we have hit bottom – only way is up
- Urgency to shop before other buyers crowd the market

Sellers are Motivated

- Many have been waiting for years
- Fun is gone – regulator exasperation
- Feel future earnings will not be as strong as historical earnings
- Capital gains tax changing?

Downward Pressures on Deal Prices



- Slower projections of economic growth
- Lower projections of banking profits



- Publicly-traded banks have depressed currency
- Analyst scrutiny of tangible book ratios



- Regulatory pressure on capital ratios
- Regulatory pressure on problem assets

Why Deal Pricing Could Improve

Buyers Need Earnings

- Fee income in decline
- Shareholder and market expectations

Little Organic Growth

- Opening new locations is less attractive in a slow economy

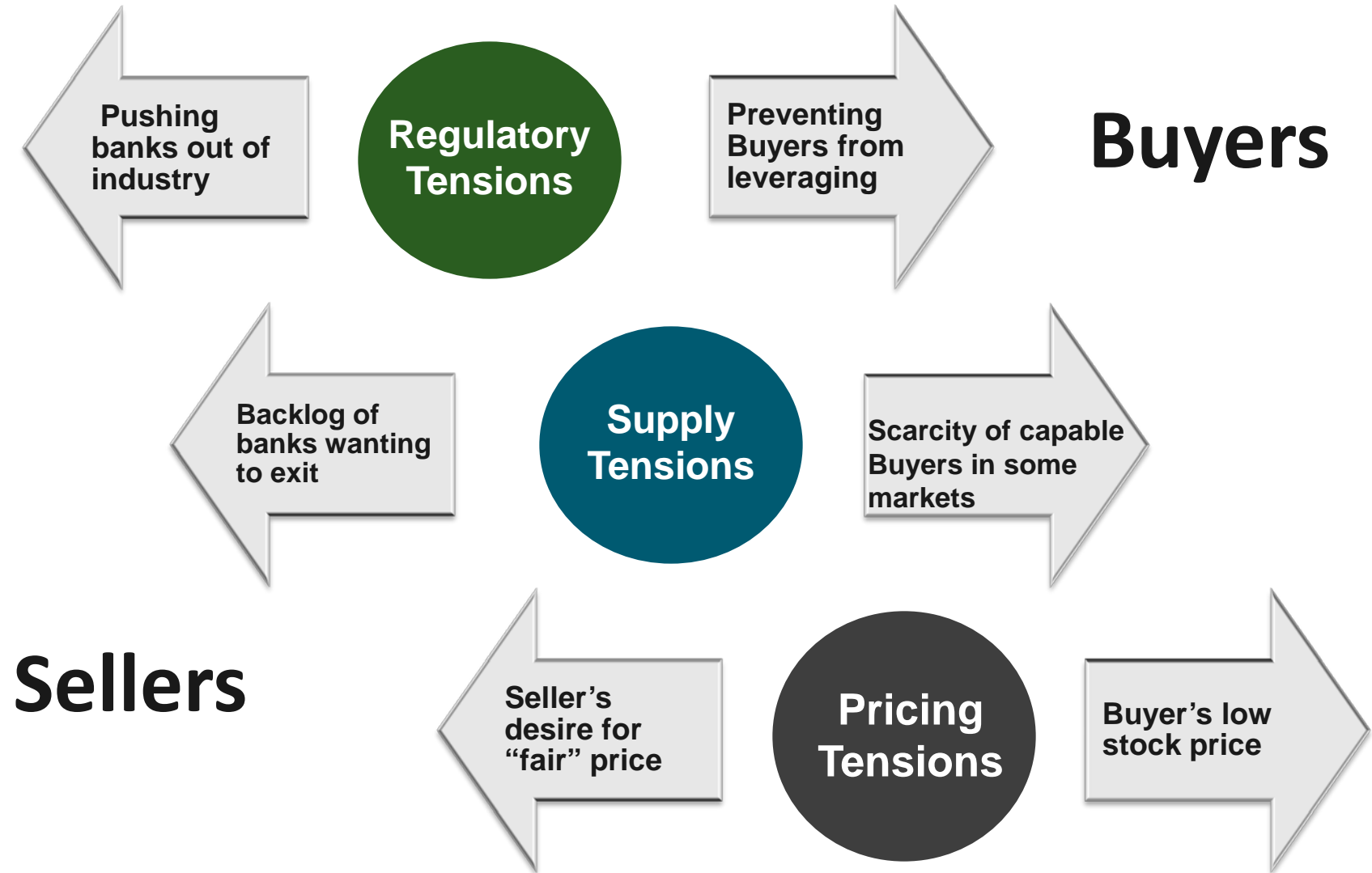
Loan Growth

- Targets in good loan markets fix two problems:
 - a) current earnings
 - b) future earnings

Shifting Opinions

- Many buyers are shifting their focus from bargain hunting to value creation

Short-Term Tensions: Sellers vs. Buyers



A Consistent Leader in Community Bank M&A



Buyside & Sellside Representation ∞ **Strategic Options Alternatives**
Fairness Opinions ∞ **Valuation Services** ∞ **Failed Bank Advisory Services**

Sheshunoff & Co. Investment Banking

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