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INVESTMENT BANKING



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Public Bank Stock Performance – September 2017

In September 2017, bank stocks increased 6.8% on the announcement of tax reform by the White House and congressional leaders and on the Federal Reserve’s announcement that it will begin to unwind its holdings in Treasuries and agencies resulting from its quantitative easing policy.

The GOP tax plan is expected to reduce the corporate tax rate, increase the standard deduction for married and joint filers, and cut the number of individual tax brackets. One analyst noted that the framework is a positive step in the GOP’s march toward securing a tax package, but the lack of specificity regarding offsets and the waning window for legislative progress may temper reactions. On September 20th the Fed announced it would hold the federal funds target rate steady between 1.00% - 1.25%, but will start its long-awaited unwinding of its \$4.5 trillion balance sheet in October. The plan would begin the unprecedented process of unraveling the large holdings of Treasuries and agency securities that the Fed absorbed as part of its quantitative easing process. Fed Chair Janet Yellen reiterated that adjustments in the fed funds rate remain the “go-to” tool for monetary policy, but added the Fed could stop the balance sheet roll-off process or resume reinvestments in the event of a severe economic event that could push the interest rate back to zero.

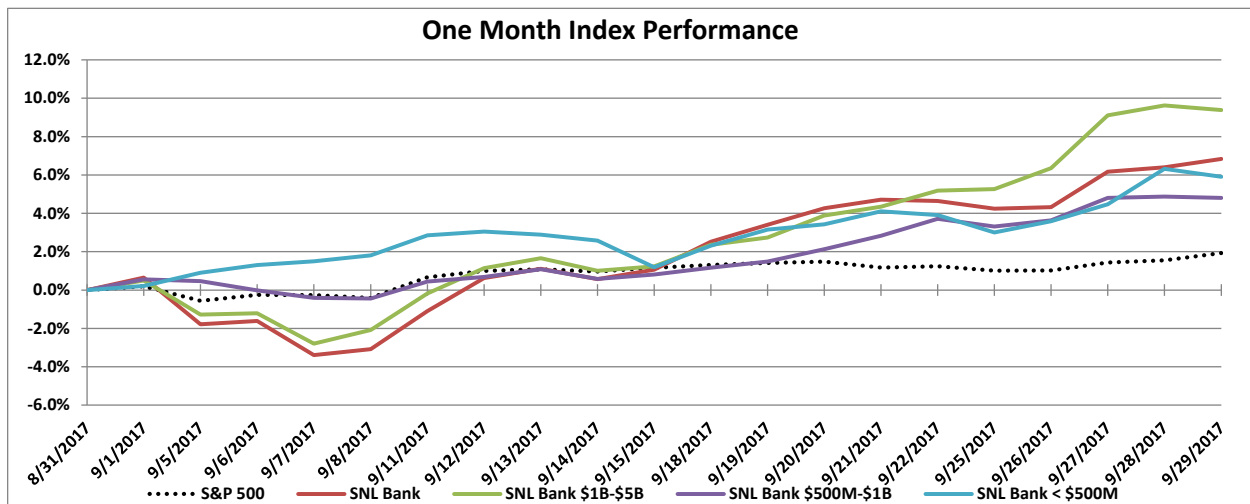
Complicating matters in September were escalating tensions between the United States and North Korea their Foreign Minister, Mr. Ri, claimed that due to President Trump’s comments, Trump had declared war on North Korea, adding that his country reserves the right to take

countermeasures, including shooting down U.S. fighter jets even if they are outside North Korean air space. Mr. Ri said that a missile attack on the U.S. mainland was inevitable as Trump had insulted the dignity of North Korea.

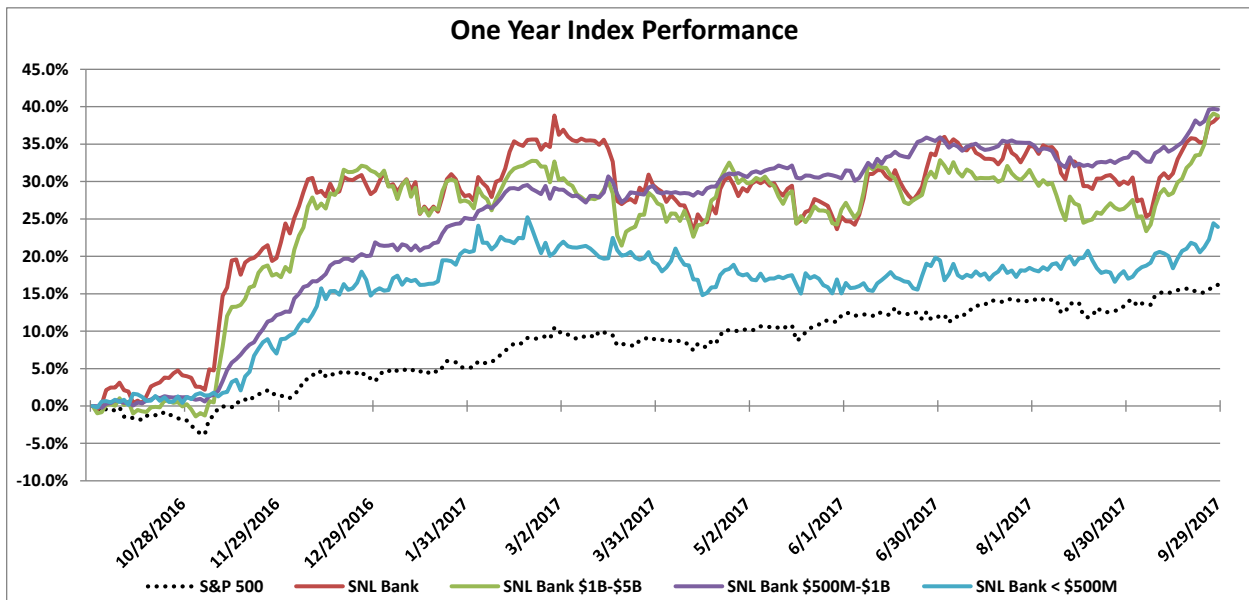
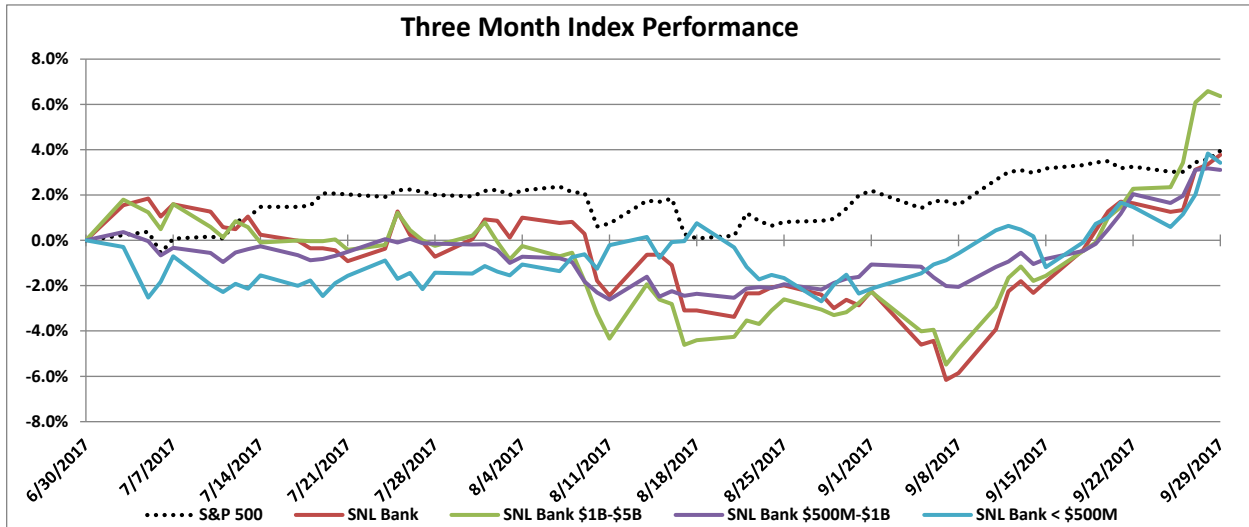
In economic news, data from the U.S. Department of Labor reported that nonfarm payrolls increased by 156,000 in August, lower than the 180,000 job gains that analysts expected. Average hourly earnings rose by 65 cents, or 2.5% on a year-over-year basis. The unemployment rate rose to 4.4%. Census Bureau data showed U.S. factory orders were 2.2% lower in July from June at \$466.4 billion, the third largest drop in nearly three years according to Reuters data.

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

The SNL Bank Index increased 6.8% in September, and outperformed the S&P 500 which gained 1.9% during the month, while banks between \$1 billion and \$5 billion increased 9.4%, banks below \$500 million posted an increase of 5.9%, and banks between \$500 million and \$1 billion gained 4.8% during the month.



Over the three month period ending August 2017, the SNL Bank Index gained 3.8% while the S&P 500 increased 4.0%. Over the prior twelve months, the SNL Bank Index outperformed the overall market, as it increased 38.6% while the S&P 500 increased 16.2% and reflected the post election run-up in pricing.



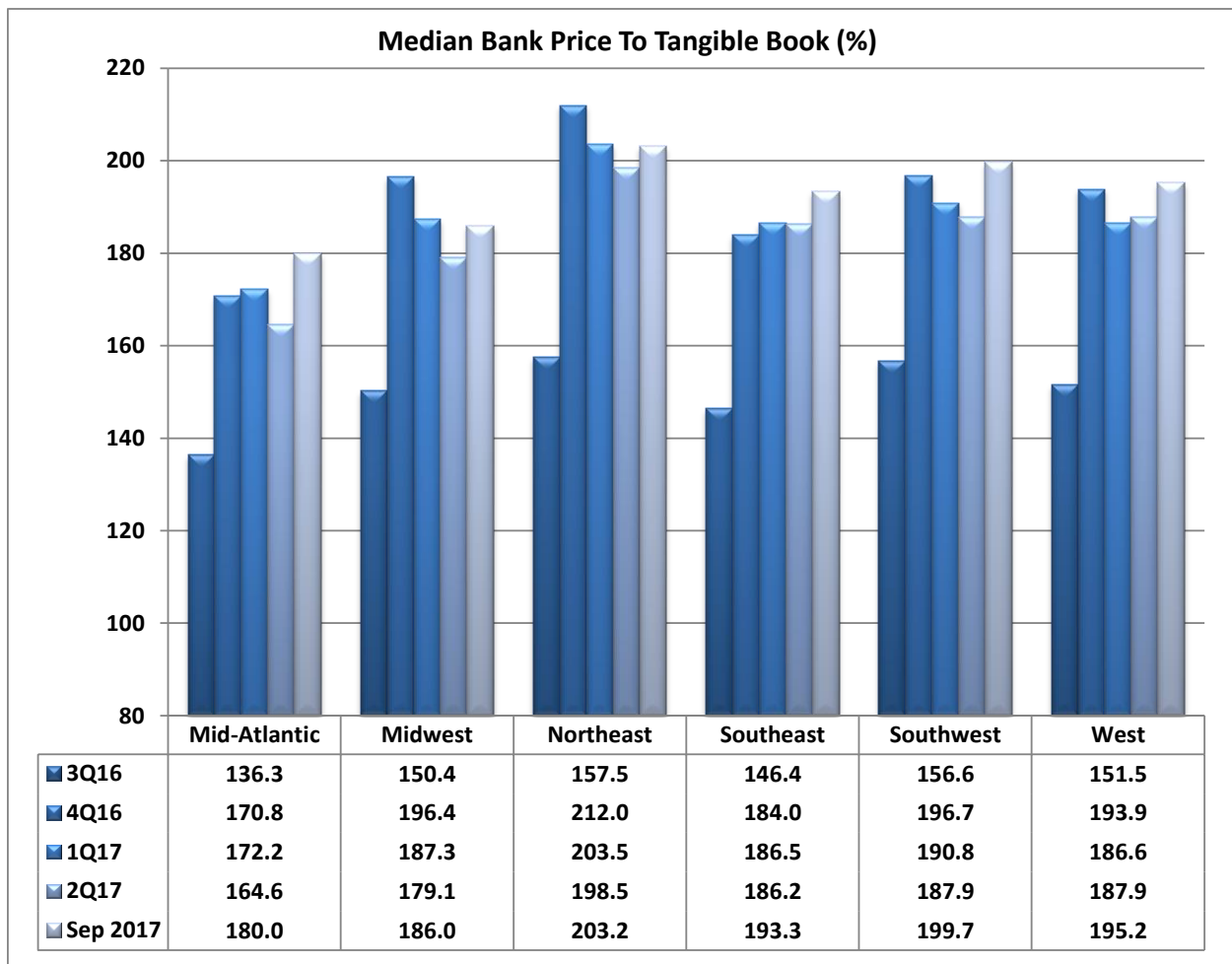
REGIONAL PRICING HIGHLIGHTS

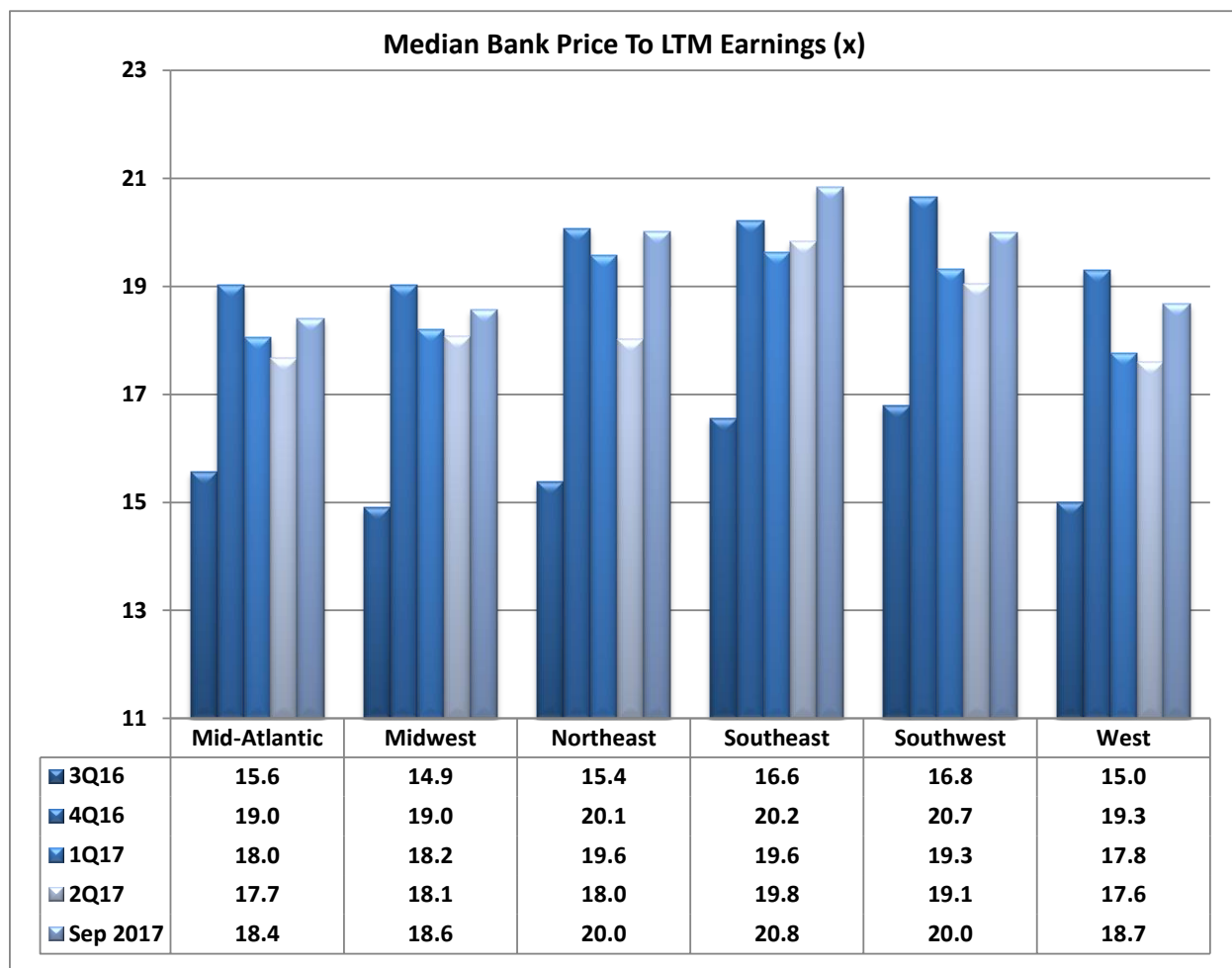
All regions reported higher price to tangible book and price to earnings multiples in September. The Southwest region was surpassed by the Northeast for the highest priced region at a median price to tangible book of 2.03x (after gaining 17.6% during the month, the most of any region) and the Mid-Atlantic reported the lowest at 1.80x. The Northeast region was the best performer in September, gaining 17.6% in median price to tangible book in

September, up to 2.03x tangible book. The Southwest became the second highest priced region, increasing 9.0% to 2.00x price to tangible book.

Strong pricing among the 19 public banks in the Northeast region was supported by performance with median Loans/Deposits of 95.9%. Continued strong pricing in the Southwest was supported by performance with ROAA (0.98%) and Net Interest Margin (3.51%) each coming in below the performance of the 49 public banks in the West (ROAA 1.03% and Net Interest Margin 3.73%, respectively). The West continued to report strong pricing at 1.95x tangible book.

On a median price to earnings basis, all regions reported higher values within a range of 18.4x and 20.8x LTM earnings. The Northeast region increased the most on a price to earnings basis (12.6%), as the Mid-Atlantic increased the least (7.1%).





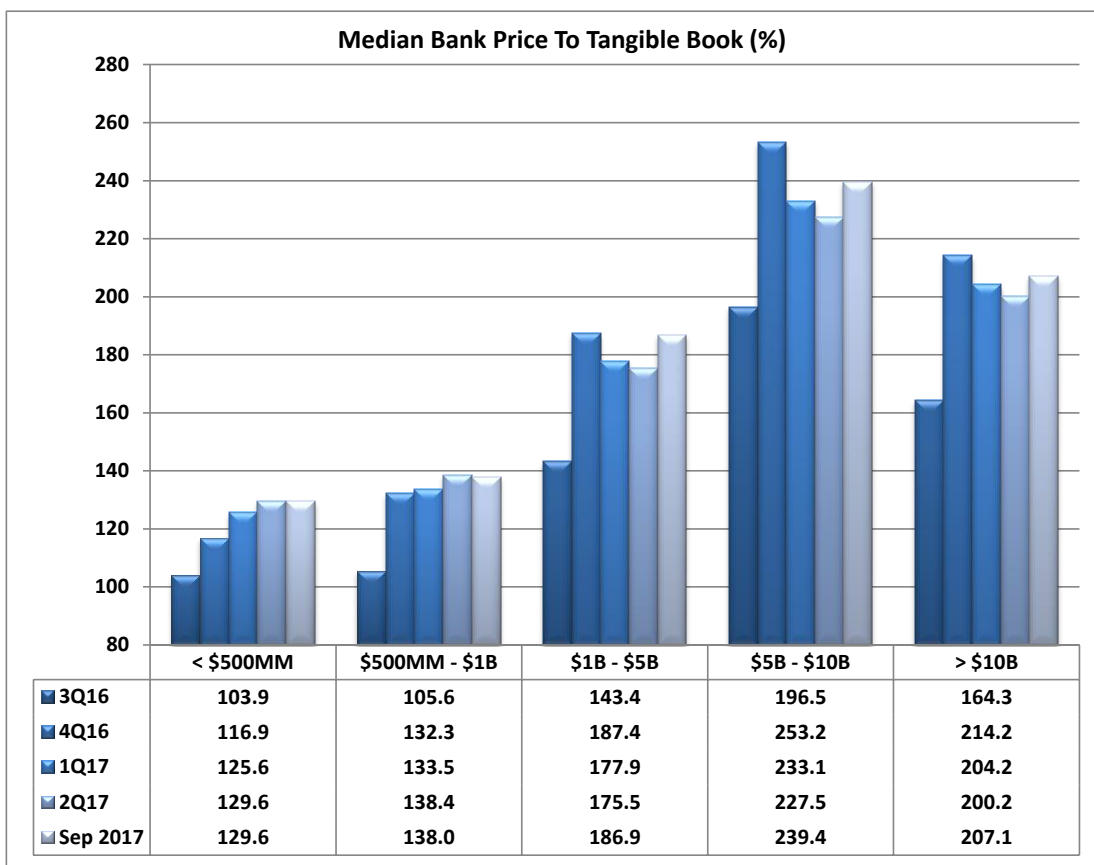
Region	Number of Companies	MRQ* Median Tg. Equity/ Assets (%)	LTM* Median ROAA (%)	MRQ* NPAs/ Assets (%)	MRQ* Loans/ Deposits (%)	LTM Net Interest Margin (%)
SNL Mid-Atlantic	69	8.70	0.87	0.73	95.9	3.39
SNL Midwest	75	9.18	0.97	0.79	91.7	3.56
SNL Northeast	19	8.37	0.89	0.78	95.9	3.24
SNL Southeast	80	9.27	0.93	0.77	88.7	3.54
SNL Southwest	29	9.78	0.98	0.84	87.0	3.51
SNL West	49	9.59	1.03	0.60	83.5	3.73

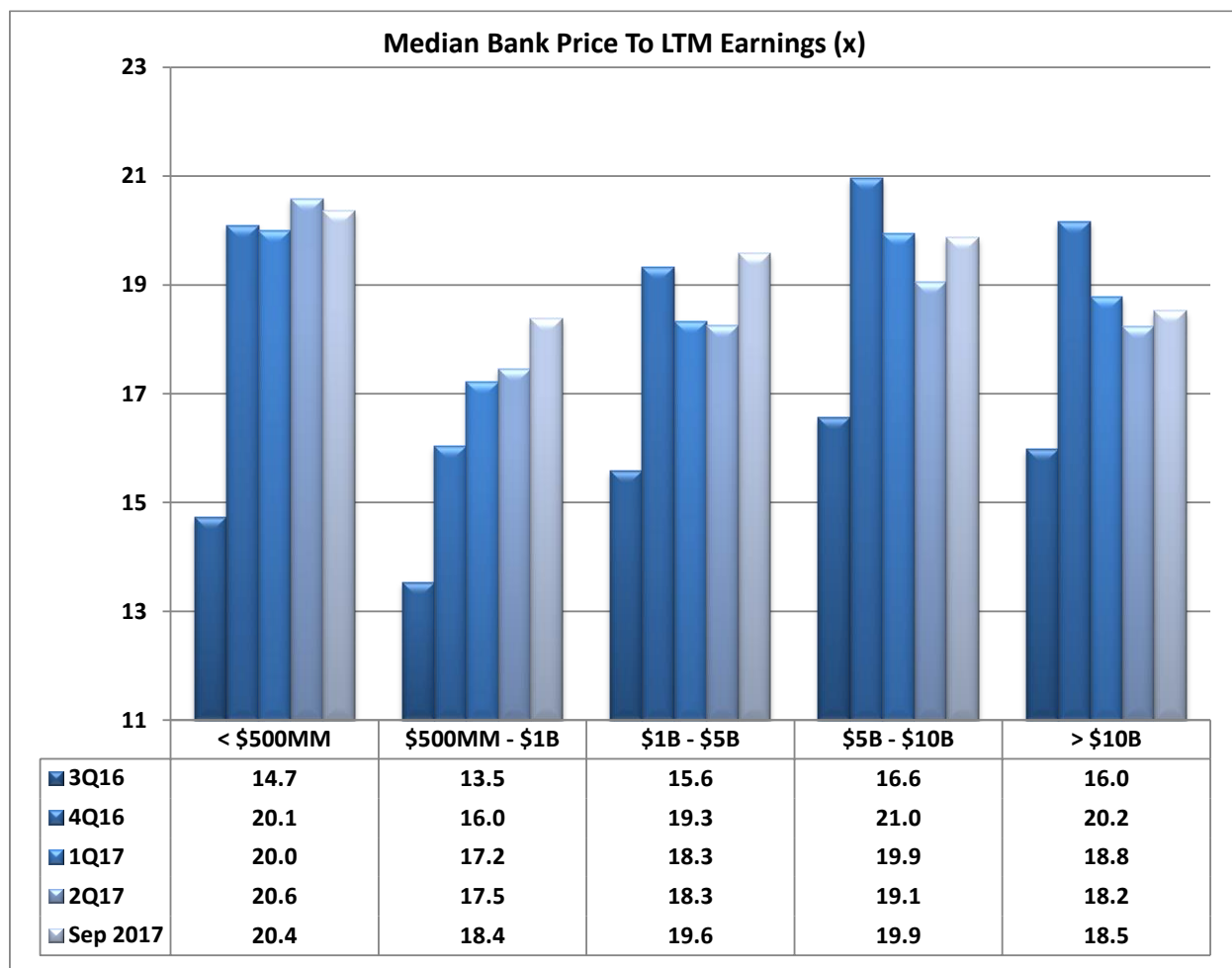
* Most Recent Quarter/Last Twelve Months (2Q17 for 100.0% of institutions)

PRICING BY SIZE

Over the past year, the largest financial institutions are consistently priced at least 50% higher on a price to tangible book basis. Size affords higher profitability which directly impacts pricing multiples. During September, the three groups with total assets over \$1 billion saw an average median tangible book pricing of 2.11x while the two smallest group medians averaged a 1.34x price to tangible book multiple. On a price to LTM earnings, the three groups with assets over \$1 billion saw an average median price to LTM earnings multiple of 19.3x while the two smallest groups reported an average of 19.4x LTM earnings multiple.

Financial institutions under \$1 billion reported lower LTM ROAA (average of medians 0.78%) and lower asset quality (1.00% average of median NPAs/Assets) than institutions with assets over \$1 billion (average median LTM ROAA 1.01% and NPAs/Assets 0.68%).





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	11	9.09	0.78	0.98	89.6	3.64
\$500MM - \$1B	38	9.55	0.78	1.03	91.8	3.51
\$1B - \$5B	150	9.30	0.93	0.76	91.3	3.64
\$5B - \$10B	42	9.03	1.10	0.56	93.1	3.52
> \$10B	72	9.12	0.99	0.70	90.0	3.29

* Most Recent Quarter/Last Twelve Months (2Q17 for 100.0% of institutions)

Mergers & Acquisitions by Region

Bank consolidation slowed to a slightly faster pace in 2017 as 173 transactions have announced year-to-date compared to 171 through September 2016. However, median year-to-date pricing through September 2017 was substantially higher at a 23.7% increase on tangible book (1.65x), 24.1% increase on price to 8% tangible book (1.76x), 15.9% increase on LTM earnings (21.6x), and 27.0% increase on deposits (20.6%) compared to transactions announced through September 2016. Higher prices in 2017 for merger and acquisitions are the direct result of higher public bank stock prices.

The Southwest region reported the highest price to tangible book multiple at 1.93x (11 deals with terms) followed by the West at 1.85x (19 deals with terms) followed closely by the South at 1.74x on 35 transactions with terms (48 total deals). The lowest priced region, the East - New England, reported a tangible book pricing multiple of 1.35x (18 deals with terms) likely due to low LTM ROAA performance of the targets at 0.37%.

M&A Banks & Thrift Transactions Announced Year to Date through September 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	29	18	1.35	1.52	28.3	17.6
North Central	24	8	1.50	1.61	17.0	19.7
South	48	35	1.74	1.93	22.9	22.2
Midwest	25	14	1.66	1.94	20.4	23.7
Southwest	23	11	1.93	1.86	18.4	19.6
West	24	19	1.85	1.79	24.1	20.1
United States	173	105	1.65	1.76	21.6	20.6

Year to Date through September 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	10.1	10.2	1.4	0.37	3.35	3
North Central	100,016	10.8	10.5	0.6	0.70	6.65	3
South	320,990	10.9	9.6	0.9	0.78	7.16	5
Midwest	158,824	12.0	12.0	0.9	0.82	5.85	3
Southwest	199,193	10.2	9.3	0.7	0.88	7.42	4
West	250,084	10.4	9.7	1.5	0.77	8.15	3
United States	217,462	10.85	10.24	0.8	0.74	6.68	4