



### **Public Bank Stock Performance – June 2017**

In June 2017, stock markets began to show some life after three months of stagnation. As the new administration moves to ease heavy banking regulation and all big banks passed the Federal Reserve's Comprehensive Capital Analysis and Review, the SNL Bank Index increased 8.0%. Early in the month, the U.S. House of Representatives passed the Financial CHOICE Act, which is intended to bring both large and small banks relief from what supporters say are burdensome financial regulations. However, some were left wondering whether or not there is a real sense that the Financial CHOICE Act will get through the Senate in its current format. Further, according to a Federal Reserve Board report, the Federal Reserve's release of the 2017 Dodd-Frank Act stress-test (DFAST) results demonstrated the nation's largest bank holding companies "have strong capital levels and retain their ability to lend to households and businesses during a severe recession." In fact, all 34 bank holding companies passed the DFAST. The 2017 DFAST cycle incorporated an escalated severely adverse scenario assuming a peak unemployment rate of 10% and a larger decline in commercial real estate prices.

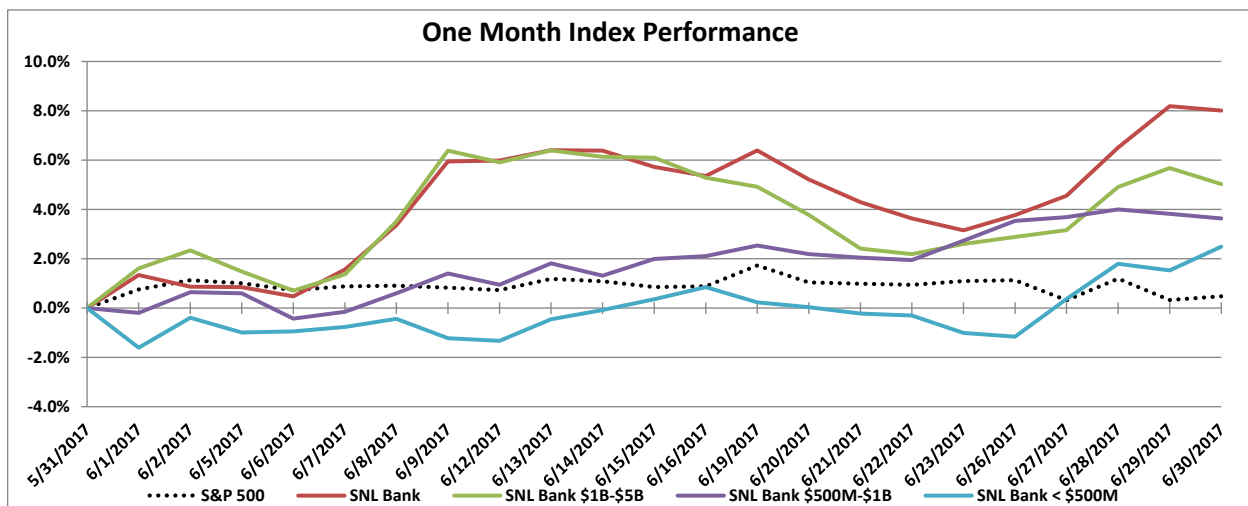
In economic news, in the early part of the month the ADP National Employment Report showed that private-sector employment increased by 253,000 jobs in May from April, with professional and business services seeing the strongest monthly job growth since 2014. Nonfarm payroll employment increased by 138,000 in May and the unemployment rate dipped to 4.3%, according to the U.S. Bureau of Labor Statistics. The gains were below Econoday's consensus estimate of 185,000. Later in the month, a report from the Commerce Department indicated that new orders for manufactured durable goods decreased 1.1% in May, the second consecutive decline. Shipments of manufactured durable goods increased 0.8% after two months of decline, but unfilled orders fell 0.2% after two months of increases.

In other news, the Federal Open Market Committee decided to raise its target federal funds rate, as widely expected, to 1.00% - 1.25%. The FOMC also laid out its plans to shrink its balance sheet which had been bulked up in attempts to keep the economy moving during the

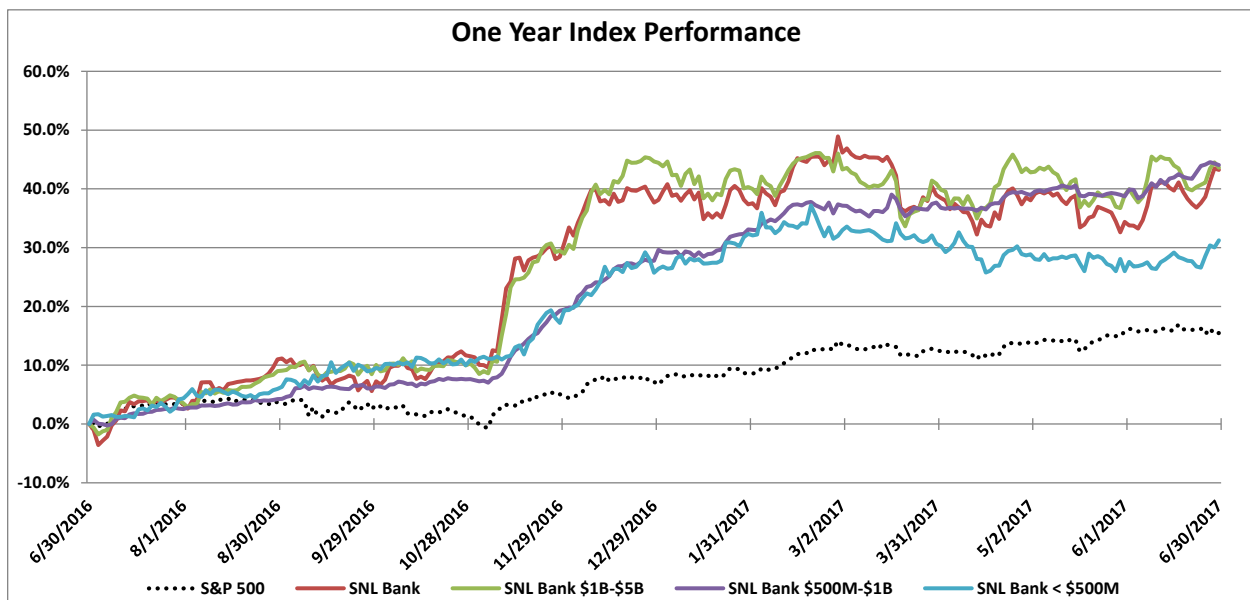
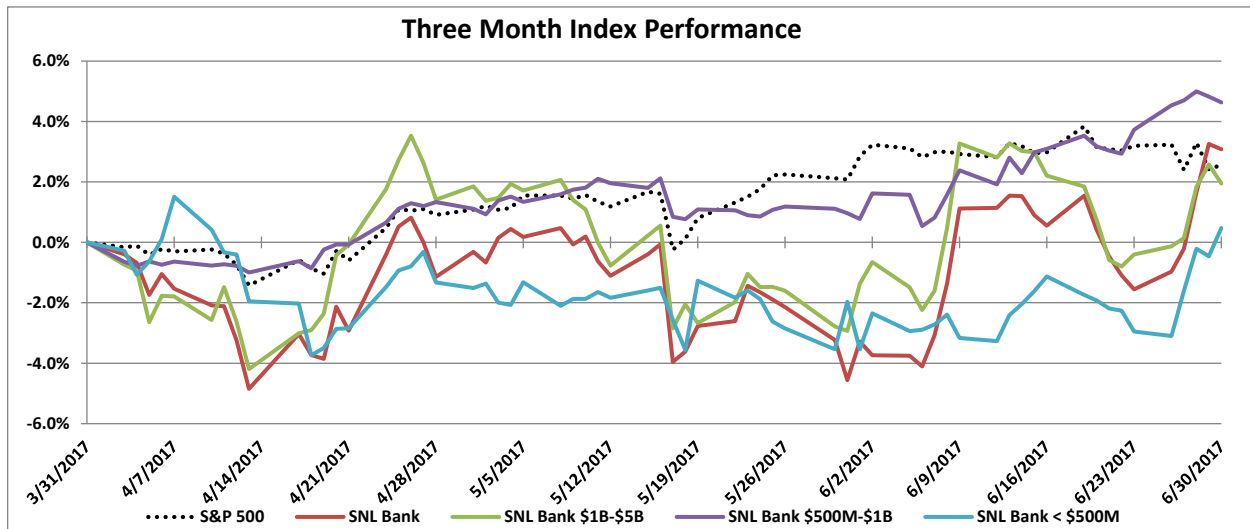
recession. Its inflation, unemployment, and appropriate fed funds expectations were changed very little. Fed Chair Janet Yellen said the balance sheet unwinding would happen soon if economic conditions are as expected, which some believe will begin after the September FOMC meeting.

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

The SNL Bank Index increased 8.0% in June, and outperformed the S&P 500 which gained a modest 0.5%, while banks between \$1 billion and \$5 billion increased 5.0%, banks below \$500 million gained 2.5%, and banks between \$500 million and \$1 billion posted an increase of 3.6% during the month.



Over the three month period ending June 2017, the SNL Bank Index gained 3.1% while the S&P 500 increased 2.6%. Over the prior twelve months, the SNL Bank Index outperformed the overall market, as it increased 43.2% while the S&P 500 increased 15.5%.

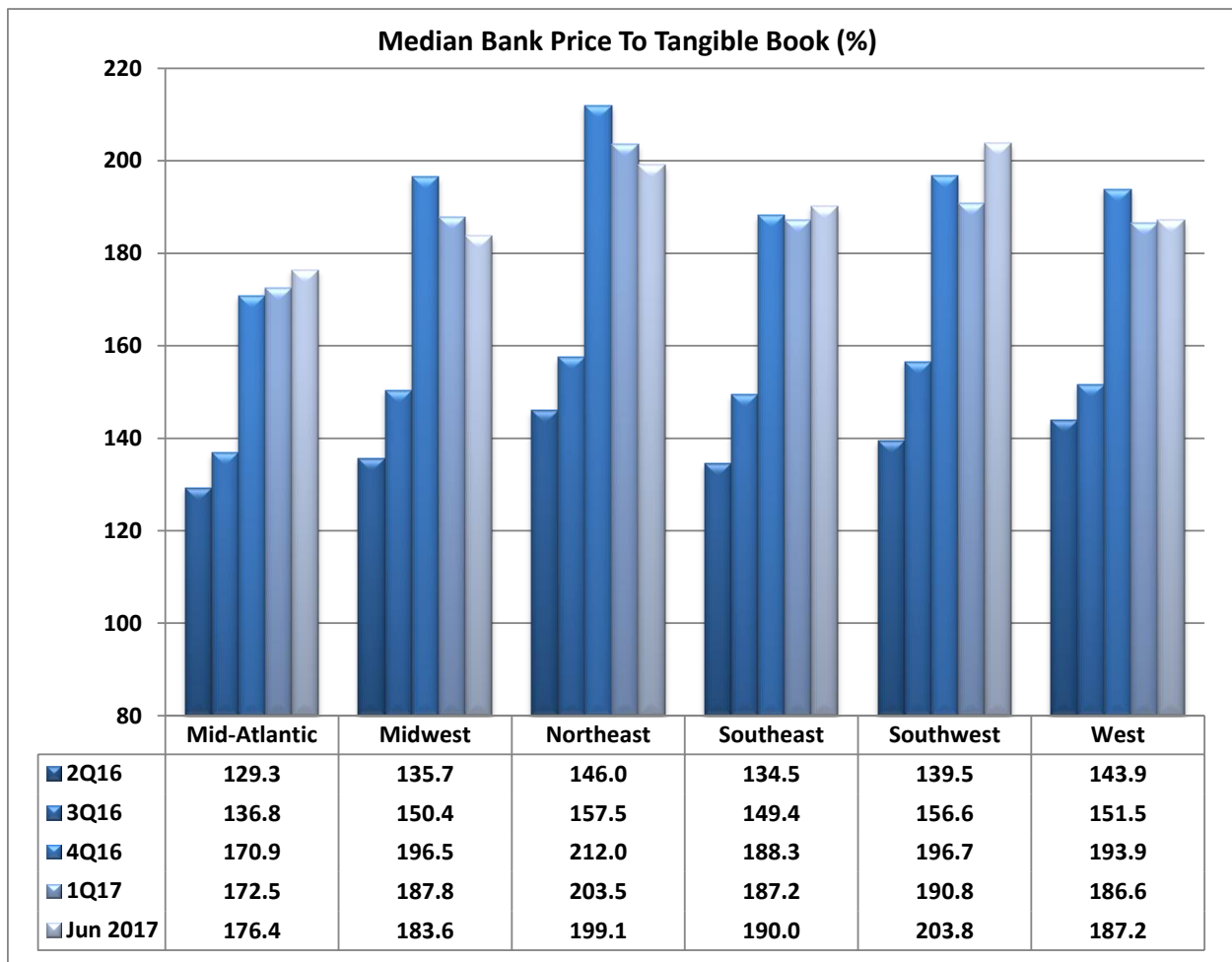


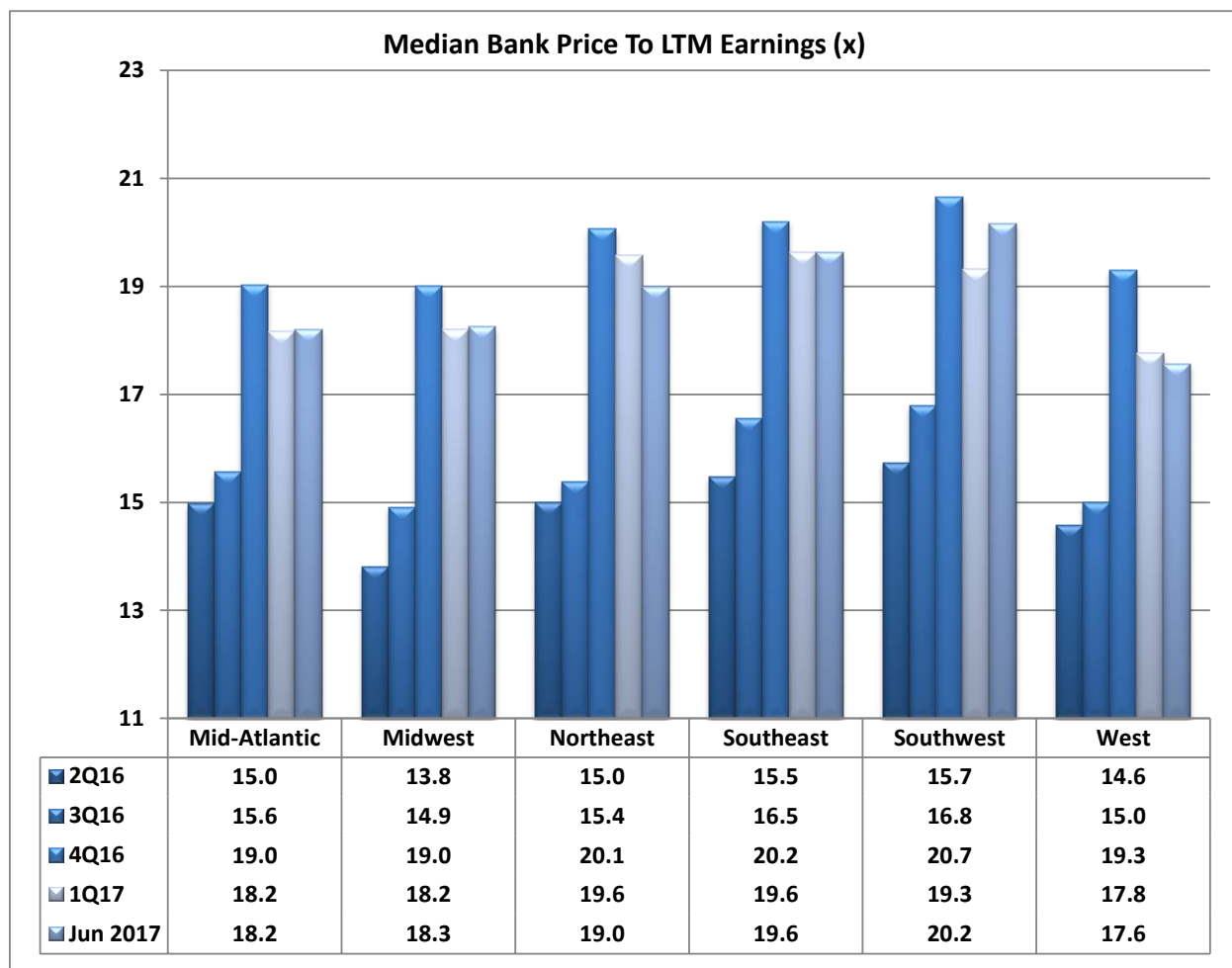
## REGIONAL PRICING HIGHLIGHTS

All regions reported tangible book pricing north of 1.75x and price to earnings north of 18x. The Southwest region remained the highest priced region at a median price to tangible book of 2.04x and the Mid-Atlantic reported the lowest at 1.76x. The Northeast saw the largest increase (6.6%) in median price to tangible book to 1.99x tangible book and was followed by the Mid-Atlantic and West, each increasing 6.4% to a median 1.76x and 1.87x tangible book, respectively.

Strong pricing among the 29 public banks in the Southwest region was supported by performance with median ROAA (0.96%) and Net Interest Margin (3.52%) each coming in below performance of the 48 public banks in the West (ROAA 1.03% and Net Interest Margin 3.71%, respectively). The Northeast (19 public banks) continued to report strong pricing at 1.99x tangible book on strong loan demand reflected in the highest loan to deposit ratio (96.4%).

On a median price to earnings basis, all regions reported higher values within a range of 17.6x and 20.2x LTM earnings. All regions increased on a price to earnings basis, as the Northeast (19.6x) gained the most (8.9%), while the West (1.7%) increased the least.





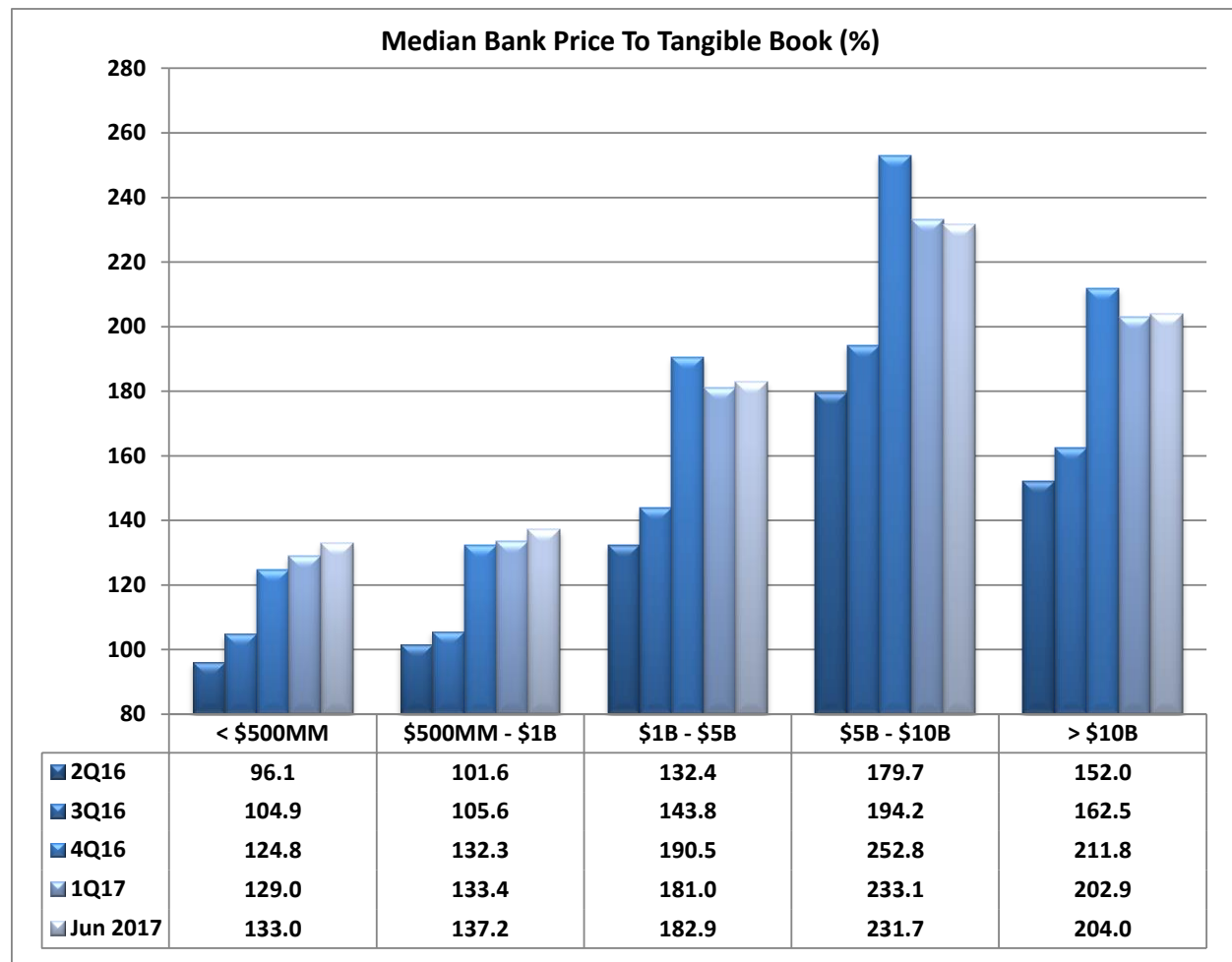
| Region           | Number of Companies | MRQ*<br>Median Tg.<br>Equity/<br>Assets (%) | LTM*<br>Median<br>ROAA<br>(%) | MRQ*<br>NPAs/<br>Assets<br>(%) | MRQ*<br>Loans/<br>Deposits<br>(%) | LTM Net<br>Interest<br>Margin<br>(%) |
|------------------|---------------------|---------------------------------------------|-------------------------------|--------------------------------|-----------------------------------|--------------------------------------|
| SNL Mid-Atlantic | 68                  | 8.57                                        | 0.89                          | 0.71                           | 93.4                              | 3.37                                 |
| SNL Midwest      | 74                  | 9.04                                        | 0.98                          | 0.89                           | 88.3                              | 3.53                                 |
| SNL Northeast    | 19                  | 8.05                                        | 0.86                          | 0.81                           | 96.4                              | 3.28                                 |
| SNL Southeast    | 81                  | 9.24                                        | 0.94                          | 0.87                           | 88.1                              | 3.51                                 |
| SNL Southwest    | 29                  | 9.65                                        | 0.96                          | 0.76                           | 82.1                              | 3.52                                 |
| SNL West         | 48                  | 9.15                                        | 1.03                          | 0.71                           | 81.9                              | 3.71                                 |

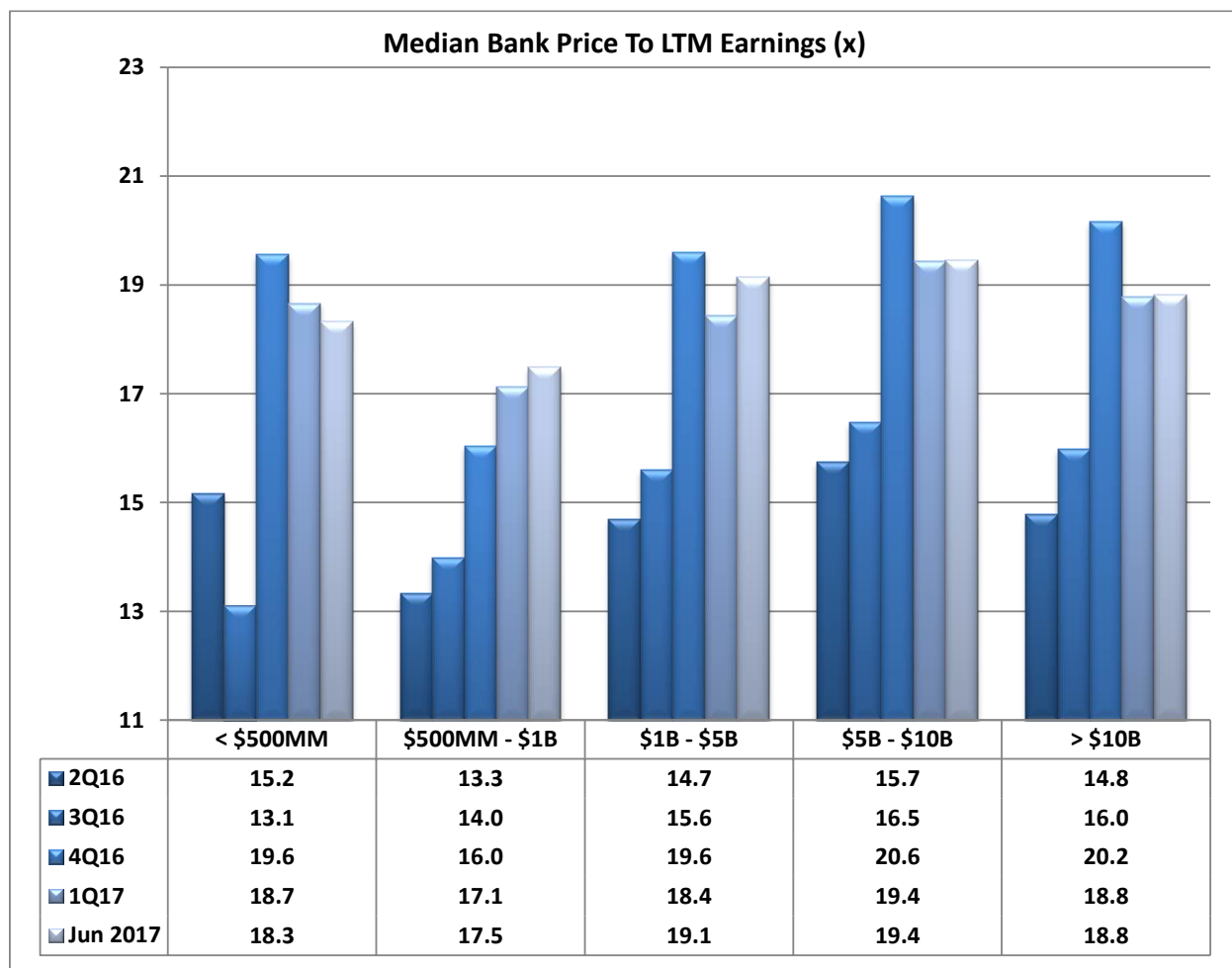
\* Most Recent Quarter/Last Twelve Months (1Q17 for 100.0% of institutions)

**PRICING BY SIZE**

Over the past year, the largest financial institutions are consistently priced over 50% higher on a price to tangible book basis. Size affords higher profitability which directly impacts pricing multiples. During June, the three groups with total assets over \$1 billion saw an average median tangible book pricing of 2.06x while the two smallest group medians averaged a 1.35x price to tangible book multiple. On a price to LTM earnings, the three groups with assets over \$1 billion groups saw an average 19.1x while the two smallest groups were lower at a 17.9x LTM earnings.

Financial institutions under \$1 billion reported lower LTM ROAA (average of medians 0.82%) and lower asset quality (1.08% average of median NPAs/Assets) than institutions with assets over \$1 billion (average median LTM ROAA 1% and NPAs/Assets 0.73%).





| Asset Size     | Number of Companies | MRQ*<br>Median Tg.<br>Equity/ Tg.<br>Assets (%) | LTM*<br>Median<br>ROAA<br>(%) | MRQ*<br>NPAs/<br>Assets<br>(%) | MRQ*<br>Loans/<br>Deposits<br>(%) | LTM Net<br>Interest<br>Margin<br>(%) |
|----------------|---------------------|-------------------------------------------------|-------------------------------|--------------------------------|-----------------------------------|--------------------------------------|
| < \$500MM      | 10                  | 8.58                                            | 0.84                          | 1.06                           | 89.5                              | 3.64                                 |
| \$500MM - \$1B | 40                  | 9.13                                            | 0.79                          | 1.10                           | 90.6                              | 3.50                                 |
| \$1B - \$5B    | 149                 | 9.04                                            | 0.92                          | 0.86                           | 89.1                              | 3.60                                 |
| \$5B - \$10B   | 44                  | 8.74                                            | 1.09                          | 0.57                           | 89.8                              | 3.46                                 |
| > \$10B        | 70                  | 8.98                                            | 1.00                          | 0.75                           | 88.1                              | 3.23                                 |

\* Most Recent Quarter/Last Twelve Months (1Q17 for 100.0% of institutions)

### Mergers & Acquisitions by Region

Bank consolidation slowed to a slightly lower pace in 2017 as 114 transactions have announced year-to-date compared to 120 through June 2016. However, median year-to-date

pricing through June 2017 was substantially higher at a 21.0% increase on tangible book (1.61x), 22.2% increase on price to 8% tangible book (1.72x), 17.0% increase on LTM earnings (21.7x), and 29.8% increase on deposits (20.9%) compared to transactions announced through June 2016. Higher prices in 2017 for merger and acquisitions are the direct result of higher public bank stock prices.

The West region reported the highest price to tangible book multiple at 1.83x (13 deals with terms) followed by the South at 1.65x on 27 transactions (34 total deals) the most reported by region followed by the Midwest at 1.61x (12 deals with terms). The lowest priced region, the Southwest, reported a tangible book pricing multiple of 1.28x (five deals with terms) likely due to low LTM ROAA performance the five targets of 0.23% (0.48% for all eight targets).

| M&A Banks & Thrift Transactions Announced Year to Date through June 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                                                                                | 18                     | 12                                | 1.48               | 1.59                  | 27.9                    | 16.5                |
| North Central                                                                                     | 17                     | 6                                 | 1.50               | 1.61                  | 17.3                    | 19.7                |
| South                                                                                             | 34                     | 27                                | 1.65               | 1.93                  | 22.4                    | 22.2                |
| Midwest                                                                                           | 20                     | 12                                | 1.61               | 1.93                  | 19.6                    | 23.0                |
| Southwest                                                                                         | 8                      | 5                                 | 1.28               | 1.52                  | 23.7                    | 22.0                |
| West                                                                                              | 17                     | 13                                | 1.83               | 1.79                  | 24.1                    | 18.8                |
| United States                                                                                     | 114                    | 75                                | 1.61               | 1.72                  | 21.7                    | 20.9                |

| Year to Date through June 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                                                          | 216,465              | 10.1               | 9.9                   | 1.1              | 0.37     | 3.45     | 4      |
| North Central                                                               | 155,930              | 11.0               | 11.0                  | 0.7              | 0.73     | 6.45     | 4      |
| South                                                                       | 320,990              | 11.0               | 9.9                   | 0.7              | 0.79     | 7.23     | 5      |
| Midwest                                                                     | 145,579              | 12.0               | 12.0                  | 1.1              | 0.75     | 5.82     | 3      |
| Southwest                                                                   | 170,212              | 10.8               | 10.0                  | 0.4              | 0.48     | 5.20     | 3      |
| West                                                                        | 254,095              | 10.8               | 9.6                   | 1.2              | 0.74     | 8.12     | 3      |
| United States                                                               | 214,163              | 10.99              | 10.55                 | 0.8              | 0.74     | 6.68     | 4      |