



Financial Services Quarterly update

Q4 2018

Financial Services trends

Bank stocks experience weak performance during Q4 2018¹

Bank stocks, much like the market as a whole, experienced a slowdown during Q4 2018. A combination of slowing anticipated loan growth and slowing net interest margin expansion for 2019 help explain bank stocks' performances. Other reported reasons that attempt to explain the sell-off of bank stocks include the Federal Reserve (Fed) slowing money growth and limited benefits from stock buybacks.



Banks look to place focus on customer-first services³

Customer-first, digital services technologies have grown tremendously and are becoming widely accepted among financial institutions. Digital banks implementing customer technology services have outperformed the world's top 50 banks across key metrics such as privacy, payment solutions, and security. As 2018 ends, many experts predict consolidation between global banks and new digital banks.

Housing markets witness a slowdown as 2018 winds down²

As the Fed has raised rates for Q4 2018, signs point to higher mortgage rates during 2019. Many investors speculate the housing market may be peaking. Rising rates ultimately slows demand and has put pressure on mortgage firms, particularly those with less purchase volume. The threat of a recession also leaves the industry's future uncertain moving into 2019.

Federal Reserve raises interest rates for fourth time⁴

The Fed raised interest rates for the fourth time in 2018. The target range rose by 25 basis points to a new band of 2.25 percent - 2.50 percent. This marks the highest rates since 2008. The Fed pointed toward a strong labor market and economic activity to rationalize their decision. Moving into 2019, the Fed signals fewer rate hikes due to lowered 2019 GDP forecasts.

In this update

- Financial Services Trends
- Economic Outlook
- Industry Analysis
- Select M&A Transactions
- Appendix

This update will focus on news and trends in the following areas:

- US Banks
- US Specialty Finance

Who we are

Deloitte Corporate Finance LLC is a leading global middle market M&A adviser. The firm's professionals have extensive knowledge and years of experience in the Financial Services space.

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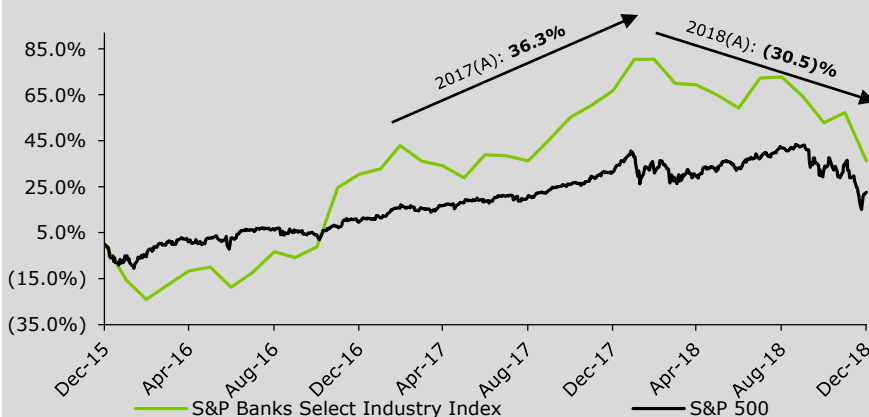
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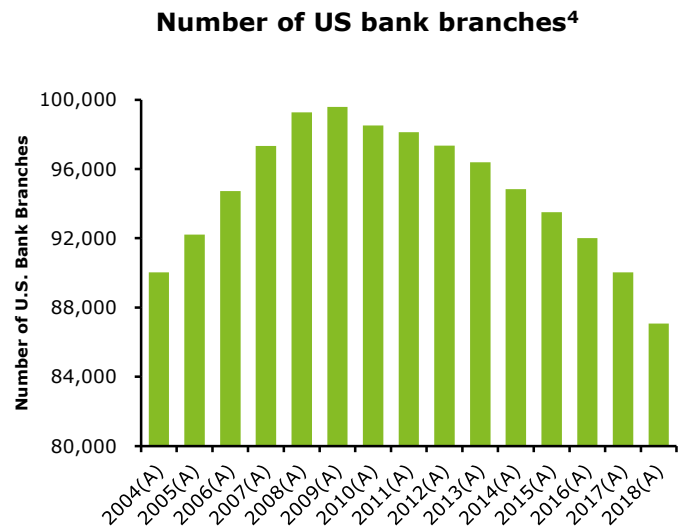
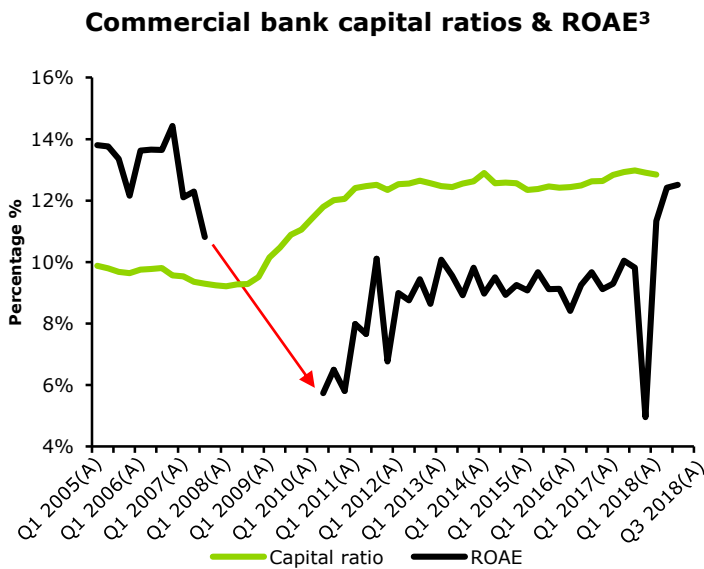
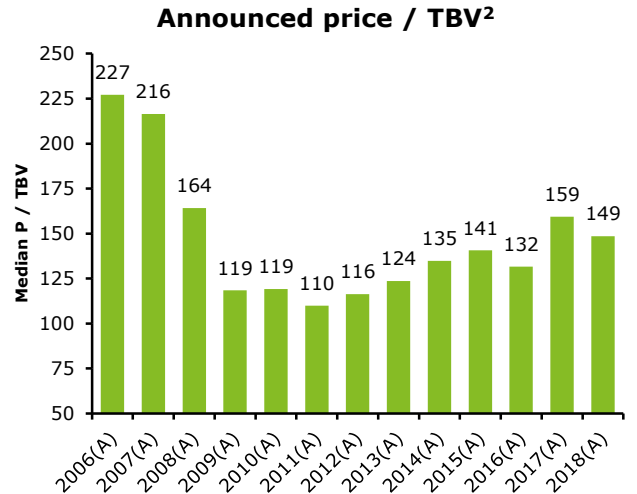
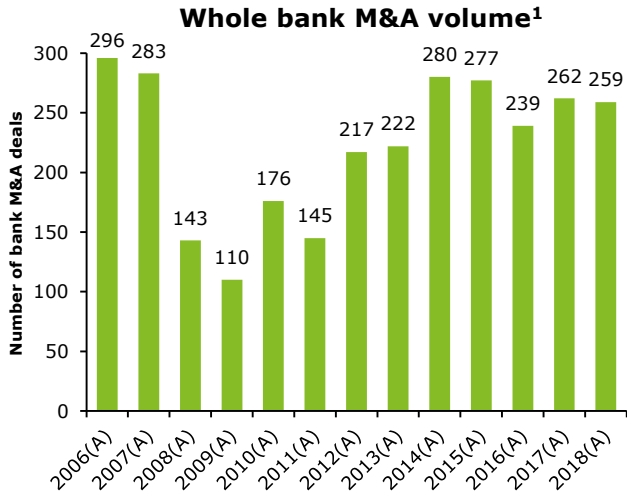
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Bank Index 3-Year Performance⁵

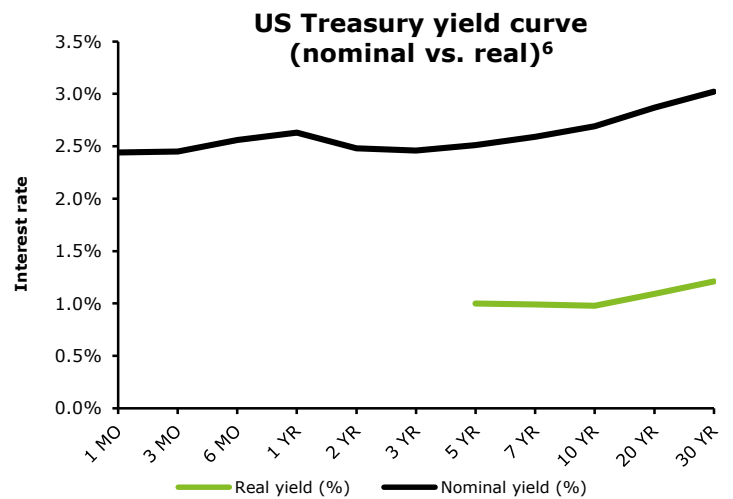
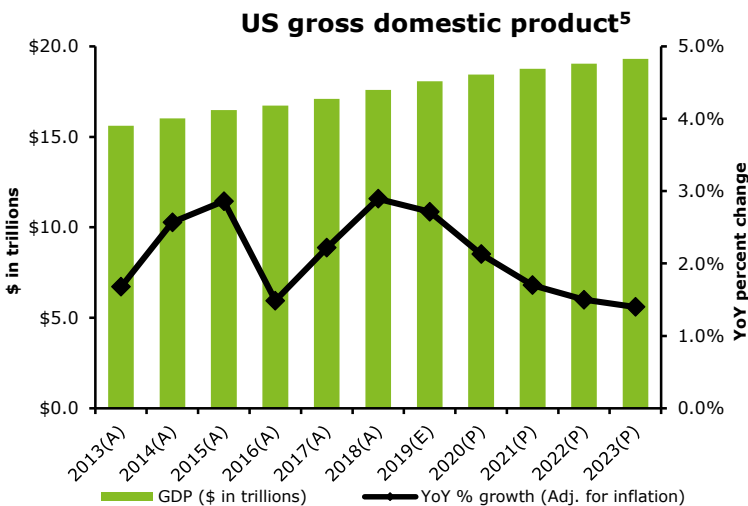
During Q4 2018, it's evident that bank stocks took a big plunge as shown by the S&P Banks Select Industry Index. This index is comprised of stocks in the asset management, diversified banks, and other diversified financial services sub-industries. Performance since the regulatory reform in Dec. 2016 averaged around 40 percent in 2017 but dropped significantly in 2018. A flattening yield curve and general concern of a potential recession help explain the sudden drop. For the most part, the index moved in line with the general S&P 500.



Banking sector outlook



Macroeconomic outlook



Banking sector breakdown & trading statistics¹

Sector	Number of companies	YTD ⁱ		Quarterly ⁱⁱ					
		Price change	Price / book	Return on assets	Net interest margin	Return on equity	Efficiency ratio	TE / TA	NPA / TA
Banks (<\$1B Assets)	475	(1.8) %	127.9 %	0.99 %	3.8 %	9.3 %	70.4 %	9.6 %	0.7 %
Banks (\$1B-\$10B Assets)	270	(11.2)	156.2	1.18	3.7	11.0	58.8	9.2	0.6
Banks (\$10B-\$50B Assets)	56	(21.7)	138.5	1.35	3.6	10.5	55.0	9.3	0.6
Banks (>\$50B Assets)	22	(19.8)	143.0	1.39	3.2	12.2	57.9	8.9	0.6
Banking Sector index	823	(0.1) %	138.3 %	1.09 %	3.7 %	10.4 %	63.6 %	9.4 %	0.7 %

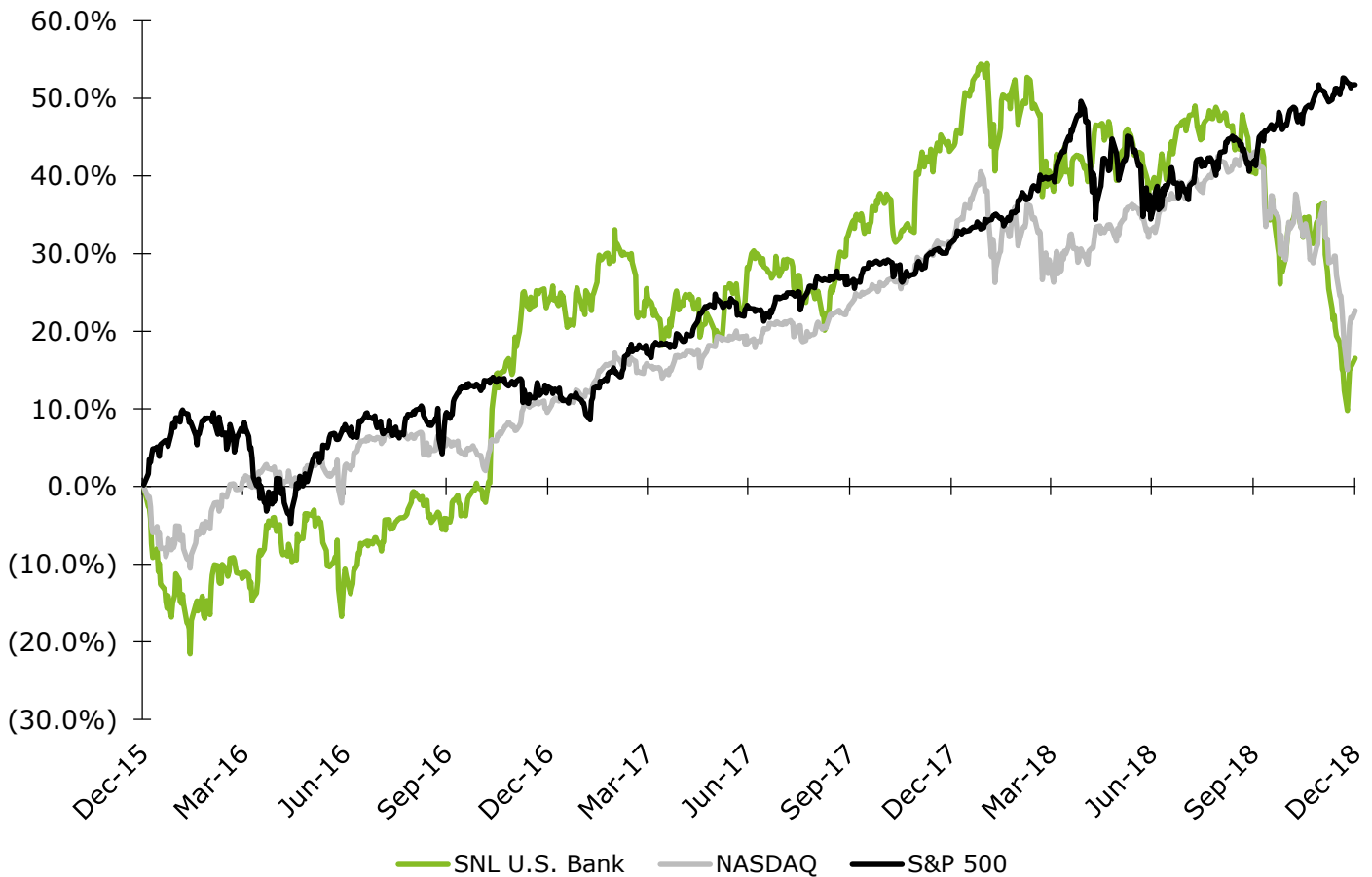
Notes:

i. As of December 31, 2018.

ii. As of Q4 2018.

Public comparables three-year stock market performance²

SNL US Bank	16.5%
S&P 500 index	51.8%
NASDAQ Composite index	22.7%



Recent transactions¹

Recent bank M&A transactions*

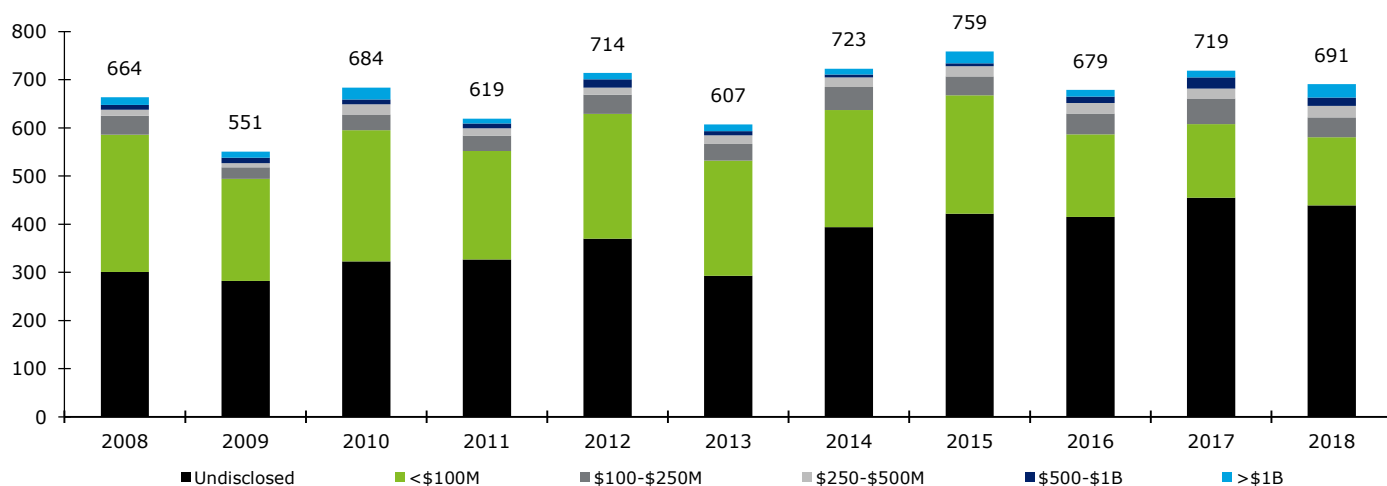
Announced date	Acquiror	Target	Price (\$M)	Price / Book (%)
Dec-18	Ameris Bancorp	Fidelity Southern Corporation	\$750.7	115.0 %
Dec-18	Berkshire Hills Bancorp, Inc.	SI Financial Group, Inc.	182.1	95.1
Dec-18	CCF Holding Company	Heritage Bancorp/Providence Bank	105.1	NM
Nov-18	CenterState Bank Corporation	National Commerce Corporation	850.6	122.4
Nov-18	Enterprise Financial Services Corp	Trinity Capital Corporation	213.7	171.0
Nov-18	First Citizens BancShares, Inc.	Biscayne Bancshares, Inc.	119.5	146.8
Oct-18	First Interstate BancSystem, Inc.	Idaho Independent Bank	183.0	178.7
Oct-18	First Merchants Corporation	MBT Financial Corp.	290.9	167.8
Dec-18	First Midwest Bancorp, Inc.	Bridgeview Bancorp, Inc.	145.0	118.4
Oct-18	Horizon Bancorp, Inc.	Salin Bancshares, Inc.	135.5	138.2
Nov-18	People's United Financial, Inc.	BSB Bancorp, Inc.	328.7	97.0
Nov-18	Simmons First National Corporation	Reliance Bancshares, Inc.	171.6	115.1
Oct-18	Union Bankshares Corporation	Access National Corporation	618.0	136.7

*Transactions with purchase price greater than \$100 million.

Recent specialty finance M&A transactions

Announced date	Acquiror	Target	Price (\$M)	Total assets (\$M)
Oct-18	General Finance Corporation	Tilton Trailer Rental Corp.	\$5.8	N/A
Nov-18	Golub Capital BDC, Inc.	Golub Capital Investment Corporation	1,076.7	1,719.1
Nov-18	Ready Capital Corporation	Owens Realty Mortgage, Inc.	183.4	231.3

Annual bank and specialty finance M&A transaction volume by deal value²



Appendix

Public comparables analysis¹

Company (ticker)	YTD		Quarterly					
	Price change	Price/book	Return on assets	Net interest margin	Return on equity	Efficiency ratio	TE/TA	NPA/TA
Banks (Assets <\$1B) (475)*								
Median	(1.8) %	127.9 %	1.0 %	3.8 %	9.3 %	70.4 %	9.6 x	0.7 x
Mean	0.0 %	132.5 %	0.8 %	3.8 %	7.9 %	74.0 %	10.1 x	1.1 x
Banks (Assets \$1B-\$10B) (264)*								
Median	(11.2) %	156.2 %	1.2 %	3.7 %	11.0 %	58.8 %	9.2 x	0.6 x
Mean	(9.5) %	161.0 %	1.1 %	3.7 %	10.9 %	59.3 %	9.5 x	0.8 x
Banks (Assets \$10B-\$50B) (50)								
Banc of California, Inc.	(35.7) %	133.8 %	0.4 %	3.0 %	4.4 %	78.4 %	8.8 x	0.3 x
FCB Financial Holdings, Inc.	NA	161.1	1.4	3.2	12.8	37.6	10.0	0.2
Community Bank System, Inc.	8.2	187.2	1.6	3.7	10.4	57.4	8.7	0.2
Berkshire Hills Bancorp, Inc.	(26.7)	123.9	1.1	3.4	8.3	57.8	8.5	0.4
Great Western Bancorp, Inc.	(21.9)	135.1	1.4	3.8	9.3	48.1	9.6	1.5
United Community Banks, Inc.	(23.4)	157.6	1.4	4.0	12.5	55.5	8.9	0.6
International Bancshares Corporation	(12.6)	160.1	1.7	4.0	10.9	52.5	13.8	0.7
First Interstate BancSystem, Inc.	(9.1)	164.1	1.3	3.9	10.5	58.2	8.2	0.6
First BanCorp.	69.6	104.5	1.2	4.8	7.6	54.7	15.5	8.5
Columbia Banking System, Inc.	(16.5)	143.3	1.4	4.4	9.4	53.6	9.6	0.7
Central Banccompany, Inc.	NA	145.2	1.5	3.7	10.5	57.0	13.1	0.5
Hilltop Holdings Inc.	(29.7)	98.3	1.0	3.5	7.7	85.9	12.2	0.3
Trustmark Corporation	(10.6)	142.3	1.1	3.6	9.1	65.4	9.3	0.8
First Midwest Bancorp, Inc.	(17.3)	142.9	1.4	4.0	11.2	55.0	8.2	0.5
Hope Bancorp, Inc.	(34.4)	110.4	1.2	3.5	9.8	48.3	9.7	NA
Home BancShares, Inc.	(29.0)	162.9	2.2	4.5	13.9	37.4	9.6	0.5
South State Corporation	(31.4)	127.2	1.3	4.1	8.0	58.0	9.7	0.3
Simmons First National Corporation	(15.7)	124.5	1.4	4.0	10.1	54.1	8.1	0.5
Washington Federal, Inc.	(22.0)	132.5	1.3	3.3	10.3	49.4	10.8	1.4
Cathay General Bancorp	(21.4)	159.3	1.7	3.9	13.3	43.0	10.8	0.8
Bank of Hawaii Corporation	(21.6)	263.2	1.3	3.1	18.2	54.4	7.2	0.4
Old National Bancorp	(11.5)	132.4	1.2	3.5	9.3	58.6	8.1	1.0
United Bankshares, Inc.	(10.7)	116.1	1.4	3.6	7.9	49.8	9.8	0.8
Chemical Financial Corporation	(31.6)	136.8	1.4	3.5	10.2	52.5	8.2	0.7
Fulton Financial Corporation	(13.5)	128.4	1.3	3.4	11.6	61.7	8.8	0.9
PrivateBancorp, Inc.	NA	238.1	1.2	3.3	11.8	54.4	9.4	0.9
MB Financial, Inc.	(11.1)	140.2	0.9	3.9	5.8	62.3	10.3	0.5
Western Alliance Bancorporation	(30.6)	242.0	2.1	4.7	18.1	45.1	10.0	0.4
First National of Nebraska, Inc.	9.5	107.4	1.8	6.6	18.1	55.9	9.4	1.0
First Hawaiian, Inc.	(24.6)	151.2	NA	3.1	11.1	47.1	7.5	0.2
UMB Financial Corporation	(15.4)	160.4	1.1	3.2	10.4	69.9	9.4	0.3
Pinnacle Financial Partners, Inc.	(30.8)	120.2	1.6	3.6	9.7	46.2	9.0	0.4
Prosperity Bancshares, Inc.	(11.0)	121.2	1.5	3.2	8.3	42.4	10.0	0.1
TCF Financial Corporation	NA	169.9	1.5	4.7	14.1	66.8	10.3	1.0
Valley National Bancorp	(21.1)	120.6	0.9	3.1	8.4	59.6	7.3	0.5
Commerce Bancshares, Inc.	5.8	264.7	1.8	3.5	16.2	55.2	10.7	0.4
PacWest Bancorp	(34.0)	123.9	1.9	5.0	9.8	40.9	9.6	0.5
Texas Capital Bancshares, Inc.	(43.7)	182.2	1.3	3.7	14.3	53.1	8.9	0.4
Umpqua Holdings Corporation	(23.6)	114.4	1.4	4.1	9.1	55.1	8.8	0.3
Webster Financial Corporation	(12.6)	203.4	1.5	3.7	14.3	57.4	8.4	1.1
Hancock Whitney Corporation	NA	136.3	1.2	3.4	11.4	58.1	7.7	1.4
IBERIABANK Corporation	(16.8)	119.6	1.3	3.8	10.3	52.8	9.2	0.8
Wintrust Financial Corporation	(19.2)	156.8	1.2	3.6	11.7	60.1	8.8	0.6
BankUnited, Inc.	(25.9)	119.5	1.3	3.5	12.5	57.7	9.5	0.7
Sterling Bancorp	(32.3)	115.4	1.5	3.6	10.9	38.4	9.1	0.8
Associated Banc-Corp	(22.1)	124.3	1.0	2.9	9.1	63.4	7.9	0.8
Synovus Financial Corp.	(33.7)	187.9	1.4	3.9	14.2	55.5	9.3	0.7
F.N.B. Corporation	(28.6)	93.4	1.2	3.4	8.9	53.7	7.2	0.5
Cullen/Frost Bankers, Inc.	(7.6)	211.0	1.5	3.7	14.1	54.7	8.7	0.3
BOK Financial Corporation	(20.6)	176.1	1.4	3.2	13.0	60.1	9.6	0.5
First Citizens BancShares, Inc.	NA	153.6	1.3	3.7	13.5	66.1	9.3	0.7
East West Bancorp, Inc.	(29.0)	206.1	1.8	3.8	16.3	44.5	9.8	0.4
First Horizon National Corporation	(34.4)	128.5	2.7	3.5	23.8	62.7	8.1	0.9
Signature Bank	(25.5)	150.1	1.4	2.9	14.8	35.5	9.2	0.5
Popular, Inc.	32.5	99.0	1.2	4.4	10.2	52.7	9.6	4.0
People's United Financial, Inc.	(23.2)	104.5	1.1	3.1	7.9	58.3	8.2	0.7
Median	(21.7) %	138.5 %	1.4 %	3.6 %	10.5 %	55.0 %	9.3 x	0.6 x
Mean	(18.0) %	148.8 %	1.4 %	3.7 %	11.4 %	54.8 %	9.4 x	0.8 x

*Individual companies not broken out due to sector size.

Appendix

Public comparables analysis¹

Company (ticker)	YTD		Quarterly					
	Price change	Price/book	Return on assets	Net interest margin	Return on equity	Efficiency ratio	TE/TA	NPA/TA
Banks (Assets >\$50B) (21)								
SVB Financial Group	(20.0) %	336.1 %	1.9 %	3.6 %	22.5 %	45.6 %	8.7 x	0.2 x
Zions Bancorporation, National Association	(19.6)	137.9	1.2	3.7	11.8	59.1	9.9	0.6
Comerica Incorporated	(20.7)	192.2	1.8	3.6	16.3	51.6	10.1	0.5
First Republic Bank	2.3	210.1	0.9	3.0	10.1	60.3	8.8	0.1
Huntington Bancshares Incorporated	(18.4)	162.8	1.4	3.3	13.6	55.6	8.4	1.2
M&T Bank Corporation	(16.4)	163.9	1.8	3.9	13.5	51.4	9.6	1.0
Regions Financial Corporation	(23.0)	138.8	1.8	3.5	14.6	57.8	8.2	1.0
KeyCorp	(26.7)	149.5	1.4	3.2	12.7	60.3	9.1	0.6
Northern Trust Corporation	(16.0)	238.5	1.2	1.5	14.6	67.2	7.3	0.1
Fifth Third Bancorp	(22.7)	127.4	1.2	3.3	10.7	61.9	9.6	0.7
Citizens Financial Group, Inc.	(30.3)	92.7	1.1	3.2	8.8	57.9	8.8	1.0
SunTrust Banks, Inc.	(22.2)	139.2	1.4	3.3	12.4	59.7	8.7	1.5
BB&T Corporation	(13.2)	139.1	1.5	3.5	11.2	57.3	9.1	NA
State Street Corporation	(34.8)	152.4	1.4	1.5	13.1	68.6	7.5	-
Capital One Financial Corporation	(24.1)	97.2	1.7	7.0	11.8	53.5	10.3	0.6
Bank of New York Mellon Corporation	(12.5)	132.6	1.3	1.3	10.6	66.2	6.4	0.0
PNC Financial Services Group, Inc.	(19.2)	146.1	1.5	3.0	12.0	59.0	10.1	0.7
U.S. Bancorp	(15.4)	193.1	1.6	3.2	14.4	52.8	9.0	0.7
Citigroup Inc.	(30.0)	98.4	1.0	2.8	9.3	57.7	9.0	0.4
Wells Fargo & Company	(24.6)	140.0	1.3	3.0	12.0	63.4	9.3	1.0
Bank of America Corporation	(17.6)	121.1	1.2	2.4	10.8	57.2	8.4	0.5
JPMorgan Chase & Co.	(9.6)	162.3	1.3	2.5	13.1	56.5	8.2	0.4
Median	(19.8) %	143.0 %	1.4 %	3.2 %	12.2 %	57.9 %	8.9 x	0.6 x
Mean	(19.8) %	157.8 %	1.4 %	3.2 %	12.7 %	58.2 %	8.8 x	0.6 x

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