Making the First Move, Consolidation of the Banking Industry

September 21, 2015
Making the First Move, Consolidation of the Banking Industry
CURRENT BANKING LANDSCAPE

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

 Industry is focused squarely on growth and profitability

 However, 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
KEY BANKING INDUSTRY TRENDS

Credit is Yesterday’s Headline

NPAs/Loans & OREO

Capital Levels are Strong

TCE/TA Ratio

Liquidity Levels are Adequate

Loan/Deposits

Loan Growth Challenged But Improving

%Annual Loan Growth

Note: Loan growth based on FDIC annual reports, other data based on SNL U.S. Bank & Thrift Index medians. Data Source: FDIC.gov, SNL Financial.
Margins Under Intense Pressure

- Net Interest Margin

Coupled With Rising Costs

- Efficiency Ratio

Profitability Improving But Remains Depressed

- ROAA
- ROAE

Note: Loan growth based on FDIC annual reports, other data based on SNL U.S. Bank & Thrift Index medians. Data Source: FDIC.gov, 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>Regulate proprietary trading</td>
<td>2 - 5%</td>
<td>0 - 2%</td>
<td>0%</td>
<td>2 - 3%</td>
<td>0 - 2%</td>
<td>0%</td>
<td>15 - 26.5%</td>
</tr>
<tr>
<td>Deleverage the system and reduce systemic risk of banks</td>
<td>2 - 3.5%</td>
<td>0 - 2%</td>
<td>0%</td>
<td>2 - 3%</td>
<td>4 - 7%</td>
<td>4 - 8%</td>
<td>11 - 25%</td>
</tr>
<tr>
<td>Determination of a reasonable debit interchange rate</td>
<td>2 - 3%</td>
<td>4 - 7%</td>
<td>4 - 8%</td>
<td>4 - 6%</td>
<td>0%</td>
<td>0%</td>
<td>10 - 20%</td>
</tr>
<tr>
<td>Provide revenue stream to the Government to offset TARP at a cost to financial companies - over $50 billion in assets - an estimated $19 billion</td>
<td>4 - 6%</td>
<td>4 - 6%</td>
<td>0%</td>
<td>2 - 4%</td>
<td>3 - 6%</td>
<td>6 - 12%</td>
<td></td>
</tr>
<tr>
<td>Restrict overdraft fees on ATMs and one-time debit card transaction fees</td>
<td>2 - 4%</td>
<td>3 - 6%</td>
<td>6 - 12%</td>
<td>3 - 5%</td>
<td>0 - 2%</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Prohibits risk based rate increase on existing credit card balances</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Q2 ’15 EARNINGS SEASON: KEY TAKEAWAYS

**Nationwide**

- Q2’ 15 results were above expectations with 71% of banks reporting EPS beat or meet, primarily due to lower loan loss provision and solid noninterest income related to seasonal items such as mortgage fee income.

- Despite the strong results, 2016 consensus EPS estimates increased only 0.13%, likely due to the weak expense controls for the quarter, with 70% of banks reporting higher noninterest expense relative to consensus.

**Southeast**

- 45% of Southeast banks reported EPS misses, primarily related to higher than expected operating costs, which were caused by a variety of factors including outsized new hires, higher mortgage commissions and increased regulatory / compliance costs.

- Southeast banks had the highest relative loan growth in the country with continued strong markets (Nashville, Birmingham, Charleston, Savannah) and further recovering markets (Atlanta, Florida) driving the better-than-expected growth.

- Southeast M&A volumes have been soft for 1H15 compared to 1H14 figures, partially related to seller-expectations remaining high.

- M&A is expected to pick up in the near future, as 16 of the 24 public banks that host conference calls or that Stephens research has spoken to are actively looking for deal or offered bullish M&A commentary about announcing an acquisition in the next 1-3 quarters.

*Note: Nationwide data based on 160 banks, Southeast data based on 42 banks. Data Source: Stephens Inc. Research Financial Services Industry Note dated 8/3/15.*
While Southeastern banks did better than the industry on noninterest expense compared to consensus estimates, nationwide banks tended to make up more ground on noninterest income and provision expense than the Southeast, leading to the larger number of Southeast banks missing on EPS estimates.

### Q2 '15 Operating Results

<table>
<thead>
<tr>
<th></th>
<th>Southeast</th>
<th>Nationwide</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Miss</td>
<td>In-Line</td>
</tr>
<tr>
<td>Earnings per Share</td>
<td>45%</td>
<td>14%</td>
</tr>
<tr>
<td>Revenue</td>
<td>33%</td>
<td>---</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>59%</td>
<td>---</td>
</tr>
<tr>
<td>Provision Expense</td>
<td>24%</td>
<td>---</td>
</tr>
<tr>
<td>Noninterest Income</td>
<td>31%</td>
<td>---</td>
</tr>
<tr>
<td>Noninterest Expense</td>
<td>67%</td>
<td>---</td>
</tr>
<tr>
<td>Pre-Provision Net Revenue</td>
<td>56%</td>
<td>---</td>
</tr>
<tr>
<td>Loan Growth</td>
<td>32%</td>
<td>3%</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>26%</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Note:** Nationwide data based on 160 banks, Southeast data based on 42 banks. Data Source: Stephens Inc. Research Financial Services Industry Note dated 8/3/15.
Q2 ’15 EARNINGS SEASON: 2016 CONSENSUS REVISIONS

Revision To 2016 Consensus EPS

- Southeast: 0.43%
- Nationwide: 0.13%

Revision To 2016 Consensus Revenue

- Southeast: 1.05%
- Nationwide: 0.72%

Revision To 2016 Consensus NIM

- Southeast: 3.73%
- Nationwide: 3.57%

Revision To 2016 Consensus Loan Growth

- Southeast: 13%
- Nationwide: 10%

Note: Nationwide data based on 160 banks, Southeast data based on 42 banks.
CAPITAL MARKETS: KEY TAKEAWAYS

- While banks have outperformed the broader market in recent years, the industry has materially lagged since the Great Recession.\(^{(1)}\)
  - YTD: 6.9%
  - 1–year: 9.3%
  - 3–year: 9.8%
  - 5–year: (10.7)%
  - Since market bottom: (59.3)%

- Banks are successfully accessing the capital markets for various reasons:
  - Fund organic strategies
  - Creation of acquisition currency
  - Liquidity for legacy investors
  - SBLF step-up beginning in 2016

- Equity capital markets remain open for banks
  - Record year in 2014 with 14 IPOs pricing
  - 5 IPOs and 10 Follow-Ons have priced in 1H15
  - Robust pipeline for bank IPOs over the next 12-18 months

- Subordinated debt has become a popular solution for Tier 2 Capital
  - Kroll Bond Rating Agency has been providing ratings for community banks seeking to access the debt capital markets
  - Paths for smaller, privately-held banks to access subordinated debt are available as well

Data Source: Factset.
STOCK MARKET PERFORMANCE

Stock Price Performance

Note: Market data as of August 31, 2015.
Data Source: SNL Financial.
- The top 27 banks control 75% of the assets
- The bottom 4,781 banks control < 5% of the assets
THE VALUE OF SCALE – OPERATING PERFORMANCE

Core ROAA

<table>
<thead>
<tr>
<th>$&lt;0.5B</th>
<th>$0.5B</th>
<th>$1B</th>
<th>$2.5B</th>
<th>$5B</th>
<th>$10B</th>
<th>$25B</th>
<th>$50B</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.6%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>0.9%</td>
<td></td>
</tr>
</tbody>
</table>

Core ROAE

<table>
<thead>
<tr>
<th>$&lt;0.5B</th>
<th>$0.5B</th>
<th>$1B</th>
<th>$2.5B</th>
<th>$5B</th>
<th>$10B</th>
<th>$25B</th>
<th>$50B</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.8%</td>
<td>6.8%</td>
<td>9.0%</td>
<td>8.9%</td>
<td>9.3%</td>
<td>9.0%</td>
<td>8.3%</td>
<td></td>
</tr>
</tbody>
</table>

ROATCE

<table>
<thead>
<tr>
<th>$&lt;0.5B</th>
<th>$0.5B</th>
<th>$1B</th>
<th>$2.5B</th>
<th>$5B</th>
<th>$10B</th>
<th>$25B</th>
<th>$50B</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.0%</td>
<td>8.0%</td>
<td>10.3%</td>
<td>10.0%</td>
<td>11.7%</td>
<td>11.7%</td>
<td>10.3%</td>
<td></td>
</tr>
</tbody>
</table>

Net Interest Margin

<table>
<thead>
<tr>
<th>$&lt;0.5B</th>
<th>$0.5B</th>
<th>$1B</th>
<th>$2.5B</th>
<th>$5B</th>
<th>$10B</th>
<th>$25B</th>
<th>$50B</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.4%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>3.5%</td>
<td>3.0%</td>
<td></td>
</tr>
</tbody>
</table>

Fee Income / Revenue

<table>
<thead>
<tr>
<th>$&lt;0.5B</th>
<th>$0.5B</th>
<th>$1B</th>
<th>$2.5B</th>
<th>$5B</th>
<th>$10B</th>
<th>$25B</th>
<th>$50B</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.5%</td>
<td>17.9%</td>
<td>21.2%</td>
<td>20.2%</td>
<td>23.0%</td>
<td>24.8%</td>
<td>24.6%</td>
<td></td>
</tr>
</tbody>
</table>

Efficiency Ratio

<table>
<thead>
<tr>
<th>$&lt;0.5B</th>
<th>$0.5B</th>
<th>$1B</th>
<th>$2.5B</th>
<th>$5B</th>
<th>$10B</th>
<th>$25B</th>
<th>$50B</th>
</tr>
</thead>
<tbody>
<tr>
<td>79.6%</td>
<td>73.1%</td>
<td>68.2%</td>
<td>62.8%</td>
<td>58.5%</td>
<td>60.7%</td>
<td>62.3%</td>
<td></td>
</tr>
</tbody>
</table>

Note: All public banks & thrifts traded on a public exchange; financial data as of the last twelve months available. Data Source: SNL Financial.
The value of scale – trading valuations

- Scale drives higher returns, which drives valuations

**P / TBV Multiples**

**TOTAL ASSETS**

<table>
<thead>
<tr>
<th>Median Metrics</th>
<th>&lt;0.5B</th>
<th>0.5B - $1B</th>
<th>$1B - $2.5B</th>
<th>$2.5B - $5B</th>
<th>$5B - $10B</th>
<th>$10B - $25B</th>
<th>$25B - $50B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core ROAA</td>
<td>0.56%</td>
<td>0.75%</td>
<td>0.86%</td>
<td>0.98%</td>
<td>1.07%</td>
<td>1.05%</td>
<td>0.83%</td>
</tr>
<tr>
<td>P / 2015 EPS</td>
<td>NA</td>
<td>14.7x</td>
<td>14.8x</td>
<td>14.6x</td>
<td>15.5x</td>
<td>15.5x</td>
<td>16.7x</td>
</tr>
<tr>
<td>P / 2016 EPS</td>
<td>NA</td>
<td>11.8x</td>
<td>13.7x</td>
<td>13.2x</td>
<td>14.0x</td>
<td>13.9x</td>
<td>14.7x</td>
</tr>
</tbody>
</table>

**2015 ESTIMATED ROAA**

<table>
<thead>
<tr>
<th>Median Metrics</th>
<th>&lt;0.50%</th>
<th>0.50% - 0.75%</th>
<th>0.75% - 1.00%</th>
<th>1.00% - 1.25%</th>
<th>1.25% - 1.50%</th>
<th>1.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core ROAA</td>
<td>1.05x</td>
<td>1.25x</td>
<td>1.47x</td>
<td>1.76x</td>
<td>2.04x</td>
<td>3.27x</td>
</tr>
<tr>
<td>P / 2015 EPS</td>
<td>1.06x</td>
<td>1.25x</td>
<td>1.47x</td>
<td>1.76x</td>
<td>2.04x</td>
<td>3.27x</td>
</tr>
<tr>
<td>P / 2016 EPS</td>
<td>1.05x</td>
<td>1.25x</td>
<td>1.47x</td>
<td>1.76x</td>
<td>2.04x</td>
<td>3.27x</td>
</tr>
</tbody>
</table>

**Note:** All public banks & thrifts traded on a public exchange; financial data as of June 30, 2015; market data as of August 31, 2015.

**Data Source:** SNL Financial.
## The Value of Scale – M&A Valuations

### 2012 – Present

<table>
<thead>
<tr>
<th>Size Range</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>47.7%</td>
<td>0.39%</td>
<td>21.8x</td>
</tr>
<tr>
<td>$250mm-$500mm</td>
<td>108</td>
<td>22.1%</td>
<td>0.65%</td>
<td>19.7x</td>
</tr>
<tr>
<td>$500mm-$1B</td>
<td>74</td>
<td>15.2%</td>
<td>0.65%</td>
<td>18.3x</td>
</tr>
<tr>
<td>$1B-$5B</td>
<td>64</td>
<td>13.1%</td>
<td>0.76%</td>
<td>20.4x</td>
</tr>
<tr>
<td>$5B-$10B</td>
<td>9</td>
<td>1.8%</td>
<td>1.20%</td>
<td>13.8x</td>
</tr>
</tbody>
</table>

**Note:** All public banks & thrifts traded on a public exchange; financial data as of June 30, 2015; market data as of August 31, 2015.

**Data Source:** SNL Financial.
### WHOLE BANK M&A ACTIVITY SINCE 2009

#### Number of Transactions

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>33</td>
<td>62</td>
<td>68</td>
<td>91</td>
<td>117</td>
<td>141</td>
<td>78</td>
</tr>
</tbody>
</table>

#### Deal Value ($ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>$1,145</td>
<td>$9,655</td>
<td>$16,797</td>
<td>$12,042</td>
<td>$14,065</td>
<td>$18,499</td>
<td>$12,787</td>
</tr>
</tbody>
</table>

#### Price / Tangible Book Value (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>100%</td>
<td>112%</td>
<td>110%</td>
<td>118%</td>
<td>126%</td>
<td>144%</td>
<td>144%</td>
</tr>
</tbody>
</table>

#### Price / LTM Earnings (x)

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015 YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>20.4x</td>
<td>21.5x</td>
<td>25.3x</td>
<td>18.6x</td>
<td>18.5x</td>
<td>21.4x</td>
<td>22.7x</td>
</tr>
</tbody>
</table>

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**Note:** Includes all nationwide bank and thrift deals where the target’s assets were greater than $100 million and deal value is announced.  
**Data Source:** SNL Financial as of August 31, 2015.
CATALYSTS FOR CURRENT M&A DISCUSSIONS

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

- **Succession planning / liquidity needs**
  - Management and board age remains a key predictor of bank M&A

- **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
TRANSACTION MULTIPLES CONTINUE TO RISE AS STOCK VALUATION INCREASES

Approximately 60% of Southeast Bank M&A transactions involve a seller trading at greater than 150% TBV

Note: All public banks & thrifts traded on a public exchange; financial data as of June 30, 2015; market data as of August 31, 2015. Data Source: SNL Financial.
PARAMETERS FOR A “WELL RECEIVED” M&A TRANSACTION

<table>
<thead>
<tr>
<th>Compelling Strategic Fit or Rationale</th>
<th>Can be cost savings driven (in-market) or franchise enhancing (market extension or product extension)</th>
</tr>
</thead>
</table>
| Valuation                            | Multiples paid appear in line with present “M&A market”  
|                                      | Do not want to be an outlier, unless you can justify it |
| Pro Forma Impact                     | Use of “reasonable and supportable” assumptions related to:  
|                                      | - Credit mark on the loan portfolio  
|                                      | - Cost savings  
|                                      | - Transaction costs  
|                                      | - Underlying earnings of the target  
|                                      | - While there may be revenue enhancements, these will be discounted by the investor and research communities |
|                                      | Impact on EPS – Meaningful accretion in first full year with fully phased-in synergies (excl. deal costs)  
|                                      | 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  
|                                      | Internal Rate of Return – Should be above the cost of capital  
|                                      | 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 |
| Appropriate Deal Protections / Structures to Mitigate Transaction Risk | Use of price adjustments, earnout structures, contingent value rights (CVRs) tied to specific assets or litigation, and asset dividends  
|                                      | 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 |
Buyer Relative Price Performance vs. NASDAQ Bank Index

Note: All public banks & thrifts; financial data as of June 30, 2015; market data as of August 31, 2015.
Data Source: Factset.
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.
## Southeast Banking Landscape – Growing More Concentrated

### Southeastern Banks

<table>
<thead>
<tr>
<th>Total Number of Banks:</th>
<th>Pre-Crisis 12/31/07</th>
<th>Current</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Banks:</td>
<td>1,817</td>
<td>1,401</td>
<td>(22.9%)</td>
</tr>
<tr>
<td>% &lt; $500mm in Assets</td>
<td>85</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>% &lt; $1B in Assets</td>
<td>94</td>
<td>91</td>
<td></td>
</tr>
<tr>
<td>% &gt; $1B in Assets</td>
<td>6</td>
<td>9</td>
<td>+ 50.0%</td>
</tr>
</tbody>
</table>

### Number of Banks

<table>
<thead>
<tr>
<th>Number of Banks</th>
<th>Pre-Crisis 12/31/07</th>
<th>Current</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$500mm-$1.0B</td>
<td>183</td>
<td>141</td>
<td>(23.0%)</td>
</tr>
<tr>
<td>$1.0-$2.5B</td>
<td>72</td>
<td>70</td>
<td></td>
</tr>
<tr>
<td>$2.5-$5.0B</td>
<td>24</td>
<td>32</td>
<td>+ 33.3%</td>
</tr>
<tr>
<td>$5.0-$10.0B</td>
<td>10</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>&gt; $10B</td>
<td>14</td>
<td>16</td>
<td></td>
</tr>
</tbody>
</table>

### Banking Assets

<table>
<thead>
<tr>
<th>Banking Assets</th>
<th>Pre-Crisis 12/31/07</th>
<th>Current</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>% &lt; $500mm in Assets</td>
<td>20</td>
<td>16</td>
<td>(22.2%)</td>
</tr>
<tr>
<td>% &lt; $1B in Assets</td>
<td>28</td>
<td>23</td>
<td>(17.8%)</td>
</tr>
<tr>
<td>% $1-$10B in Assets</td>
<td>18</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>% &gt; $10B in Assets</td>
<td>54</td>
<td>55</td>
<td></td>
</tr>
</tbody>
</table>

Note: Data excludes merger targets; Excludes Bank of America and Capital One; Includes all Commercial and Savings Banks headquartered in AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV.

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 as of August 31, 2015.
SOUTHEAST WHOLE BANK M&A SINCE 2009

Number of Transactions:

- 2008: 20
- 2009: 10
- 2010: 13
- 2011: 18
- 2012: 21
- 2013: 36
- 2014: 48
- 2015: 25

Deal Value ($ Millions):

- 2008: $1,706
- 2009: $466
- 2010: $1,854
- 2011: $3,902
- 2012: $3,437
- 2013: $724
- 2014: $45
- 2015: $41

Price / Tangible Book Value (%):

- 2008: 158%
- 2009: 81%
- 2010: 95%
- 2011: 87%
- 2012: 91%
- 2013: 113%
- 2014: 136%
- 2015: 141%

Price / LTM Earnings (x):

- 2008: 18.9x
- 2009: 18.2x
- 2010: 18.2x
- 2011: 22.0x
- 2012: 16.5x
- 2013: 14.4x
- 2014: 17.7x
- 2015: 22.3x

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 as of August 31, 2015.
SOUTHEAST BANKING LANDSCAPE: REGIONAL PERSPECTIVE

**Geographic Distribution Of Population**

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


- Southeast: 26%
- 21%
- 15%
- 5%
- 21%
- 23%

**Median Household Income**

- US Median: $53,037
- Southwest: $65,971
- West: $62,312
- Southeast: $54,988
- Northeast: $52,932
- Midwest: $53,037
- US Average: $53,037

**Geographic Distribution Of Banks**

- Southeast: 23%
- 14%
- 7%
- 8%
- 4%
- 44%

**US Median:** $53,037
What’s Next?
LOOKING AHEAD – WHAT WE EXPECT

- Technology will continue to transform how we bank

- The importance of operating scale will not diminish

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

- Growth and profitability will remain key drivers of bank valuations

- 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
CONSOLIDATING INDUSTRY

- 1990: 15,158 Institutions
- 2000: 9,904 Institutions (35% decrease from ’90)
- 2010: 7,658 Institutions (50% decrease)
- YTD2015: 6,419 Institutions (58% decrease)

Note: Includes commercial banks and savings institutions.
Data Source: FDIC.
Appendix
Mr. Branson rejoined Stephens Inc. in April 2015 as a Managing Director in the firm’s Financial Institutions Group. Based in Atlanta, he is responsible for client coverage of depository institutions in the Southeast. Mr. Branson began his career in the Stephens Corporate Finance Analyst program. Prior to rejoining Stephens, Mr. Branson was a Managing Director at Sterne Agee & Leach, Inc. (2010-2015) and an Associate Director at Sandler O’Neill & Partners, L.P. (2004-2010). During his career, he has been involved in numerous merger and acquisition and capital raising transactions for financial institutions. Mr. Branson is also a frequent speaker at industry and state banking associations’ conferences. Mr. Branson graduated from Wake Forest University with a BS in Finance and MS in Accountancy.

### Selected Bank & Thrift Transactions

**M&A**
- River Bank & Trust’s pending merger with Keystone Bank
- Magna Bank’s sale to Pinnacle Financial Partners Inc.
- Pinnacle Financial Partners Inc.’s acquisition of CapitalMark Bank & Trust
- MoneyTree Corporation’s sale to United Community Banks, Inc.
- State Investors Bancorp’s pending sale to 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
- SCBT Financial Corporation’s FDIC-Assisted acquisition of Community Bank and Trust
- Pinnacle Financial Partners Inc.’s acquisition of Mid-America Bancshares, Inc.

**Capital Raises**
- Franklin Financial Network, Inc.’s $55 million IPO
- Avenue Financial Holdings, Inc.’s $32 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
- 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
OVERVIEW OF STEPHENS INC.

**Stephens Inc.**

- Founded in 1933, Stephens Inc. is a full service investment banking firm located in Little Rock, Arkansas
  - Warren Stephens, Chairman, President and CEO
- Over 1,000 employees across 25 offices
- Over 50 senior research analysts covering 450+ companies
- Services for Businesses and Institutions include:
  - Investment Banking
  - Institutional Sales and Trading
  - Research
  - Wealth Management
  - Insurance
  - Public Finance

**Stephens Investment Banking**

- Investment bank focused on the middle market
- Over 170 investment bankers and analysts in 8 offices: Little Rock, Atlanta, Boston, Chicago, Dallas, New York, Richmond, and San Francisco
- Long-term, relationship focused institution – Reputation is more important than fees approach to business
- Corporate Finance Products and Services:
  - Mergers & Acquisitions
  - Equity Capital Markets
  - Debt Capital Markets

[Diagram of Stephens Inc. offices across the USA]
SUBSTANTIAL COMMITMENT TO THE DEPOSITORY SPACE

The Right Team and the Right Time

*Employed at Stephens prior to 2015.

Stephens has served our depository institution clients from our Little Rock headquarters for almost 30 years. We are excited to welcome an outstanding team of industry veterans that significantly expand our geographic reach.

INVESTMENT BANKING

Kade Machen
Managing Director
Dallas
Southwest Depositories

Robert Ulrey*
Managing Director
Little Rock
Southern Depositories

Matt Switzer
Managing Director
Richmond
Mid-Atlantic Depositories

Brian Branson
Managing Director
Atlanta
Southeast Depositories

Justin Evans
Vice President
Dallas
Southwest Depositories

Jim Hemmer
Managing Director
Chicago
Midwest Depositories

Jeff Jones
Managing Director
Chicago
Midwest Depositories

Robert Ulrey*
Managing Director
Little Rock
Southern Depositories

Brian Branson
Managing Director
Atlanta
Southeast Depositories

Justin Evans
Vice President
Dallas
Southwest Depositories

Jim Hemmer
Managing Director
Chicago
Midwest Depositories

Robert Ulrey*
Managing Director
Little Rock
Southern Depositories

EQUITY CAPITAL MARKETS

Scott Studwell
Managing Director
New York
Nationwide Depositories

EQUITY RESEARCH

Matt Olney*
Publishing Analyst

Terry McEvoy
Publishing Analyst

Tyler Stafford*
Publishing Analyst

Erik Zwick
Publishing Analyst

Matthew Sealy*
Associate

Austin Nicholas
Associate

Matt Switzer
Managing Director
Richmond
Mid-Atlantic Depositories

Jay Brogdon*
Vice President
Little Rock
Southern Depositories

*Employed at Stephens prior to 2015.
RECENT FIG TRANSACTION EXPERIENCE

$80 Million
Independent Bank Group
Has Agreed to Acquire
GRAND BANK
Financial Advisor

$37 Million
RIVER BANK & TRUST
Agreed to merge with
KEystoneBANK
Financial Advisor & Fairness Opinion

$83 Million
Magna Bank
Has merged with
Pinnacle Financial Partners
Financial Advisor

$65 Million
Subordinated Notes
Joint Lead Bookrunner

$187 Million
Pinnacle Financial Partners
Has Acquired
CapitalMark Bank & Trust
Financial Advisor *

$55 Million
Initial Public Offering
Co-Manager *

$30 Million
Initial Public Offering
Co-Manager *

$22 Million
Veritex Holdings, Inc.
Has Acquired
Independent Bank of Texas
Financial Advisor

$195 Million
Georgia Commerce Bank
Sale to
IberiaBank Corporation
Financial Advisor *

$243 Million
Sale to
Simmons First National Corporation
Financial Advisor *

$350 Million
Hilltop Holdings
Has Acquired
Financial Advisor

*Represents transaction of Stephens team at prior firm.