Making the First Move: Consolidation of the Banking Industry

Atlanta, GA
February 26, 2015

Brian Branson
bbranson@sterneegee.com
Sterne, Agee & Leach, Inc.
Making the First Move: Consolidation of the Banking Industry
Current Banking Landscape

- Unprecedented change has permanently altered the banking landscape over the last decade

- In recent years, industry focus has shifted from credit recovery to growth and profitability

- A tepid economy coupled with increasing regulatory burdens are leading to revenue headwinds, rising expenses and other operating challenges

- Focus on operating scale is high and expected to remain important

- Industry poised for meaningful consolidation
## The “New Normal” Operating Environment

### Regulatory & Economic Factors Impacting the Banking Industry

<table>
<thead>
<tr>
<th>Broader Based Growth Evident</th>
<th>Pre-Crisis Median (1)</th>
<th>LTM Median (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic growth accelerated in the 2nd half of 2014</td>
<td>8.4%</td>
<td>7.1%</td>
</tr>
<tr>
<td>While loan growth is broader based, banks will find difficulty in maintaining loan growth at extremely competitive rates</td>
<td>3.94%</td>
<td>3.56%</td>
</tr>
<tr>
<td>Noninterest Income / Revenue</td>
<td>17.5%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Noninterest Expense / Average Assets</td>
<td>2.94%</td>
<td>2.99%</td>
</tr>
<tr>
<td>Efficiency Ratio</td>
<td>61.8%</td>
<td>68.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Revenue Pressures</th>
<th>Pre-Crisis Median (1)</th>
<th>LTM Median (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSF fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interchange fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continued low interest rate environment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Derivatives, alternative investments, trading</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of CFPB and Dodd-Frank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased regulatory costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Potential higher deposit rates to maintain core funding accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposit assessments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Higher Costs</th>
<th>Pre-Crisis Median (1)</th>
<th>LTM Median (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in credit costs/ reserve releases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposed current expected credit loss reserve methodology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher capital ratios (8% / 10% / 12%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher quality of capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basel III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 Common ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital conservation buffer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Credit</th>
<th>Pre-Crisis Median (1)</th>
<th>LTM Median (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher capital ratios (8% / 10% / 12%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Higher quality of capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basel III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tier 1 Common ratio</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital conservation buffer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Capital</th>
<th>Pre-Crisis Median (1)</th>
<th>LTM Median (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 Ratio</td>
<td>11.71%</td>
<td>13.47%</td>
</tr>
<tr>
<td>Tg. Common Equity / Tg. Assets</td>
<td>7.37%</td>
<td>9.17%</td>
</tr>
<tr>
<td>Price / Tangible Book</td>
<td>245%</td>
<td>140%</td>
</tr>
<tr>
<td>Price / FWD EPS</td>
<td>15.7x</td>
<td>14.3x</td>
</tr>
</tbody>
</table>

### Notes:

(1) Based on public banks and thrifts between $1.0 and $10.0 billion in total assets as of the end of 2006

(2) Based on public banks and thrifts between $1.0 and $10.0 billion in total assets as of the end of the most recent quarter

Data Source: SNL Financial
Loan Growth is Challenging

Median Gross Loan Held for Investment Growth (%)

Note: Includes all major exchange traded banks; excludes merger targets
Data Source: SNL Financial
Prolonged Low Interest Rate Environment Pressuring NIM

Median Net Interest Margin (%)

Note: Includes all major exchange traded banks; excludes merger targets
Data Source: SNL Financial
## Costs and Effects of Recent Regulations

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Volcker Rule</th>
<th>Derivatives Reform</th>
<th>Interchange / Durbin Amendment</th>
<th>Financial Crisis Responsibility</th>
<th>Regulation E</th>
<th>Card Act</th>
<th>Aggregate Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2 - 5%</td>
<td>0 - 2%</td>
<td>0%</td>
<td>4 - 6%</td>
<td>2 - 4%</td>
<td>3 - 5%</td>
<td>15 - 26.5%</td>
</tr>
<tr>
<td></td>
<td>0 - 2%</td>
<td>0%</td>
<td>4 - 7%</td>
<td>4 - 6%</td>
<td>3 - 6%</td>
<td>0%</td>
<td>11 - 25%</td>
</tr>
<tr>
<td></td>
<td>0%</td>
<td>0%</td>
<td>4 - 8%</td>
<td>0%</td>
<td>6 - 12%</td>
<td>0%</td>
<td>10 - 20%</td>
</tr>
</tbody>
</table>

- **Volcker Rule**: Regulate proprietary trading
- **Derivatives Reform**: Deleverage the system and reduce systemic risk of banks
- **Interchange / Durbin Amendment**: Determination of a reasonable debit interchange rate
- **Financial Crisis Responsibility**: Provide revenue stream to the Government to offset TARP at a cost to financial companies - over $50 billion in assets - an estimated $19 billion
- **Regulation E**: Restrict overdraft fees on ATMs and one-time debit card transaction fees
- **Card Act**: Prohibits risk based rate increase on existing credit card balances

*Data Source: Wall Street Journal*
Climbing up “Capital” Hill

Median Tangible Common Equity / Tangible Assets (%)

Note: Includes all major exchange traded banks; excludes merger targets
Data Source: SNL Financial
Outlook for EPS and Loan Growth

Projected Loan Growth

SNL B&T Index ‘14 – ’15 Loan Growth

Median: 8.2%

SNL B&T Index ‘15 – ’16 Loan Growth

Median: 7.7%

Projected EPS Growth

SNL B&T Index ‘14 – ’15 EPS Growth

Median: 8.9%

SNL B&T Index ‘15 – ’16 EPS Growth

Median: 10.5%

Note: SNL B&T median excludes merger targets and MHCs; EPS and Loan Growth excludes banks with >50% or <(50%) growth
Data Source: SNL Financial, Company Documents
S&P Projected Returns

2015E Return on Average Common Equity by Sector (%)

- **Energy:** 5.9%
- **Financials:** 9.9%
- **Utilities:** 9.9%
- **Materials:** 18.2%
- **Industrials:** 19.8%
- **Healthcare:** 20.6%
- **Information Technology:** 22.4%
- **Consumer Discretionary:** 22.7%
- **Telecom Services:** 22.9%
- **Consumer Staples:** 24.5%

Data Source: FactSet
Stock Market Performance

- Since 2008, bank stocks have meaningfully underperformed the broader market

**Price Performance Since 2008**

- Over the last year, bank stocks have performed better but still trail the broader market

**1 Year Price Performance**

Note: Market data as of February 20, 2015
Data Source: SNL Financial
Current Landscape: Over-Banked America

- The Top 27 banks control 75% of the assets
- The bottom 4,874 banks control < 5% of the assets

Distribution of Banks

- 4,874 banks (79.5%)
- 626 banks (10.2%)
- 603 banks (9.8%)
- 27 banks (0.4%)

Distribution of Assets ($B)

- > $100B ($14,375, 75.2%)
- $1B - $100B ($3,482, 18.2%)
- $500M - $1B ($437, 2.3%)
- < $500M ($811, 4.2%)

Note: Includes all top-tier consolidated banks and thrifts nationwide; excludes merger targets
Data Source: SNL Financial
Catalysts for Current M&A Discussions

- **Increased competition**
  - Smaller institutions, specifically, will continue to experience a competitive disadvantage when competing against institutions with greater scale

- **Revenue headwinds**
  - Banks are experiencing a continued negative impact on net interest margins from the low interest rate environment

- **Regulation/compliance costs**
  - Post crisis regulations such as Dodd-Frank have led to increased operational costs for community banks

- **Increased capital requirements**
  - Basel III
  - SBLF step-up in 2016

- **Buyer’s capacity to pay is increasing**
  - Transaction multiples continue to rise as stock valuations increase
  - Buyers are able to use their currency to pay premiums for smaller institutions but are maintaining discipline
The Value of Scale – Operating Performance

Asset Size Stratification – Performance Ratios

Core ROAA

Core ROAE

ROATCE

Net Interest Margin

Fee Income / Revenue

Efficiency Ratio

Note: Based on all public bank & thrifts traded on a major exchange; financial data as of the last twelve months available
Data Source: SNL Financial
Valuation: Scale, Profitability or Both?

- **All publicly-traded banks on a major exchange**

### P / TBV Multiples

<table>
<thead>
<tr>
<th>Total Assets</th>
<th>2015 Est. ROAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$0.5B</td>
<td>&lt;0.50%</td>
</tr>
<tr>
<td>$0.5B - $1B</td>
<td>0.50% - 0.75%</td>
</tr>
<tr>
<td>$1B - $2.5B</td>
<td>0.75% - 1.00%</td>
</tr>
<tr>
<td>$2.5B - $5B</td>
<td>1.00% - 1.25%</td>
</tr>
<tr>
<td>$5B - $10B</td>
<td>1.25% - 1.50%</td>
</tr>
<tr>
<td>$10B - $25B</td>
<td>1.50%</td>
</tr>
<tr>
<td>$25B - $50B</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

**Median Metrics:**

- **ROAA:** 0.54% 0.67% 0.83% 0.99% 1.03% 1.06% 1.00%
- **P / 2015 EPS:** N/A 13.2x 14.0x 13.6x 14.8x 15.0x 15.9x
- **P / 2016 EPS:** N/A 11.8x 12.8x 12.5x 13.0x 13.4x 14.5x

Note: Based on all public bank & thrifts traded on a major exchange; financial data as of December 31, 2014; market data as of February 20, 2015

Data Source: SNL Financial
Whole Bank M&A Activity Since 2009

### Number of Transactions

- **2009**: 31
- **2010**: 61
- **2011**: 68
- **2012**: 90
- **2013**: 110
- **2014**: 134

### Price / Tangible Book Value (%)

- **2009**: 100%
- **2010**: 111%
- **2011**: 110%
- **2012**: 116%
- **2013**: 125%
- **2014**: 141%

### Deal Value ($ Millions)

- **2009**: $1,092
- **2010**: $9,369
- **2011**: $16,797
- **2012**: $12,510
- **2013**: $12,887
- **2014**: $17,825

### Price / LTM Earnings (x)

- **2009**: 18.2x
- **2010**: 20.0x
- **2011**: 22.0x
- **2012**: 17.7x
- **2013**: 16.5x
- **2014**: 17.9x

Note: Includes all nationwide bank and thrift deals where the target’s assets were greater than $100 million and deal value is announced; excludes mergers of equals; Price / LTM Earnings multiples less than zero or greater than 30 not included in the median calculation.

Data Source: SNL Financial
Transaction Multiples Continue to Rise as Stock Valuation Increase

Price / Tangible Book Value: SNL Bank & Thrift Index vs. M&A Transactions

Note: Includes deals greater than $25 million in deal value at announcement, excludes FDIC assisted transactions
Data Source: SNL Financial
Buyer’s Capacity to Pay is Increasing

Price / Tangible Book Value Comparison by Asset Size

- Current Valuation distribution is conducive for M&A activity
- Buyers are able to use their currency to pay meaningful premiums for smaller institutions, incur requisite marks and still preserve tangible book value

Price to Forward Earnings Comparison by Asset Size

Note: Data reflects median values for all public US banks & thrifts traded on the NYSE, NYSE MKT, OTC, or NASDAQ; excludes MHCs, trust banks, and merger targets

Data Source: SNL Financial
Buyers with Strong TBV Multiples Dominated M&A

Correlation of Southeast Buyer Trading Multiples and Deal Activity

~62% of transactions are completed by buyers with >150% TBV multiples

Note: Includes Southeast whole-bank deals announced since 2013 with a public buyer and deal value>$50 million; Southeast defined as AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV
Data Source: SNL Financial
The Value of Scale – M&A Valuations

### 2012 – Present

<table>
<thead>
<tr>
<th>Category</th>
<th># of Transactions</th>
<th>% of Total</th>
<th>Median LTM ROAA</th>
<th>P / LTM EPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$250mm</td>
<td>233</td>
<td>51.4%</td>
<td>0.37%</td>
<td>21.9x</td>
</tr>
<tr>
<td>$250mm-$500mm</td>
<td>91</td>
<td>20.1%</td>
<td>0.63%</td>
<td>19.4x</td>
</tr>
<tr>
<td>$500mm-$1B</td>
<td>64</td>
<td>14.1%</td>
<td>0.63%</td>
<td>18.1x</td>
</tr>
<tr>
<td>$1B-$5B</td>
<td>57</td>
<td>12.6%</td>
<td>0.76%</td>
<td>19.8x</td>
</tr>
<tr>
<td>$5B-$10B</td>
<td>8</td>
<td>1.8%</td>
<td>1.22%</td>
<td>12.5x</td>
</tr>
</tbody>
</table>

Note: Includes nationwide bank and thrift deals with target total assets less than $10B and publicly-disclosed deal values
Data Source: SNL Financial
## Parameters for a “Well Received” M&A Transaction

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compelling Strategic Fit or Rationale</strong></td>
<td>- Can be cost savings driven (in-market) or franchise enhancing (market extension or product extension)</td>
</tr>
<tr>
<td><strong>Valuation</strong></td>
<td>- Multiples paid appear in line with present “M&amp;A market”</td>
</tr>
<tr>
<td></td>
<td>- Do not want to be an outlier, unless you can justify it</td>
</tr>
<tr>
<td><strong>Pro Forma Impact</strong></td>
<td>- Use of “reasonable and supportable” assumptions related to:</td>
</tr>
<tr>
<td></td>
<td>- Credit mark on the loan portfolio</td>
</tr>
<tr>
<td></td>
<td>- Cost savings</td>
</tr>
<tr>
<td></td>
<td>- Transaction costs</td>
</tr>
<tr>
<td></td>
<td>- Underlying earnings of the target</td>
</tr>
<tr>
<td></td>
<td>- While there may be revenue enhancements, these will be discounted by the investor and research communities</td>
</tr>
<tr>
<td></td>
<td>- Impact on EPS – Meaningful accretion in first full year with fully phased-in synergies (excl. deal costs)</td>
</tr>
<tr>
<td></td>
<td>- Impact on Tangible Book Value/ Earnback – Absolute level of tangible book value dilution is less relevant although the market still favors an earnback period of 5 years or less</td>
</tr>
<tr>
<td></td>
<td>- Internal Rate of Return – Should be above the cost of capital</td>
</tr>
<tr>
<td></td>
<td>- Purchase Accounting Adjustments – Investors will increasingly want to know how the numbers are driven by purchase accounting accretion and what happens when this eventually tails off</td>
</tr>
<tr>
<td><strong>Appropriate Deal Protections / Structures to Mitigate Transaction Risk</strong></td>
<td>- Use of price adjustments, earnout structures, contingent value rights (CVRs) tied to specific assets or litigation, and asset dividends</td>
</tr>
<tr>
<td></td>
<td>- Detailed due diligence with use of 3rd parties to assist in key parts of the analysis including credit mark determination as well as other purchase accounting and tax adjustments</td>
</tr>
</tbody>
</table>
Buyer Post-Deal Stock Reaction

Buyer Relative Price Performance vs. NASDAQ Bank Index

Note: Includes Southeast whole-bank deals announced since 2013 with a public buyer and deal value>$50 million; market performance is relative to the NASDAQ Bank Index for the first 5 trading days post-announcement and the first 30 calendar days post announcement; Southeast defined as AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV

Data Source: SNL Financial
Southeast Banking Landscape

- The Top 5 banks control 78% of the assets
- The bottom 1,136 banks control < 6% of the assets

**Distribution of Banks**
- 1,136 (80.2%)
- 147 (10.4%)
- 128 (9.0%)
- 5 (0.4%)

**Distribution of Assets ($B)**
- > $100B (78.1%)
- $1B - $100B (13.6%)
- $500M - $1B (5.5%)
- < $500M (2.7%)

Note: Includes all top-tier consolidated banks and thrifts headquartered in the Southeast; excludes merger targets; Southeast defined as AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV. Data Source: SNL Financial
Southeast Banking Landscape

Number of Southeast Banks Since 2000

Note: Includes top-tier consolidated banks and thrifts in the Southeast; excludes merger targets; Southeast defined as AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV.

Data Source: SNL Financial and FDIC
## Southeastern Banks

### Pre-Crisis 12/31/07 vs. Current 12/31/14

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre-Crisis</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Number of Banks:</strong></td>
<td>1,997</td>
<td>1,450</td>
</tr>
<tr>
<td>% &lt; $500mm in Assets</td>
<td>85 %</td>
<td>80 %</td>
</tr>
<tr>
<td>% &lt; $1B in Assets</td>
<td>94 %</td>
<td>91 %</td>
</tr>
<tr>
<td>% &gt; $1B in Assets</td>
<td>6 %</td>
<td>9 %</td>
</tr>
<tr>
<td><strong>Number of Banks:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$500mm - $1.0B</td>
<td>183</td>
<td>157</td>
</tr>
<tr>
<td>$1.0 - $2.5B</td>
<td>72</td>
<td>64</td>
</tr>
<tr>
<td>$2.5 - $5.0B</td>
<td>24</td>
<td>32</td>
</tr>
<tr>
<td>$5.0 - $10.0B</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>&gt; $10.0 B</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td><strong>Banking Assets (%):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% &lt; $500mm in Assets</td>
<td>20 %</td>
<td>12 %</td>
</tr>
<tr>
<td>% &lt; $1B in Assets</td>
<td>28 %</td>
<td>19 %</td>
</tr>
<tr>
<td>% $1 - $10B in Assets</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>% &gt; $10B in Assets</td>
<td>54</td>
<td>64</td>
</tr>
</tbody>
</table>

Note: 2014 data excludes merger targets; includes all Commercial and Savings Banks headquartered in AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV; excludes Bank of America, HSBC, Etrade, Raymond James, and Wachovia

Data Source: SNL Financial
Southeast Banking Landscape: Regional Perspective

Geographic Distribution of Population

- Southeast: 26%
- 20%
- 13%
- 15%
- 5%
- 21%

Projected Population Growth ('14 – '19)

- US Average: 3.5%
- Southwest: 6.8%
- West: 4.6%
- Southeast: 4.2%
- Mid Atlantic: 2.0%
- Northeast: 1.6%
- Midwest: 1.1%

Note: Includes banks and thrifts excluding merger targets; Southeast defined as AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV

Data Source: SNL Financial

Geographic Distribution of Banks

- Southeast: 23%
- 14%
- 7%
- 9%
- 4%

Median Household Income

- US Median: $51,273
- Southwest: $64,538
- West: $60,803
- Southeast: $53,143
- Mid Atlantic: $51,421
- Northeast: $50,464
- Midwest: $43,360

Note: Includes banks and thrifts excluding merger targets; Southeast defined as AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV

Data Source: SNL Financial
Southeast Banking Landscape: Regional Perspective

Regional M&A Activity (# of Deals)

- Southeast: 37%
- West: 16%
- Mid Atlantic: 11%
- Southwest: 9%
- Northeast: 4%

Regional M&A Activity ($ Volume)

- Southeast: 37%
- West: 23%
- Mid Atlantic: 18%
- Southwest: 10%
- Northeast: 2%

Average Deal Size ($mm)

- West: $283
- Mid Atlantic: $207
- Southeast: $75
- Southwest: $73
- Northeast: $63
- Midwest: $47

Price / Tangible Book Value (%)

- Northeast: 140.0
- Southwest: 136.3
- West: 128.3
- Midwest: 128.0
- Mid Atlantic: 124.2
- Southeast: 118.4

Note: Includes whole-bank deals announced since January 1, 2012; excludes deals involving private investors and 363 bankruptcy transactions

Data Source: SNL Financial
Southeast M&A – All Whole Bank and FDIC Deals

Note: Includes all bank and thrift deals in AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV
Data Source: SNL Financial
Southeast Whole Bank M&A Since 2009

Number of Transactions

- 2009: 10
- 2010: 14
- 2011: 19
- 2012: 21
- 2013: 36
- 2014: 47

Deal Value (in $ Millions)

- 2009: $466
- 2010: $1,864
- 2011: $3,930
- 2012: $724
- 2013: $3,437
- 2014: $4,664

Price / Tangible Book Value (%)

- 2009: 81%
- 2010: 95%
- 2011: 87%
- 2012: 91%
- 2013: 113%
- 2014: 136%

Price / LTM Earnings (x)

- 2009: 18.2x
- 2010: 17.4x
- 2011: 22.0x
- 2012: 16.5x
- 2013: 14.4x
- 2014: 17.5x

Note: Includes all bank and thrift deals in the Southeast where the target’s assets were greater than $100 million and deal value is announced; excludes mergers of equals; Price / LTM Earnings multiples less than zero or greater than 30 not included in the median calculation.

Data Source: SNL Financial
Recent Southeast Transactions: EPS Accretion

Twenty most recent Southeastern deals with disclosed deal metrics

EPS Accretion (%)

Median: 4.7%

Note: Disclosed EPS accretion for first full fiscal year post-conversion; estimated figures by Sterne Agee Research where available

Data Source: Company documents, Sterne Agee Research
Recent Southeast Transactions: Tangible Book Earnback

Twenty most recent Southeastern deals with disclosed deal metrics

Tangible Book Value Earnback Period (Years)

Note: Disclosed tangible book value earnback period; estimated figures by Sterne Agee Research where available
Data Source: Company documents, Sterne Agee Research
Recent Southeast Transactions: Cost Savings

Twenty most recent Southeastern deals with disclosed deal metrics

Cost Savings (%)

Note: Disclosed cost savings per company documents; estimated figures by Sterne Agee Research where available; branch overlap represents the percentage of the target’s branches within 1 mile of a buyer’s branch

Data Source: Company documents, Sterne Agee Research
Recent Southeast Transactions: Stock Price Performance

Twenty most recent Southeastern deals with disclosed deal metrics

One-Week Relative Stock Price Performance (%)

Note: Market performance is relative to the NASDAQ Bank Index for the first 5 trading days post-announcement
Data Source: FactSet
What’s Next
Consolidating Industry

- 1990: 15,158 Institutions
- 2000: 9,904 Institutions (35% decrease from ’90)
- 2010: 7,658 Institutions (50% decrease)
- Q3’2014: 6,589 Institutions (57% decrease)

Bank Consolidation Since 1990

Note: Includes commercial banks and savings institutions
Data Source: FDIC
Looking Ahead – What We Expect

- Technology will continue to transform how we bank

- The importance of operating scale will not diminish

- Growth and profitability will remain key drivers of bank valuations

- Competitive landscape will grow more concentrated with banks $5 - $10 billion in total assets and $15 – 25 billion

- M&A activity will remain highly correlated to the age of a bank’s management team and board

- Larger institutions with perceived scarcity value will continue to receive higher change-of-control valuations

- Many banks will not be able to find a merger partner
Appendix
Brian Branson – Managing Director

Mr. Branson joined Sterne Agee in July 2010 as a Director in the firm’s Financial Institutions Group and was promoted to the level of Managing Director in the Spring of 2013. Based in Atlanta, he is responsible for client coverage of depository institutions in the Southeast. Prior to joining Sterne Agee, Mr. Branson was an Associate Director at Sandler O’Neill & Partners, L.P. In January 2004, he was the second professional hired in that firm’s Atlanta Investment Banking Group. In this capacity, he was involved in numerous merger and acquisition (16 transactions; approximately $3.0 billion in aggregate deal value) and capital raising transactions (22 capital raises; approximately $3.6 billion raised) for Southeastern financial institutions. Mr. Branson began his career in the Corporate Finance Analyst program at Stephens Inc.

Education
Masters in Accountancy, Wake Forest University
  • Bronze Medal Winner for 3rd Highest CPA Score in the State of North Carolina in May 2001
B.S. in Finance, Wake Forest University

Selected Bank & Thrift Transactions

M&A
- MoneyTree Corp.’s merger with United Community Banks
- State Investors Bancorp’s merger with First NBC Bank
- Reliant Bank’s merger with Commerce Union Bank
- MidSouth Bank’s merger with Franklin Synergy Bank
- State Bank & Trust’s acquisition of Altera Payroll
- Investar Bank’s acquisition of South Louisiana Business Bank
- SCBT Financial Corporation’s FDIC-Assisted acquisition of Community Bank and Trust
- Pinnacle Financial Partners Inc.’s acquisition of Mid-America Bancshares, Inc.
- Flag Financial Corporation's acquisition of First Capital Bancorp, Inc.

Capital Raises
- Avenue Financial Holdings, Inc.’s $31.6 million IPO
- Investar Holding Corporation’s $40 million IPO
- Florida Bank Group, Inc. Private Placement of $33.0 million of Investment Units
- First NBC Bank Holding Company’s $115 million IPO
- United Community Bank’s $222.5 million follow-on offering
- First Financial Holdings, Inc.’s $74.8 million follow-on offering
- Pinnacle Financial Partners Inc.’s $115 million follow-on offering
- SunTrust Banks, Inc.’s $1.6B follow-on offering
- Atlantic Capital Bancshares, Inc.’s $125.4 million private placement
# M&A League Table Momentum

## 2010 - 2012 League Table by Number of Deals

<table>
<thead>
<tr>
<th>Firm</th>
<th># of Deals</th>
<th>Ann. Deal Value ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Stifel Financial Corp</td>
<td>92</td>
<td>6,241</td>
</tr>
<tr>
<td>2 Sandler O’Neill</td>
<td>83</td>
<td>9,392</td>
</tr>
<tr>
<td>3 Raymond James</td>
<td>26</td>
<td>478</td>
</tr>
<tr>
<td>4 Capital Corporation</td>
<td>22</td>
<td>102</td>
</tr>
<tr>
<td>5 Sheshunoff &amp; Co.</td>
<td>18</td>
<td>346</td>
</tr>
<tr>
<td>6 J.P. Morgan</td>
<td>14</td>
<td>25,785</td>
</tr>
<tr>
<td>6 RBC Capital Markets</td>
<td>14</td>
<td>5,871</td>
</tr>
<tr>
<td>6 Hovde Group</td>
<td>14</td>
<td>210</td>
</tr>
<tr>
<td>9 FinPro, Inc.</td>
<td>13</td>
<td>296</td>
</tr>
<tr>
<td>10 FIG Partners</td>
<td>12</td>
<td>280</td>
</tr>
<tr>
<td><strong>15 Sterne, Agee &amp; Leach</strong></td>
<td><strong>10</strong></td>
<td><strong>137</strong></td>
</tr>
</tbody>
</table>

## 2013 League Table by Number of Deals

<table>
<thead>
<tr>
<th>Firm</th>
<th># of Deals</th>
<th>Ann. Deal Value ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Sandler O’Neill</td>
<td>47</td>
<td>6,372</td>
</tr>
<tr>
<td>2 Stifel Financial Corp</td>
<td>44</td>
<td>3,793</td>
</tr>
<tr>
<td>3 Raymond James</td>
<td>11</td>
<td>1,108</td>
</tr>
<tr>
<td>3 Hovde Group</td>
<td>11</td>
<td>303</td>
</tr>
<tr>
<td>3 Commerce Street Capital</td>
<td>11</td>
<td>296</td>
</tr>
<tr>
<td>6 Capital Corporation</td>
<td>10</td>
<td>32</td>
</tr>
<tr>
<td><strong>7 Sterne, Agee &amp; Leach</strong></td>
<td><strong>9</strong></td>
<td><strong>771</strong></td>
</tr>
<tr>
<td>7 D.A. Davidson &amp; Co.</td>
<td>9</td>
<td>471</td>
</tr>
<tr>
<td>9 RBC Capital Markets</td>
<td>8</td>
<td>909</td>
</tr>
<tr>
<td>9 FIG Partners</td>
<td>8</td>
<td>154</td>
</tr>
</tbody>
</table>

## 2014 League Table by Number of Deals

<table>
<thead>
<tr>
<th>Firm</th>
<th># of Deals</th>
<th>Ann. Deal Value ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Sandler O’Neill</td>
<td>58</td>
<td>6,083</td>
</tr>
<tr>
<td>2 Stifel Financial Corp</td>
<td>47</td>
<td>8,312</td>
</tr>
<tr>
<td><strong>3 Sterne, Agee &amp; Leach</strong></td>
<td><strong>18</strong></td>
<td><strong>1,297</strong></td>
</tr>
<tr>
<td>4 Hovde Group</td>
<td>15</td>
<td>367</td>
</tr>
<tr>
<td>5 D.A. Davidson &amp; Co.</td>
<td>13</td>
<td>658</td>
</tr>
<tr>
<td>6 Raymond James</td>
<td>12</td>
<td>998</td>
</tr>
<tr>
<td>7 Commerce Street Capital</td>
<td>11</td>
<td>341</td>
</tr>
<tr>
<td>7 Sheshunoff &amp; Co.</td>
<td>11</td>
<td>324</td>
</tr>
<tr>
<td>9 FIG Partners</td>
<td>10</td>
<td>210</td>
</tr>
<tr>
<td>10 Boenning &amp; Scattergood, Inc.</td>
<td>8</td>
<td>267</td>
</tr>
<tr>
<td>10 Austin Associates, LLC</td>
<td>8</td>
<td>139</td>
</tr>
</tbody>
</table>

Note: Tombstones represent recent deals in the Southeast by announcement date
Data Source: SNL Financial, Company Documents
### Sterne Agee’s Recent Bank Capital Raising Transactions

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2015</td>
<td>$31,625,000</td>
<td>Avenue Financial Holdings (Initial Public Offering)</td>
</tr>
<tr>
<td>January 2015</td>
<td>$21,372,750</td>
<td>Investors Community Bank Shares (Initial Public Offering)</td>
</tr>
<tr>
<td>January 2015</td>
<td>$25,000,000</td>
<td>Community Bank Shares (Private Placement)</td>
</tr>
<tr>
<td>October 2014</td>
<td>$331,200,000</td>
<td>Veritas Holdings, Inc. (Initial Public Offering)</td>
</tr>
<tr>
<td>August 2013</td>
<td>$200,000,000</td>
<td>Meridian Interstate Bancorp, Inc. (Second Step Conversion)</td>
</tr>
<tr>
<td>June 2014</td>
<td>$46,000,000</td>
<td>Investar Bank (Initial Public Offering)</td>
</tr>
<tr>
<td>May 2014</td>
<td>$60,000,000</td>
<td>Banc of California (Common Stock Follow-On)</td>
</tr>
<tr>
<td>May 2014</td>
<td>$2,200,000,000</td>
<td>Talmer Bancorp Inc. (Second Step Conversion)</td>
</tr>
<tr>
<td>February 2014</td>
<td>$220,222,000</td>
<td>FL Florida Bank Group, Inc. (Private Placement of Investment Units)</td>
</tr>
<tr>
<td>August 2013</td>
<td>$33,000,000</td>
<td>First Bank (Common Stock Follow-On)</td>
</tr>
<tr>
<td>January 2015</td>
<td>$20,000,000</td>
<td>Banc of California (Perpetual Preferred Offering)</td>
</tr>
<tr>
<td>May 2013</td>
<td>$103,499,992</td>
<td>Customers Bank (Initial Public Offering)</td>
</tr>
<tr>
<td>May 2013</td>
<td>$115,000,000</td>
<td>First NBC (Initial Public Offering)</td>
</tr>
<tr>
<td>November 2012</td>
<td>$45,934,000</td>
<td>The Bancorp Bank (Common Stock Follow-On)</td>
</tr>
<tr>
<td>September 2012</td>
<td>$150,000,000</td>
<td>EverBank (Perpetual Preferred Offering)</td>
</tr>
<tr>
<td>September 2012</td>
<td>$158,282,000</td>
<td>NBH (Initial Public Offering)</td>
</tr>
</tbody>
</table>

Note: Deals highlighted in red represent IPOs.
"Sterne Agee" is the marketing name for the investment banking and capital markets businesses of Sterne Agee Group Inc. Securities, strategic advisory and other investment banking activities are performed by Sterne, Agee & Leach, Inc., a registered broker-dealer and member of FINRA and SIPC.

These materials have been prepared by Sterne Agee for the client or potential client to whom such materials are directly addressed and delivered (the “Company”) in connection with an actual or potential mandate or engagement and may not be used or relied upon for any purpose other than as specifically contemplated by a written agreement with us. These materials are based on information provided by or on behalf of the Company and/or other potential transaction participants, from public sources or otherwise reviewed by us. We assume no responsibility for independent investigation or verification of such information (including, without limitation, data from third party suppliers) and have relied on such information being complete and accurate in all material respects. To the extent such information includes estimates and forecasts of future financial performance prepared by or reviewed with the managements of the Company and/or other potential transaction participants or obtained from public sources, we have assumed that such estimates and forecasts have been reasonably prepared on bases reflecting the best currently available estimates and judgments of such managements (or, with respect to estimates and forecasts obtained from public sources, represent reasonable estimates). No representation or warranty, express or implied, is made as to the accuracy or completeness of such information and nothing contained herein is, or shall be relied upon as, a representation, whether as to the past, the present or the future. These materials were designed for use by specific persons familiar with the business and affairs of the Company and are being furnished and should be considered only in connection with other information, oral or written, being provided by us in connection herewith. These materials are not intended to provide the sole basis for evaluating, and should not be considered a recommendation with respect to, any transaction or other matter. These materials do not constitute an offer or solicitation to sell or purchase any securities and are not a commitment by Sterne Agee or any of its affiliates to provide or arrange any financing for any transaction or to purchase any security in connection therewith. These materials are for discussion purposes only and are subject to our review and assessment form a legal, compliance, accounting policy and risk perspective, as appropriate, following our discussion with the Company. We assume no obligation to update or otherwise revise these materials. These materials have not been prepared with a view toward public disclosure under applicable securities laws or otherwise, are intended for the benefit and use of the Company, and may not be reproduced, disseminated, quoted or referred to, in whole or in part, without our prior written consent. These materials may not reflect information known to other professionals in other business areas of Sterne Agee and its affiliates.

Sterne Agee and its affiliates comprise a full service securities firm engaged in securities trading and other brokerage activities, as well as providing investment and private banking, asset and investment management, financing and strategic advisory services and other financial services and products to a wide range of corporations, governments and individuals from which conflicting interests or duties, or a perception thereof, may arise. In the ordinary course of these activities, parts of Sterne Agee at any time may invest on a principal basis or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions, for their own accounts or the accounts of customers, in debt, equity or other securities or financial instruments (including derivatives, bank loans or other obligations) of the Company, potential counterparties or any other company that may be involved in a transaction. Sterne Agee has adopted policies and guidelines designed to preserve the independence of its research analysts. These policies prohibit employees from offering research coverage, a favorable research rating or a specific price target or offering to change a research rating or price target as consideration for or an inducement to obtain business or other compensation. Sterne Agee is required to obtain, verify and record certain information that identifies the Company, which information includes the name and address of the Company and other information that will allow us to identify the Company in accordance, as applicable, with the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) and such other laws, rules and regulations as applicable within the United States.

Sterne Agee does not provide legal, compliance, tax or accounting advice. Accordingly, any statements contained herein as to tax matters were neither written nor intended by Sterne Agee to be used and cannot be used by any taxpayer for the purpose of avoiding tax penalties that may be imposed on such taxpayer. If any person uses or refers to any such tax statement in promoting, marketing or recommending a partnership or other entity, investment plan or arrangement to any taxpayer, then the statement expressed herein is being delivered to support the promotion or marketing of the transaction or matter addressed and the recipient should seek advice based on its particular circumstances from an independent tax advisor. Notwithstanding anything that may appear herein or in other materials to the contrary, the Company shall be permitted to disclose the tax treatment and tax structure of a transaction (including any materials, opinions or analyses relating to such tax treatment or tax structure, but without disclosure of identifying information or, except to the extent relating to such tax structure or tax treatment, any nonpublic commercial or financial information) on and after the earliest to occur of the date of (i) public announcement of discussions relating to such transaction, (ii) public announcement of such transaction or (iii) execution of a definitive agreement (with or without conditions) to enter into such transaction; provided, however, that if such transaction is not consummated for any reason, the provisions of this sentence shall cease to apply. Copyright 2015 Sterne Agee Group Inc.