



Public Bank Stock Performance – March 2017

In March 2017, stock markets remained stagnant after ticking up in February following the post-election run-up. As investors began seeing signs the new administration might have difficulty delivering on some of its campaign promises, the SNL Bank Index decreased 3.8%. President Trump said in his first speech to Congress on March 1st he will reduce “job-crushing” regulatory rules through a deregulation task force within each government agency, and asked both parties to support his campaign’s promise of cutting taxes, reducing regulations, and spending more on infrastructure. However, investors remained cautious as the Republicans pulled the bill on healthcare reform on March 24th, dealing a major blow to one of the administration’s key legislative agenda items. Republicans’ failed healthcare bill raised doubts among investors about the prospects for potential tax reform, deregulation, and infrastructure spending. House Speaker Paul Ryan responded to a question about tax reform during a press conference following the withdrawal of the healthcare bill, saying “Yes, this does make tax reform more difficult.” While the outlook for returns in the U.S. banking industry is brighter now that just six months ago, performance could fall short of some market expectations, according to S&P Global Market Intelligence’s 2017 Bank Market Report.

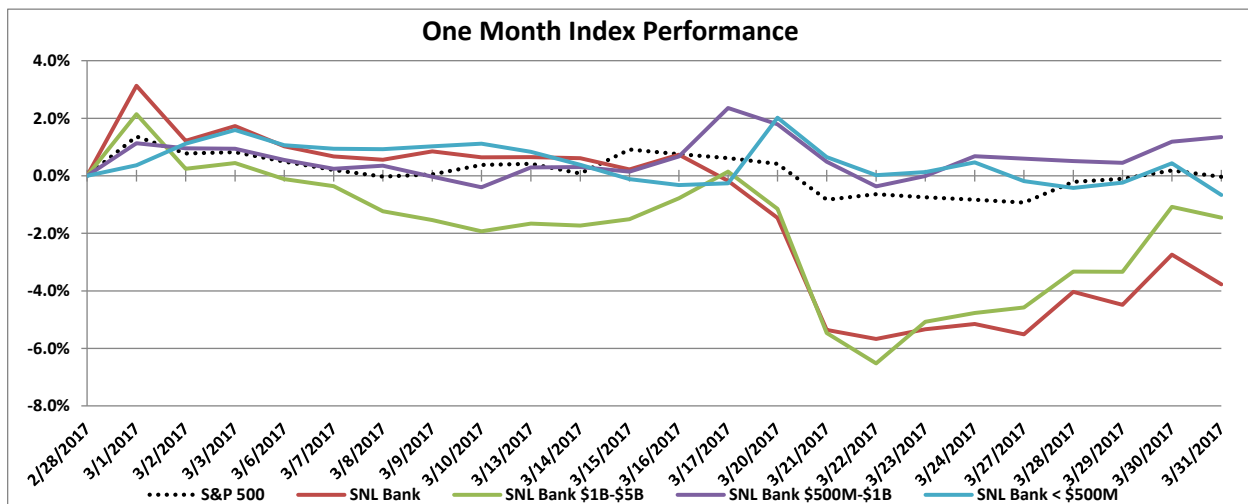
In economic news, the latest ADP National Employment Report, which covers the first full month of employment data since President Trump took office, indicated private sector employment increased by 235,000 in the month of February, and the unemployment rate declined to 4.7%. The consensus forecast was for 200,000 job gains in the month according to Econoday, with the unemployment rate right in line with expectations. Driving the job growth were the construction, mining, and manufacturing industries, as unseasonably mild winter weather played a role. Near record high job openings and record low layoffs now set the scene for the job market.

In other news, the Federal Reserve voted on March 15th to lift the target range of the U.S. central bank’s benchmark interest rate for the first time in 2017. The target range for the federal funds rate is now 75-100 basis points. The interest rate hike was not surprising as it was well-telegraphed by committee members. However, investors reacted positively to the FOMC’s summary of economic projections that showed little change from the December 2016

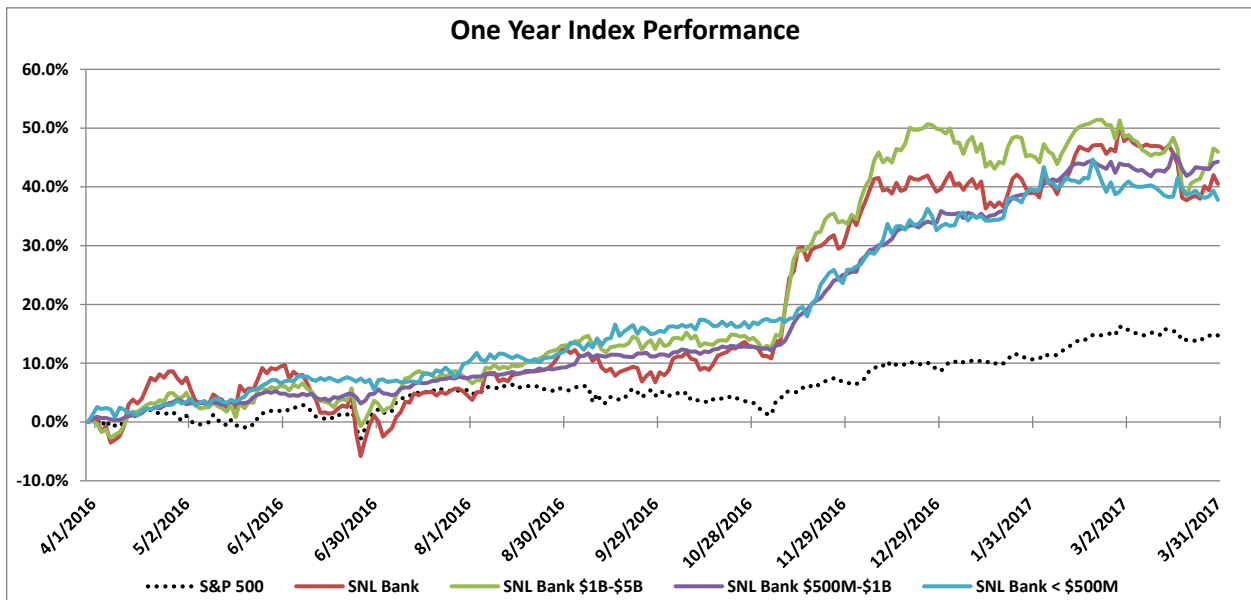
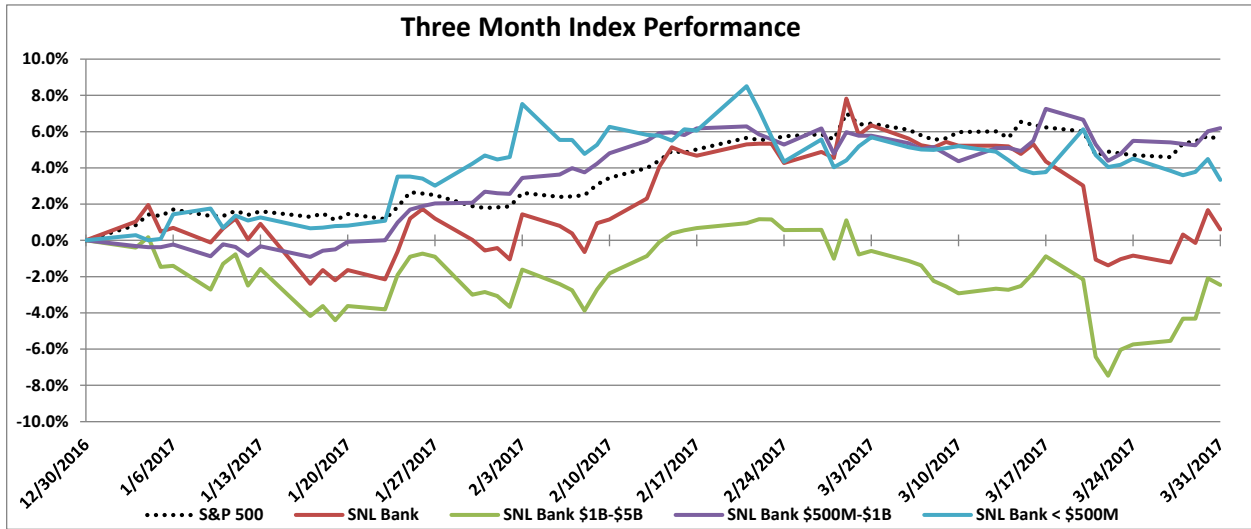
iteration. Some believe that while the majority of committee members see two additional rate increases this year, the Fed is being cautious and are likely to maintain a very gradual removal of accommodations.

Bank M&A pricing was up year-to-date through March compared to year-to-date pricing through March 2016 on slightly lower volume.

The SNL Bank Index decreased 3.8% in March, and underperformed the S&P 500 which was flat, while banks between \$1 billion and \$5 billion lost 1.5%, banks below \$500 million lost only 0.7%, and banks between \$500 million and \$1 billion posted an increase of 1.3% during the month.



Over the three month period ending March 2017, the SNL Bank Index increased 0.6% while the S&P 500 increased 5.5%. Over the prior twelve months, the SNL Bank Index vastly outperformed the overall market, as it increased 40.5% while the S&P 500 increased 14.7%.

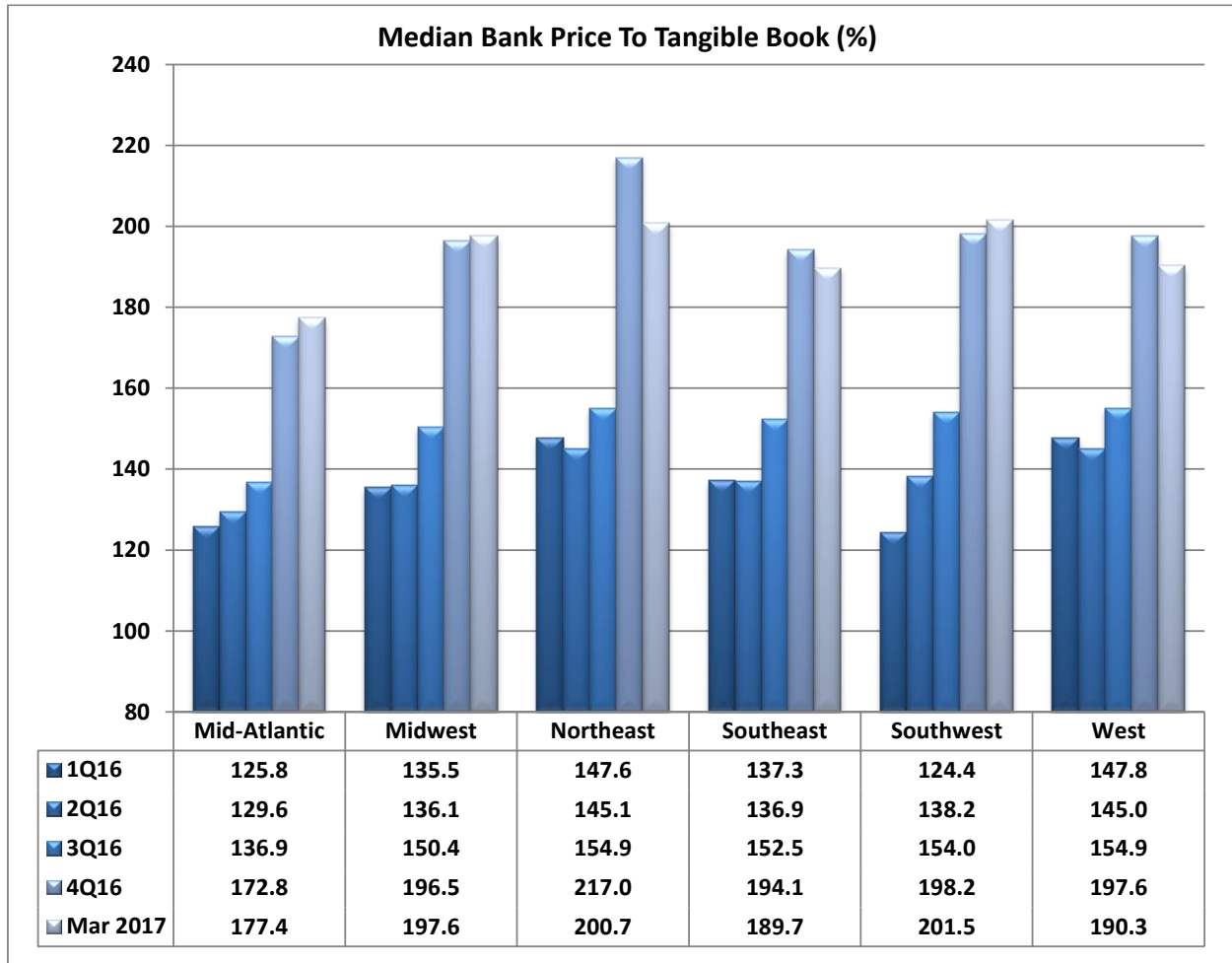


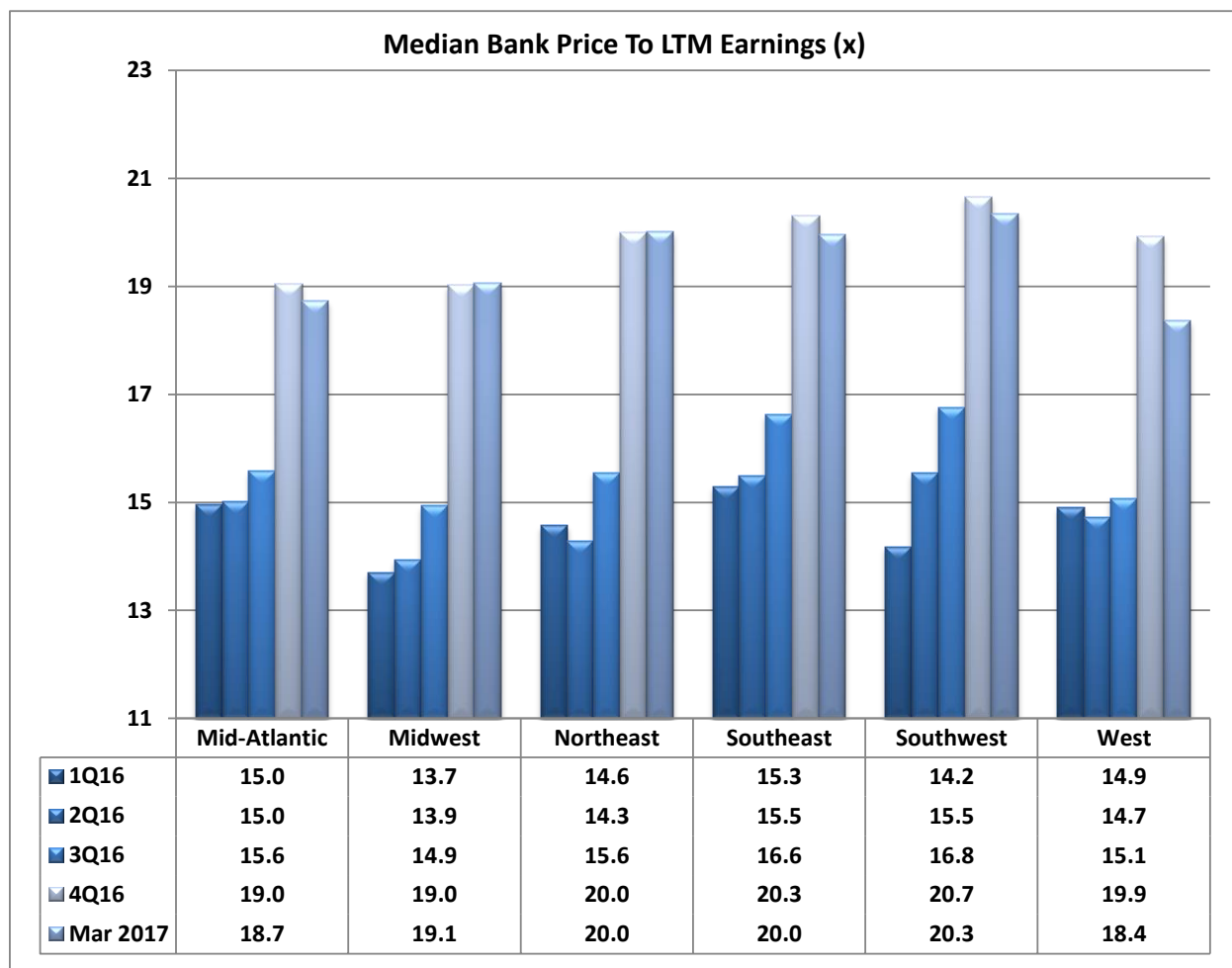
REGIONAL PRICING HIGHLIGHTS

The Midwest region at a median price to tangible book of 1.98x was the only region to increase in median price to tangible book (1.1%) in March passing the West at 1.90x to become the third highest price among all regions. A 6.1% decrease in oil prices in March impacted a 2.6% tangible book multiple decrease in the Southwest region, which is heavily tied to the energy sector but remained the highest price to tangible book price. This is the second time in the past three months the prices in the region dropped as prices increased in each of the previous six months in the Southwest. With all but one region posting decreases in March, the West saw the largest decrease (6.7%) in median price to tangible book to 1.90x tangible book.

At 2.02x tangible book, the Southwest region remained the highest median price among all regions after giving up that position in January to the West as the region reported the second strongest ROAA (1.02%) and Net Interest Margin (3.72%). The Northeast continued to report strong pricing at 2.01x tangible book on strong loan demand reflected in the highest loan to deposit ratio (98.2%) and strong median NPAs/Assets (0.78%). The Mid-Atlantic region reported the lowest median tangible book price of any region at 1.77x, and was down 2.6% from February, while median pricing in the West reported a median 1.90x tangible book after dropping 6.7%. The Southeast and Midwest was a slight decline in value during March and reported a median price to tangible book multiple of 1.90x and 1.98x, respectively.

On a median price to earnings basis, all regions reported values within a range of 18.4x and 20.3x LTM earnings. The Southwest reported the highest pricing for the sixth straight month at 20.3x LTM earnings and was followed closely by the Southeast and Northeast, each reporting a 20.0x LTM earnings multiple. The Northeast (20.0x) gained the most (2.7%) on a price to earnings basis, while the Mid-Atlantic (4.6%) and West (4.5%) declined the most.





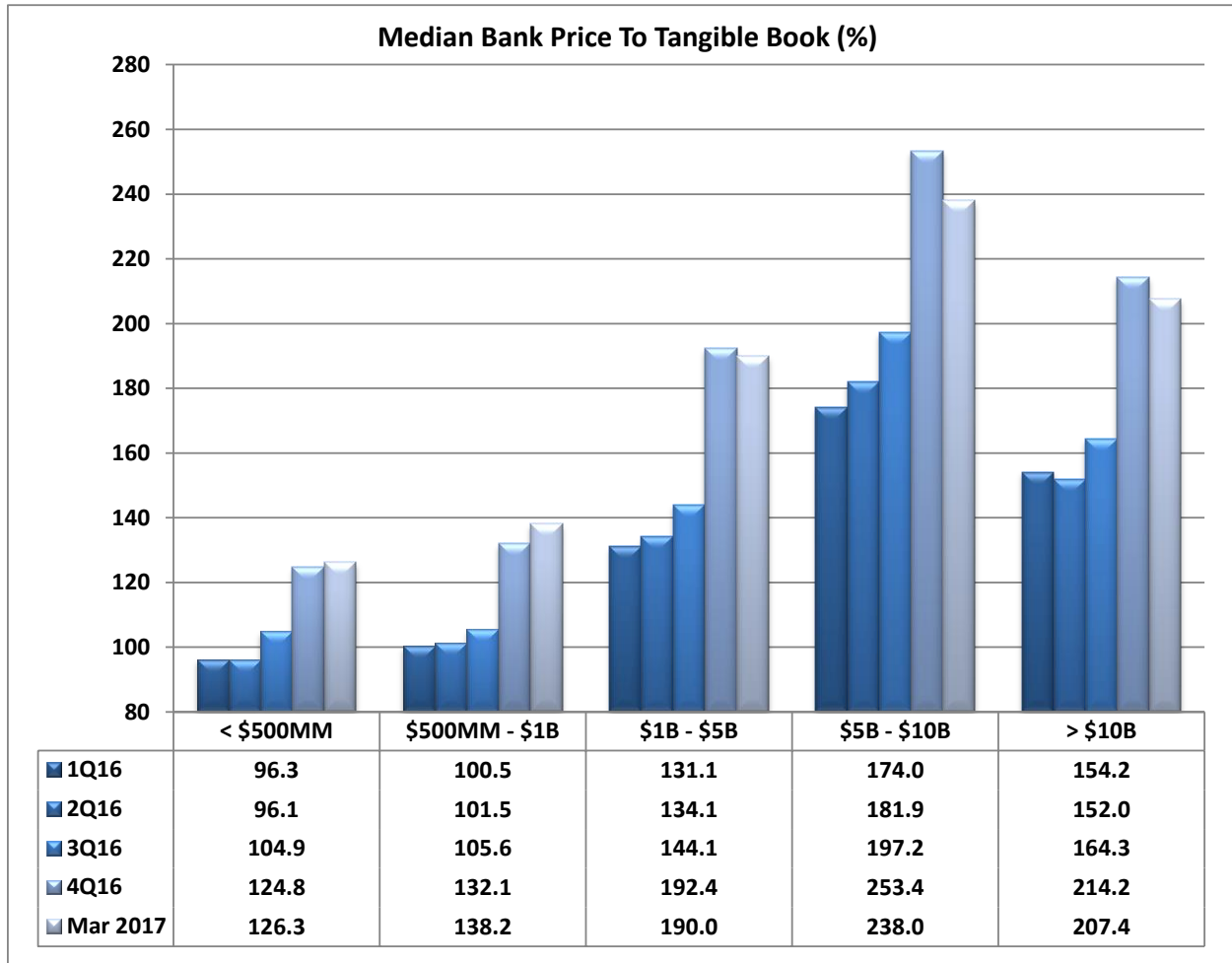
Region	Number of Companies	MRQ* Median Tg. Equity/ Assets (%)	LTM* Median ROAA (%)	MRQ* NPAs/ Assets (%)	MRQ* Loans/ Deposits (%)	LTM Net Interest Margin (%)
SNL Mid-Atlantic	68	8.47	0.88	0.71	93.8	3.40
SNL Midwest	75	8.91	0.97	0.89	91.5	3.51
SNL Northeast	20	8.03	0.86	0.78	98.2	3.19
SNL Southeast	85	9.23	0.93	0.87	89.3	3.56
SNL Southwest	28	9.36	0.97	0.86	86.4	3.56
SNL West	49	9.19	1.02	0.78	83.9	3.72

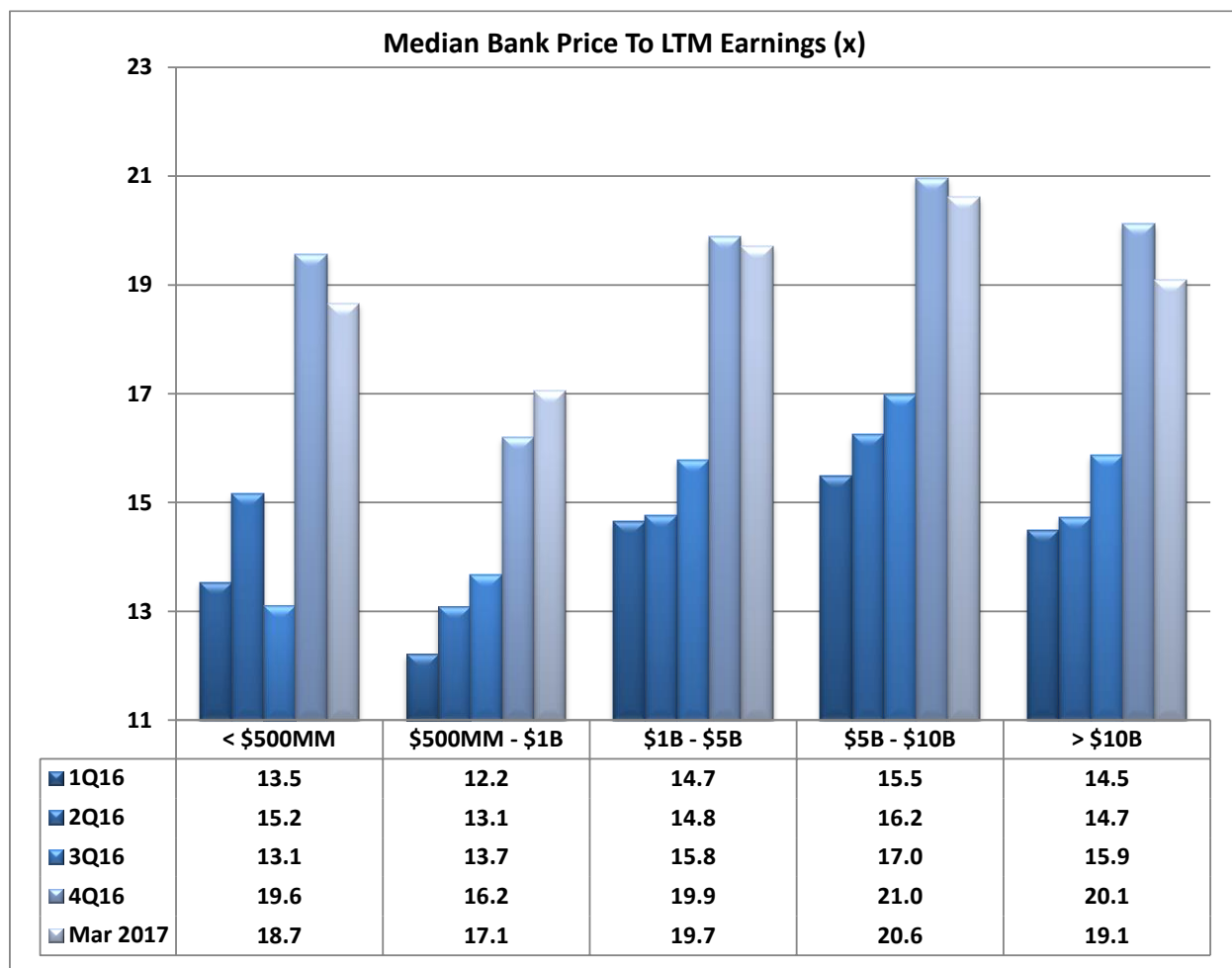
* Most Recent Quarter/Last Twelve Months (4Q16 for 99.7% of institutions)

PRICING BY SIZE

While all groups dropped in pricing, the disparity of pricing based on size remained during March as the two largest groups saw average median tangible book pricing of 2.23x while the two smallest group medians averaged a 1.32x price to tangible book multiple. The banks between \$5 billion and \$10 billion reported a median price of 2.38x tangible book (down 5.8% from February), remaining the highest priced group, followed by banks greater than \$10 billion at a median of 2.07x (down 6.0% from February). The smallest banks, those below \$500 million, were down 8.7% in March to a median of 1.26x, and remain the lowest priced group as banks between \$500 million and \$1 billion decreased 0.3% during the month of March to a median of 1.38x. Mid-sized banks, those between \$1 billion and \$5 billion, decreased 1.1% since February and were priced at a median 1.90x tangible book, essentially midway between the smallest and largest public institutions.

On a median price to LTM earnings basis, the pricing range was slightly broader compared to the regional groups ranging from 17.x to 20.6x LTM earnings. Banks over \$1 billion reported the highest pricing with banks between \$5 and \$10 billion reporting a median 20.6x LTM earnings after falling the most at 3.7% during March. Banks between \$1 and \$5 billion and those over \$10 billion reported a LTM price to earnings multiple of 19x and 19.1x, respectively. The banks with assets less than \$500 million reported a median earnings multiple of 18.7x (up the most of any group at only 0.9%) in March and remained the second lowest priced group. The Banks with assets between \$500 million and \$1 billion decreased 1.1% on a price to LTM earnings basis during March to 17.1x, reporting the lowest median ROAA (0.78%) and weakest asset quality (1.21% NPAs/Assets), and remained the lowest priced group.





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	9	8.63	0.85	0.89	94.1	3.71
\$500MM - \$1B	43	9.32	0.78	1.21	91.9	3.62
\$1B - \$5B	151	8.92	0.93	0.80	91.3	3.60
\$5B - \$10B	46	8.90	1.03	0.64	91.1	3.57
> \$10B	64	8.75	0.97	0.76	88.7	3.24

* Most Recent Quarter/Last Twelve Months (4Q16 for 99.7% of institutions)

Mergers & Acquisitions by Region

Bank consolidation slowed to a slightly lower pace in 2017 as 55 transactions have announced year-to-date compared to 57 through March 2016. Approximately 62% of the transactions announced year-to-date through March 2017 reported pricing terms, while 58% of the transactions through March 2016 reported terms. However, median year-to-date pricing through March 2017 was substantially higher at a 25.5% increase on tangible book (1.60x), 24.9% increase on price to 8% tangible book (1.63x), 10.5% increase on LTM earnings (21.3x), and 51.2% increase on deposits (21.7%) compared to transactions announced through March 2016. The West region had five transactions with a median price to tangible book multiple of 1.55x and price to LTM earnings of 17.8x, while the South had 13 transactions announced (9 with pricing) with a median price to tangible book multiple of 1.85x, the highest of any group as there was a deal announced in March for 2.41x tangible book. The Midwest also reported 11 transactions (7 with terms) at a median price to tangible book of 1.68x and price to LTM earnings of 19.6x, on the highest ROAA (1.00%) and highest tangible equity/tangible assets (12.0%). The Southwest region reported the lowest pricing multiples on the 4 transactions which disclosed terms and reported a median price to tangible book of 1.28x but median price to LTM earnings of 26.1x on a low median ROAA of 0.39%. The North Central region reported 10 transactions through March, 4 which announced terms at a median price to tangible book of 1.45x and price to LTM earnings of 17.3x. The East - New England region reported 6 transactions with terms (out of a total of 9 through March) with a median price to tangible book of 1.45x and price to LTM earnings of 35.5x on a median ROAA of 0.37%.

M&A Banks & Thrift Transactions Announced Year to Date through March 2017 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	9	6	1.45	1.60	35.5	20.6
North Central	10	4	1.45	1.50	17.3	18.4
South	13	9	1.85	1.72	22.5	21.6
Midwest	11	7	1.68	2.03	19.6	24.4
Southwest	7	4	1.28	1.44	26.1	19.1
West	5	4	1.55	1.65	17.8	19.8
United States	55	34	1.60	1.63	21.3	21.7

Year to Date through March 2017 - Median Performance by Region for M&A Deals	Total Assets (\$000)	Equity/ Assets (%)	Tg Equity/ Assets (%)	NPAs/ Assets (%)	ROAA (%)	ROAE (%)	# Brn.
East - New England	197,750	11.0	10.6	1.7	0.37	4.09	4
North Central	174,980	10.8	10.5	1.3	0.88	7.22	4
South	273,856	10.9	9.5	0.7	0.75	7.47	5
Midwest	281,527	12.0	12.0	0.7	1.00	8.40	3
Southwest	153,846	11.0	10.7	0.2	0.39	4.23	2
West	254,095	9.6	8.5	1.2	0.86	9.25	4
United States	202,470	10.99	10.44	0.7	0.76	7.47	4