



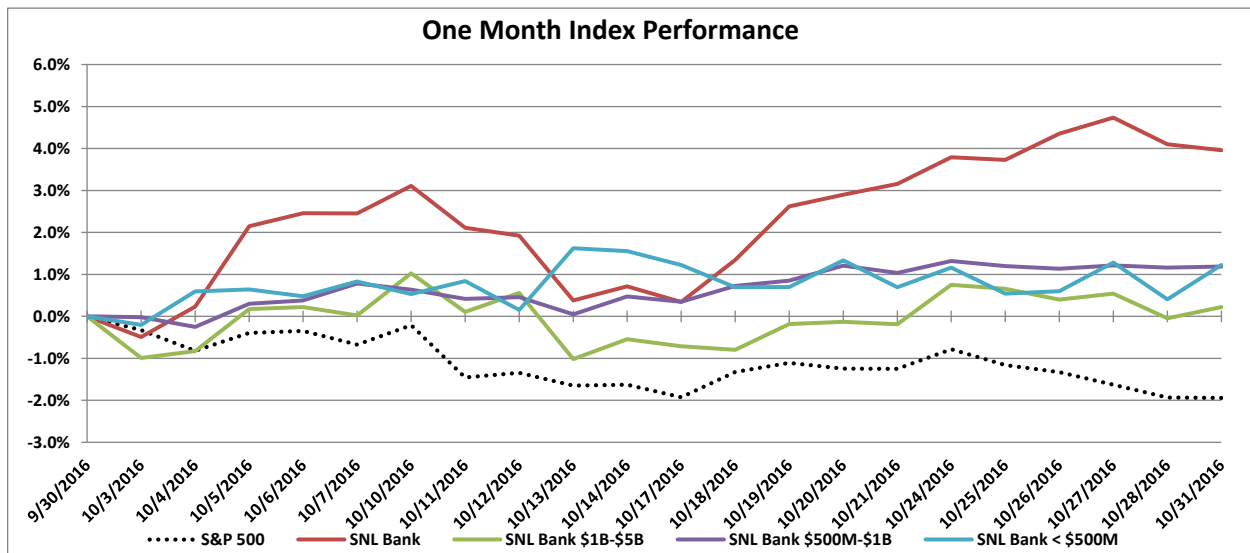
In October 2016, public bank stocks gained ground after slipping in September and outperformed the broader market as investors were more positive after economic data releases, better-than-expected third quarter results from the banking industry, and strengthening sentiment that there will be an interest rate hike in December 2016. Adding to the positive move in banking stocks was the belief the banking industry generally posted modestly better-than-expected third quarter EPS numbers, driven by lower provisions. The U.S. Labor Department announced that total nonfarm employment added 156,000 nonfarm payroll jobs in September, slightly below the consensus estimates which called for the creation of 168,000 jobs, as the unemployment rate ticked up to 5.0% after remaining at 4.9% for the previous three months. The Commerce Department reported that household spending, as measured by sales at retail stores, rose a seasonally adjusted 0.6% for the month of September. Further, sales of new single-family houses in September were at a seasonally adjusted annual rate of 593,000 according to estimates released jointly by the U.S. Census Bureau and the Department of Housing and Urban Development, which is 3.1% higher than the revised August rate and 29.8% higher than the September 2015 estimate.

In other news, the Federal Open Market Committee expects to increase its benchmark interest rate “relatively soon” as long as the economy continues to advance at a reasonable pace according to an account published of the most recent policy meeting. Expectations strengthened that the Fed may raise rates at the final meeting of the year in December, as many doubt rates will change in the November meeting due to the election headwinds. Adding to the belief that rates will be raised in December were comments from Federal Reserve Vice Chair Stanley Fischer who spoke about Fed policy and other factors holding down interest rates and the potential risks of an extended low-rate environment. Further, the meeting minutes showed that seven Fed officials voted to leave rates unchanged while three voted for an increase.

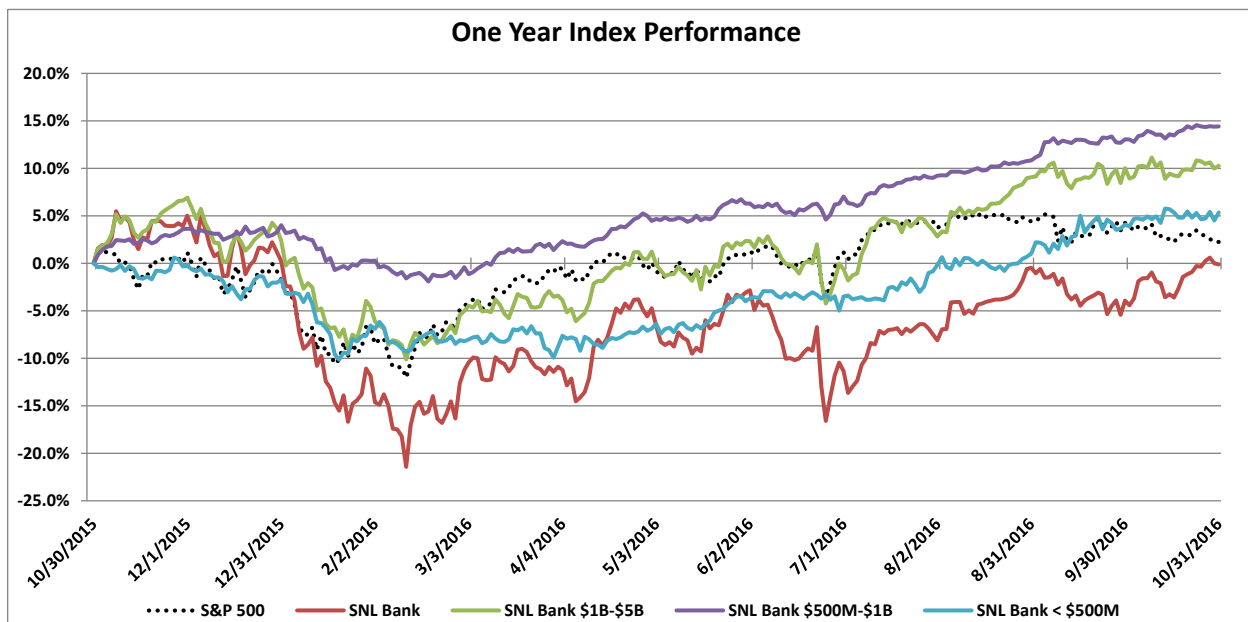
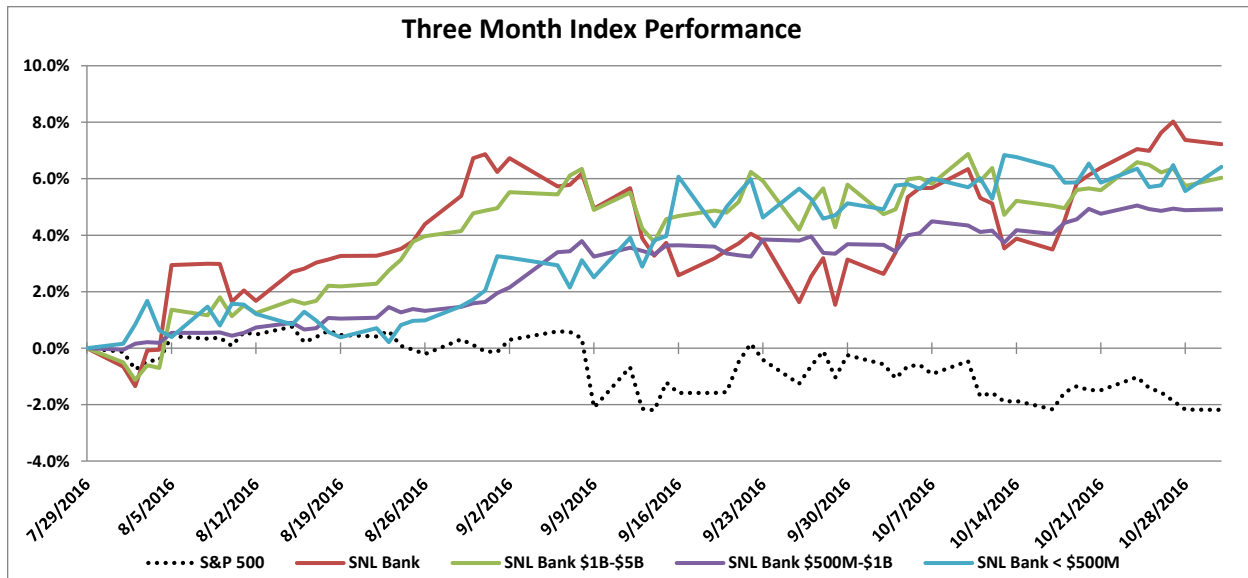
**Also noteworthy is the move in bank stocks since election night. The SNL Bank Index rose 9.5% higher in the two days following the election, while the S&P gained 1.3%. We will have more coverage of the election and the resulting move in bank stocks in the November Bank Stock Performance review.**

Bank M&A pricing was down year-to-date through October compared to year-to-date pricing through October 2015 on lower volume.

The SNL Bank Index increased 4.0% in September, and outperformed the S&P 500 which decreased 1.9%, while banks below \$500 million and banks between \$500 million and \$1 billion each posted an increase of 1.2%. Banks between \$1 billion and \$5 billion gained 0.2% during the month.



Over the three month period ending October 2016, the SNL Bank Index increased 7.2% while the S&P 500 decreased 2.2%. The trend differed over the prior twelve months as the SNL Bank Index decreased 0.1% while the S&P 500 increased 2.3%.



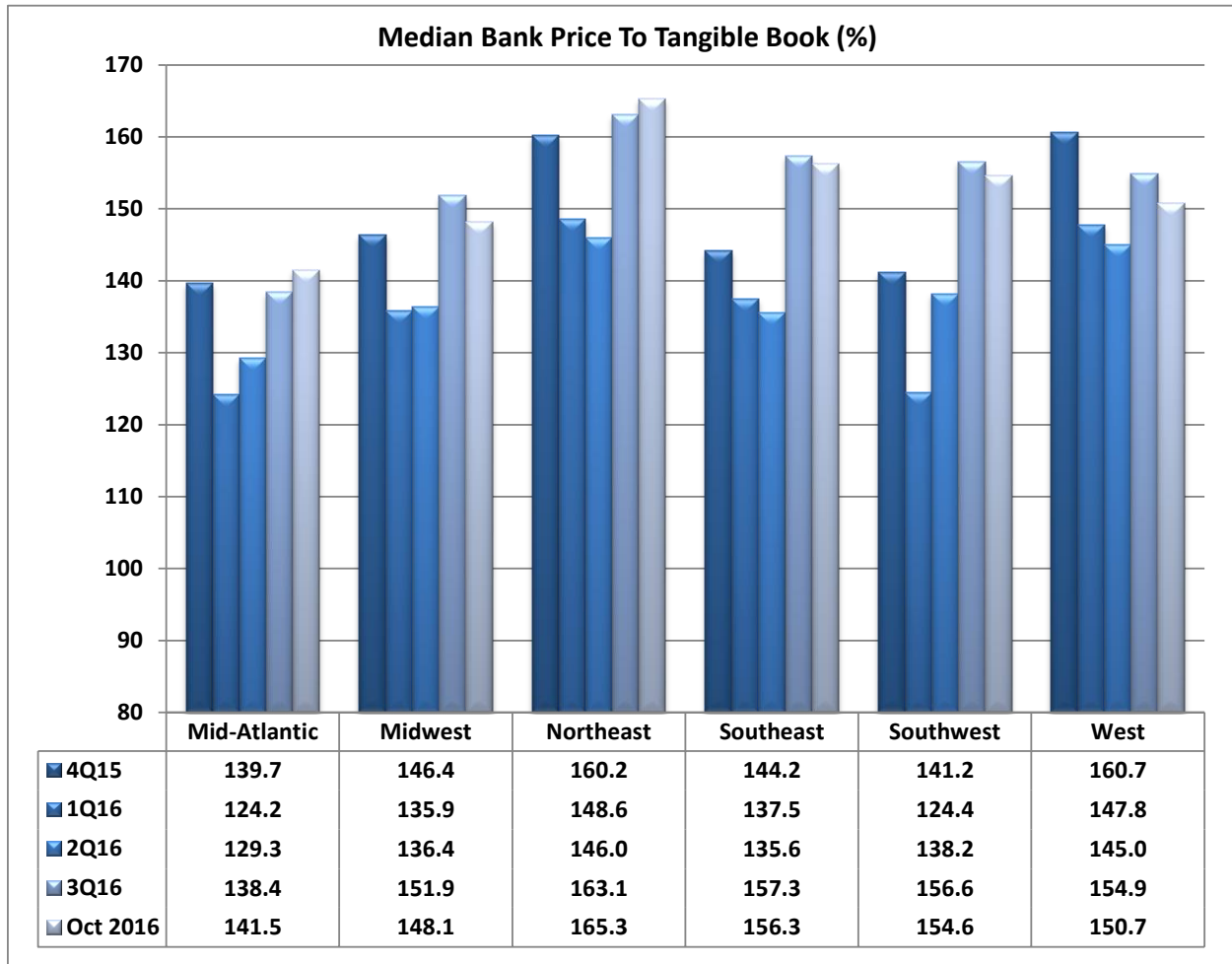
## REGIONAL PRICING HIGHLIGHTS

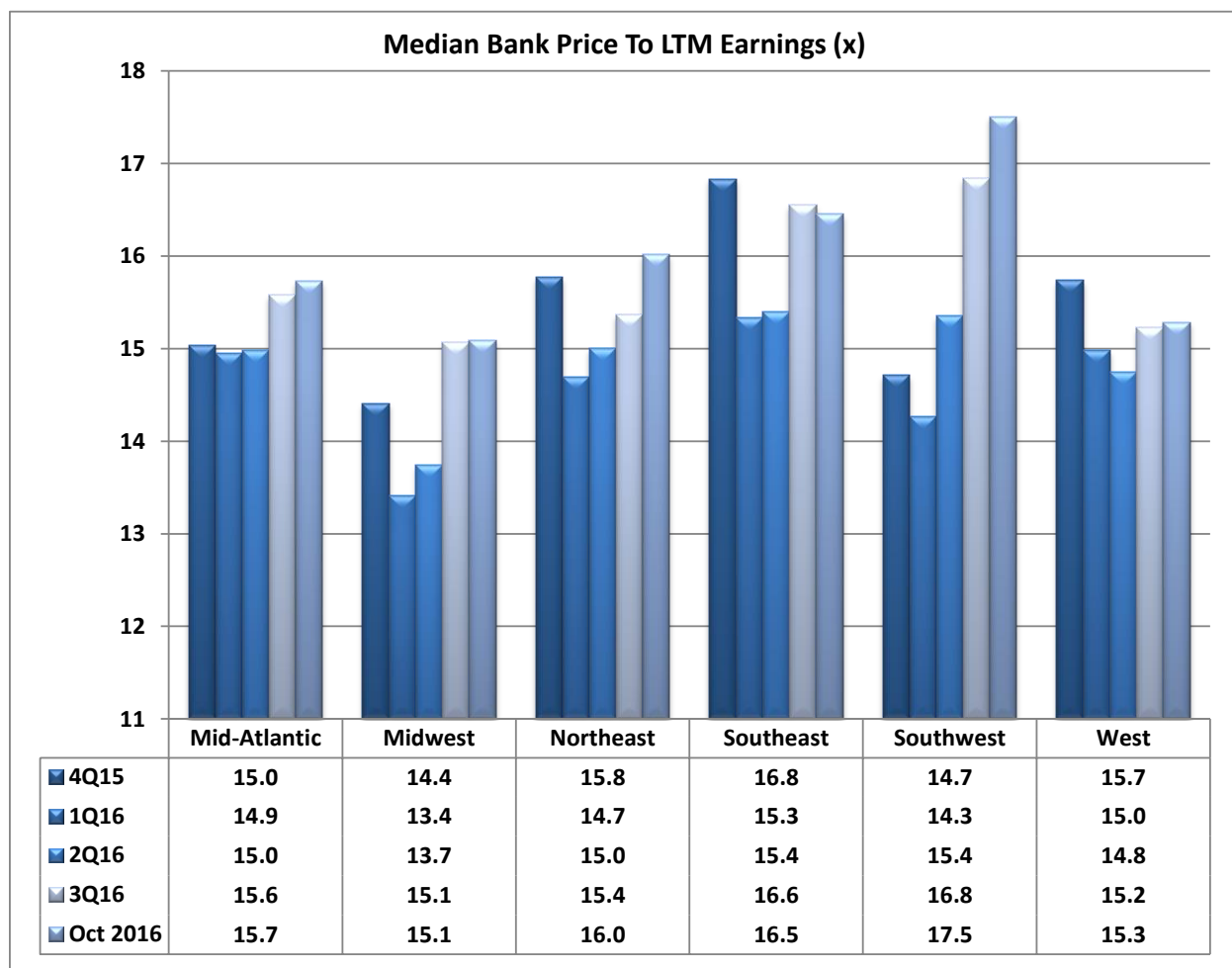
The Northeast region saw the largest increase in median price to tangible book (5.3%) in October and remains the highest median pricing among all regions. A slight decrease (less than 2%) in oil prices in October held pricing essentially flat (up 0.1%) in the Southwest region, which is heavily tied to the energy sector, although this is the third straight month of an increase in pricing. The Midwest region saw the largest decrease in median price to tangible book, down 3.3% in October, while the West, typically a strong performer, was the only other

region to post a decrease in median price to tangible book, dropping 1.1%. The West has decreased in price in back to back months, now down 7.2% since August as Wells Fargo influenced the index.

At 1.65x tangible book, the Northeast region claimed the highest median price among all regions for the second straight month as the region reported the strongest median NPAs/Assets (0.67%) and the highest median Loans/Deposits (97.4%). The Mid-Atlantic region reported the lowest median tangible book price of any region at 1.42x, and was up 2.7% from September 2016, while the Midwest and West were the only regions to decrease, 3.3% to 1.48x book and 1.1% to 1.51x book, respectively. The Southeast and Southwest reported median tangible book pricing of 1.56x and 1.55x (up 0.6% and 0.1%, respectively from September 2016).

On a median price to earnings basis, the Southwest reported the highest pricing for the third straight month at 17.5x LTM earnings while the Southeast followed closely reporting a 16.5x LTM earnings, followed by the Northeast (16.0x), Mid-Atlantic (15.7x) and Midwest (15.1x) with the West at a distant median 15.3x LTM earnings on the low end. The West reported the largest decrease on a price to earnings basis in October (down 4.4%), as each region showed a decrease in median price to LTM earnings since September.





Region	Number of Companies	MRQ* Median Tg. Equity/ Tg. Assets (%)	LTM* Median ROAA (%)	MRQ* NPAs/ Assets (%)	MRQ* Loans/ Deposits (%)	LTM Net Interest Margin (%)
SNL Mid-Atlantic	67	8.53	0.87	0.88	94.6	3.40
SNL Midwest	70	8.99	0.97	0.95	90.9	3.55
SNL Northeast	19	8.33	0.82	0.67	97.4	3.21
SNL Southeast	81	9.13	0.92	0.97	89.1	3.60
SNL Southwest	28	9.31	0.95	0.85	87.7	3.60
SNL West	49	9.44	1.03	0.78	82.2	3.75

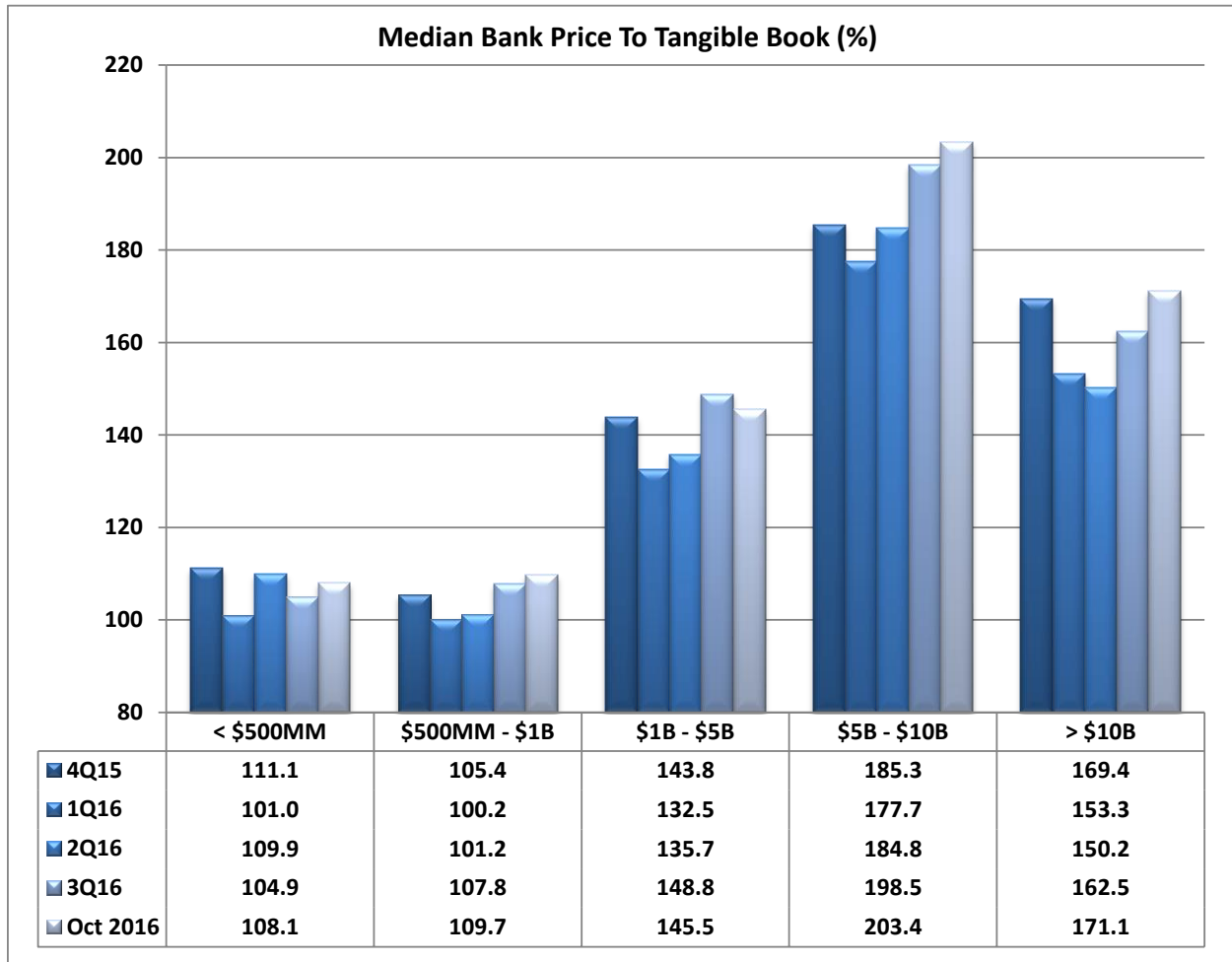
\* Most Recent Quarter/Last Twelve Months (3Q16 for 93.9% of institutions)

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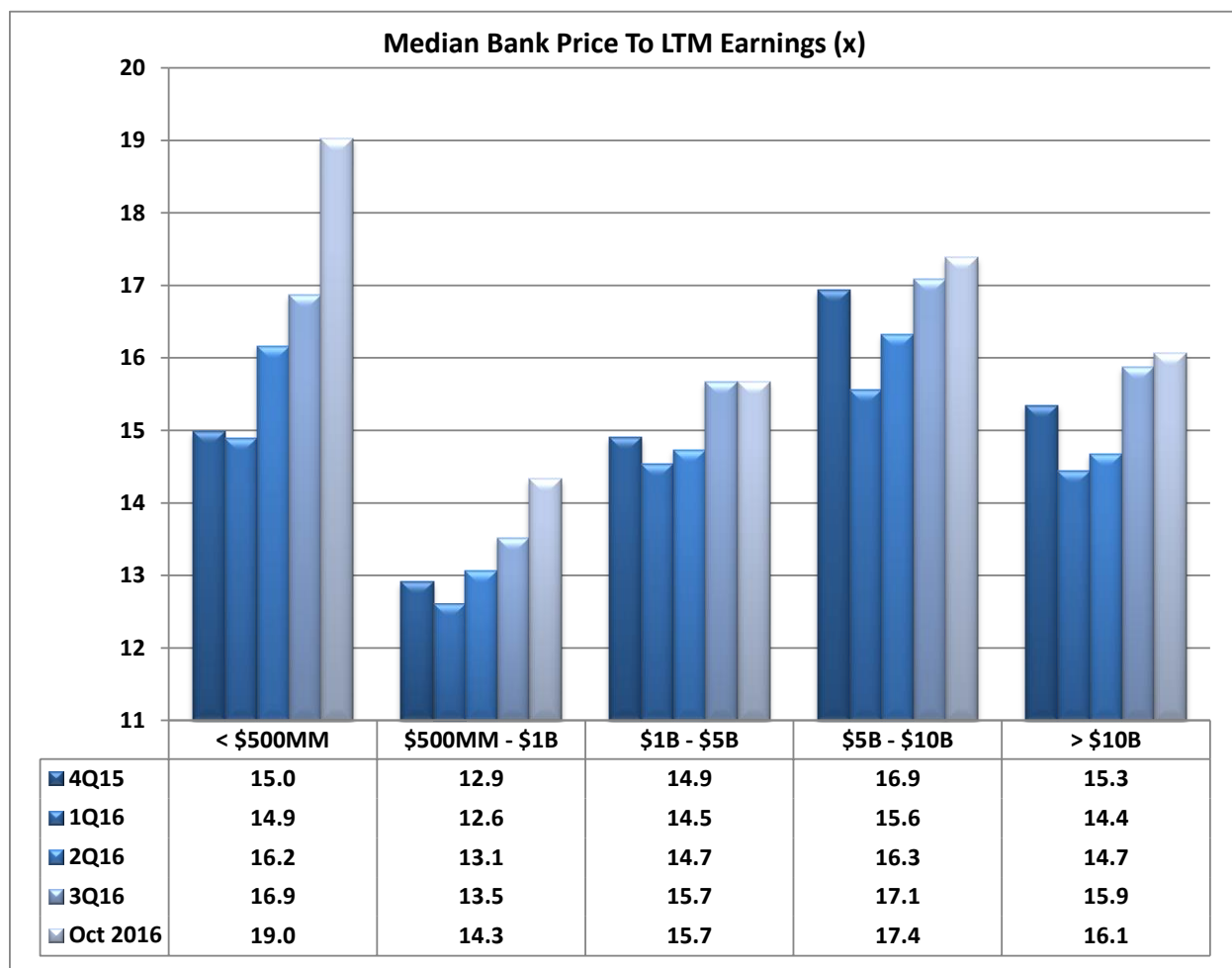
## PRICING BY SIZE

The disparity of pricing based on size remains large as the two largest groups averaged a 1.87x price to tangible book multiple while the two smallest groups averaged a 1.09x multiple. The banks between \$5 billion and \$10 billion reported a median price of 2.03x tangible book (down 4.0% from September 2016), remaining the highest priced group, followed by banks greater than \$10 billion at 1.71x (up 4.2% from September 2016). The smallest banks, those below \$500 million, were up 0.5% in October to 1.08x, but are now the lowest priced group as banks between \$500 million and \$1 billion increased 2.5% during the month of October to 1.10x. Mid-sized banks, those between \$1 billion and \$5 billion, decreased 2.9% since September 2016 and were priced at 1.46x tangible book, essentially midway between the smallest and largest public institutions.

On a median price to LTM earnings basis, banks with assets above \$10 billion were up the highest of any group at 0.9% in October to 16.1x. The eight Banks with assets below \$500 million remained the highest priced group after growing 0.5% in October to 19.0x on the highest median LTM net interest margin of 3.82% and lowest LTM ROAA of 0.62%. Banks with assets between \$5 billion and \$10 billion reported the second highest multiple of 17.4x and were down 3.3% since September 2016 on the highest median ROAA (1.07%) and best asset quality (NPAs/Assets of 0.58%). The largest banks reported a median price to LTM earnings of 16.1x, and reported the second highest median ROAA (0.96%). Banks between \$500 million and \$1 billion reported the lowest pricing at 14.3x earnings and second lowest ROAA (0.81%) and asset quality (NPAs/Assets of 1.32%) while maintaining the highest median tangible equity to tangible assets (9.69%).







Asset Size	Number of Companies	MRQ* Median Tg. Equity/ Tg. Assets (%)	LTM* Median ROAA (%)	MRQ* NPAs/ Assets (%)	MRQ* Loans/ Deposits (%)	LTM Net Interest Margin (%)
< \$500MM	8	8.76	0.62	4.90	92.0	3.82
\$500MM - \$1B	46	9.69	0.81	1.32	91.0	3.64
\$1B - \$5B	145	9.12	0.92	1.01	91.0	3.57
\$5B - \$10B	46	8.82	1.07	0.58	91.2	3.59
> \$10B	69	8.96	0.96	0.68	88.8	3.22

\* Most Recent Quarter/Last Twelve Months (3Q16 for 93.9% of institutions)

## Mergers & Acquisitions by Region

Bank consolidation remained at a slightly slower pace on a year-to-date basis through October 2016 with 192 transactions compared to 216 reported through October 2015. The gap widened in October 2016 as there were 33 transactions announced in October 2015 compared to 21 in October 2016. Approximately 55% of the transactions announced year-to-date through October 2016 reported pricing terms, while 53% of the transactions through October 2015 reported terms. Median year-to-date pricing through October 2016 remained down across the board at a 4.2% decrease on tangible book (1.35x), 2.5% decrease on 8% tangible book (1.45x), 13.6% decrease on LTM earnings (19.4x), and 2.6% decrease on deposits (16.4%) compared to year-to-date pricing through October 2015. Year-to-date through October, only three transactions were reported in the Southwest Region with pricing. Prior to October, the Southwest Region reported the highest median price to tangible book multiple. However, the third transaction of the year reported with pricing in the region in October had a price to tangible book multiple of 1.22x, dropping the median to 1.28x for the region, the lowest of any region, although the targets had the highest median tangible equity to assets (11.4%) and second lowest NPAs/Assets (0.73%). The East–New England, South and Midwest regions had the highest median price to tangible book multiples (1.43x, 1.38x and 1.36x, respectively). However, the East-New England had the lowest median tangible equity level (9.2%) while the South reported the next lowest tangible equity level (9.5%) but Midwest reported the third strongest tangible equity level at 10.7%. The West region reported the highest price to LTM earnings (22.0x) on a median ROAA of 0.66% (second highest of the regions). Thirty-six transactions were reported in North Central year-to-date with only seven disclosing pricing (median 1.31x tangible book).

M&A Banks & Thrift Transactions Announced Year to Date through October 2016 Median Pricing by Region	Number of Transactions	Number of Transactions With Terms	Price/ Tg Book (x)	Price/ 8% Tg Book (x)	Price/ LTM Earnings (x)	Price/ Deposits (%)
East - New England	22	17	1.43	1.46	21.3	17.1
North Central	36	7	1.31	1.32	12.9	15.5
South	37	27	1.38	1.40	19.5	15.8
Midwest	55	33	1.36	1.45	18.2	16.1
Southwest	18	3	1.28	1.39	17.5	17.3
West	23	19	1.32	1.52	22.0	18.3
Other	1	0	NA	NA	NA	NA
<b>United States</b>	<b>192</b>	<b>106</b>	<b>1.35</b>	<b>1.45</b>	<b>19.4</b>	<b>16.4</b>

Year to Date through October 2016 - Median Performance by Region for M&A Deals							
	Total Assets (\$000)	Equity/ Assets (%)	Tg Equity/ Assets (%)	NPAs/ Assets (%)	ROAA (%)	ROAE (%)	# Brn.
East - New England	422,489	9.7	9.2	1.1	0.55	5.77	6
North Central	67,915	10.5	10.3	0.4	0.70	6.44	2
South	202,364	9.9	9.5	1.4	0.60	6.42	4
Midwest	148,103	10.9	10.7	1.4	0.59	5.63	3
Southwest	110,593	11.7	11.4	0.7	0.60	5.91	2
West	164,600	11.1	10.8	1.1	0.66	6.62	3
Other	148,253	10.1	10.1	3.0	0.25	2.24	2
<b>United States</b>	<b>148,103</b>	<b>10.63</b>	<b>10.39</b>	<b>1.0</b>	<b>0.62</b>	<b>5.91</b>	<b>3</b>

## About Sheshunoff & Co. Valuation Services

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Our experts complete on average 150 bank stock appraisals annually for public and private financial institutions in size from \$20 million to \$9.6 billion for financial reporting, tax and ERISA purposes, as well as current market pricing for merger and acquisition considerations.

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Financial Reporting	Tax Purposes	Compensation/ERISA	Strategic Purposes	M&A
<ul style="list-style-type: none"> <li>• Option Pricing</li> <li>• Goodwill Impairment Testing</li> <li>• Purchase Price</li> <li>• Fair Value</li> </ul>	<ul style="list-style-type: none"> <li>• Estate Tax &amp; Planning</li> <li>• Built in Gains</li> <li>• Gifting</li> <li>• Guarantor Retained Annuity Trust Funding</li> </ul>	<ul style="list-style-type: none"> <li>• 401(k) &amp; Employee Stock Ownership Plans</li> <li>• Profit Sharing</li> <li>• Incentive Compensation</li> </ul>	<ul style="list-style-type: none"> <li>• Reverse Merger</li> <li>• S Corp Conversion</li> <li>• Legal Proceedings</li> </ul>	<ul style="list-style-type: none"> <li>• Buyside</li> <li>• Sellside</li> <li>• Fairness Opinion</li> </ul>

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