

# Financials Strategy

Prepared for:

## **Financial Managers Society Hackensack, NJ**

*Strictly Private & Confidential*

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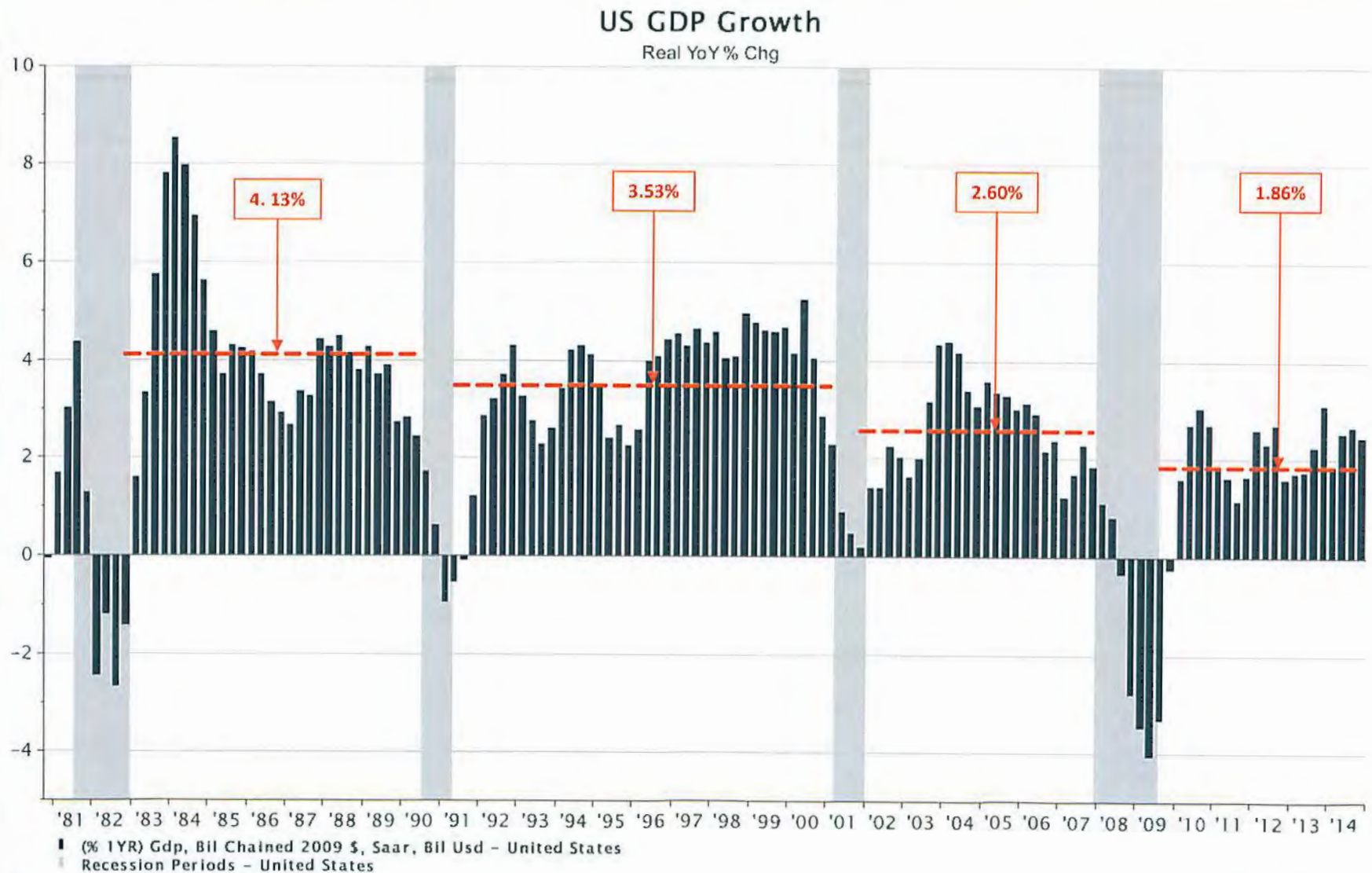
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# Summary

- **U.S. Macro: GDP Growth Trend Has Dropped to 2%**
  - ... Driven by Equivalent Deceleration in Consumer Spending
  - ... Constraint is Slower Personal Income Growth
  - ... Underlying Force is Demographic & Social: Labor Force Growth at ¼ Historical
- **U.S. Economy Re-Balancing**
  - ... Business Spending Reflects Re-Industrialization
  - ... Fixed Investment Increasingly More Powerful than Consumer Spending
  - ... Drivers: Ag, Energy, Infrastructure, Manufacturing & Technology
- **Credit Demand Cycle Mirrors GDP Cycle**
  - ... Bank Lending Lags GDP Fundamentals by Sector – Always Has
  - ... Commercial Lending Accelerating Into Its 5<sup>th</sup> Year
  - ... Demand Gradually Broadening to Other Sectors
  - ... Price Competition Primarily at Large Banks
  - ... “Shadow Banking” Collapse Offers Re-Intermediation Potential
- **Global Macro: Demand Weakness & Monetary Disarray**
  - ... Federal Reserve Loses Independence at Long End of Rate Spectrum
  - ... 10-Yr UST Remains 200bp Below “Normal”
  - ... “Rate Relief” for Banks Delayed Further, Muted
- **Banking Outlook: Cup Half-Full & Ultimately Rising**
  - ... Net Interest Margins Gradually Stabilizing
  - ... Loan Cycle Extending
- **Consolidation Accelerating**
  - ... Sweet-Spot Clusters \$10-50B - Size Increasingly Matters
  - ... Franchise Value Increasingly Delineated & Deposits
  - ... P/E Has Largely Replaced P/B

# US GDP Growth Trend Downshift Below 2%



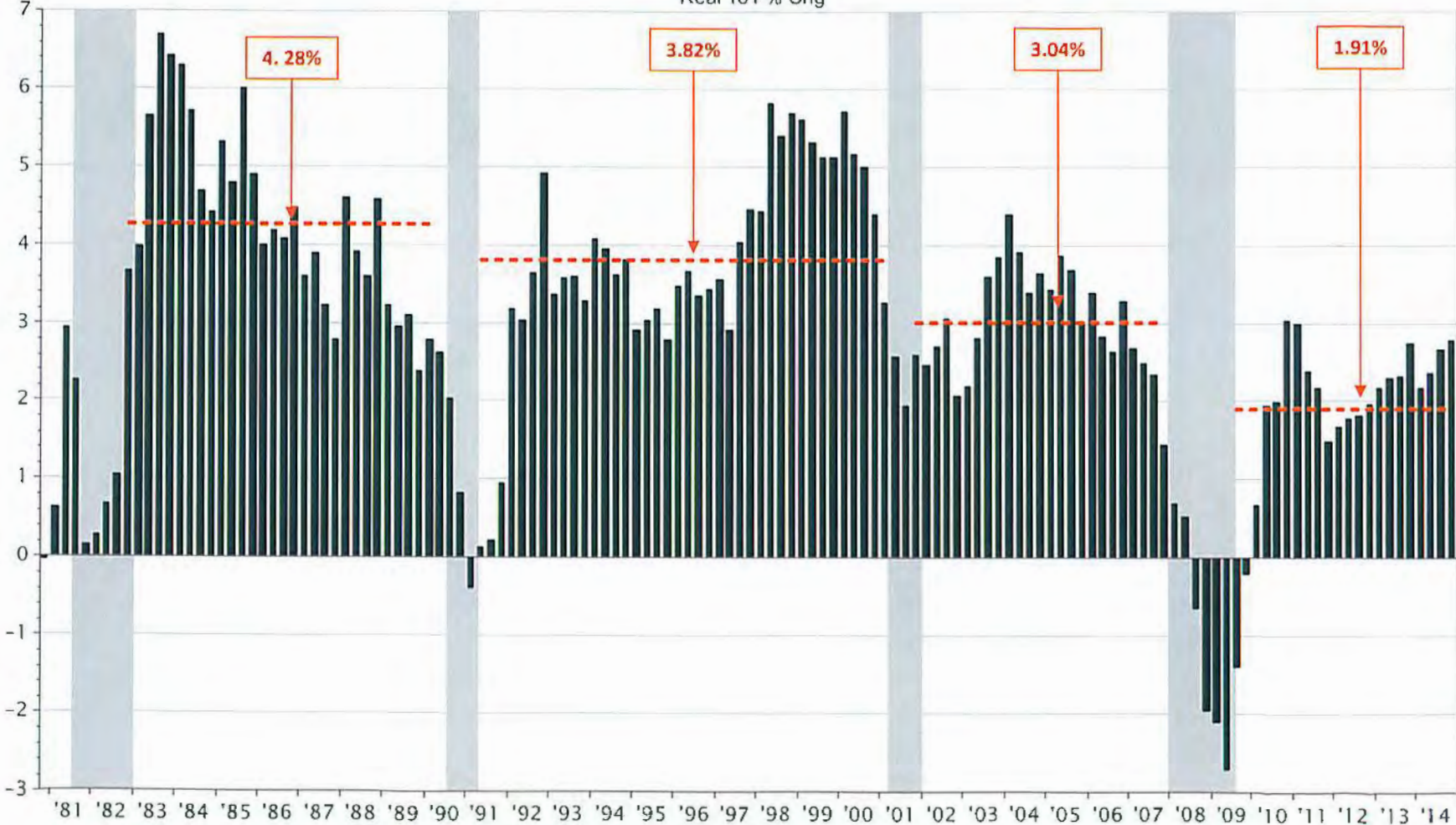
Source: Bureau of Economic Analysis

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# Consumer Spending Downshift Below 2%

## US Personal Consumption Expenditure

Real YoY % Chg



■ (% 1YR) Personal Consumption Expenditures, Bil Chained 2009, Saar, Bil Usd - United States  
 ■ Recession Periods - United States

Source: Bureau of Economic Analysis

©FactSet Research Systems

# Labor Force Restrained – Largely Demographic

## US Participation Rate

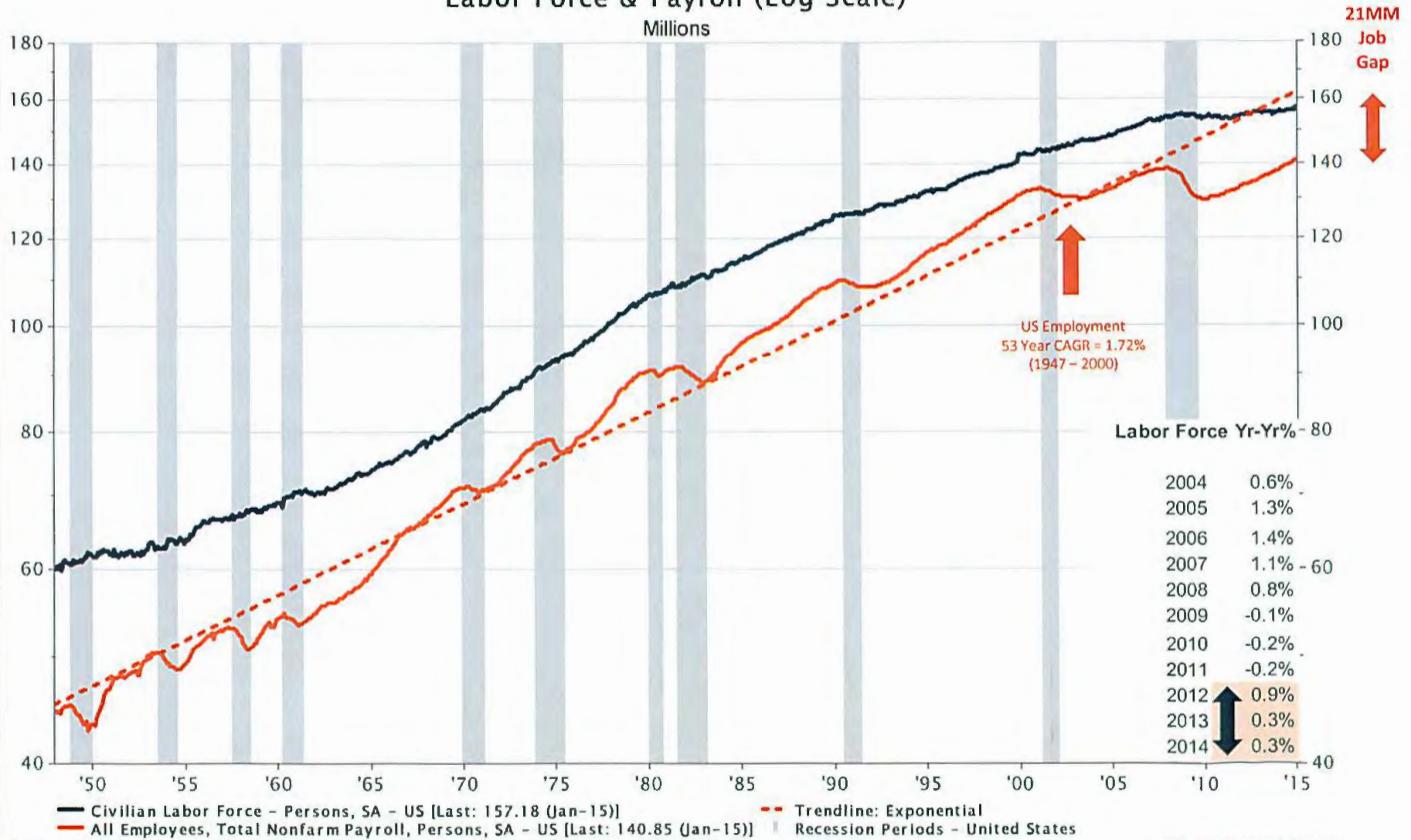
Seasonally Adjusted (%)



# Structural Drag from Decelerating Labor Force ... ... Restrains Jobs = Consumer Income = Consumer Spending

Labor Force & Payroll (Log Scale)

Millions

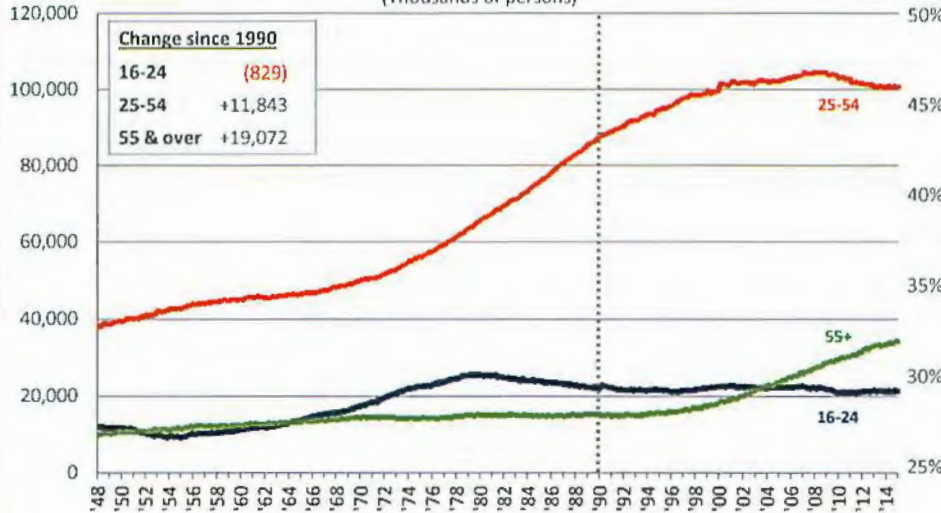


Source: U.S. Department of Labor

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# Labor Force Constraints

**Labor Force by Age Group**  
(Thousands of persons)



**Women's Share of Labor Force**



**Youth Participation Rate**



**Clockwise**

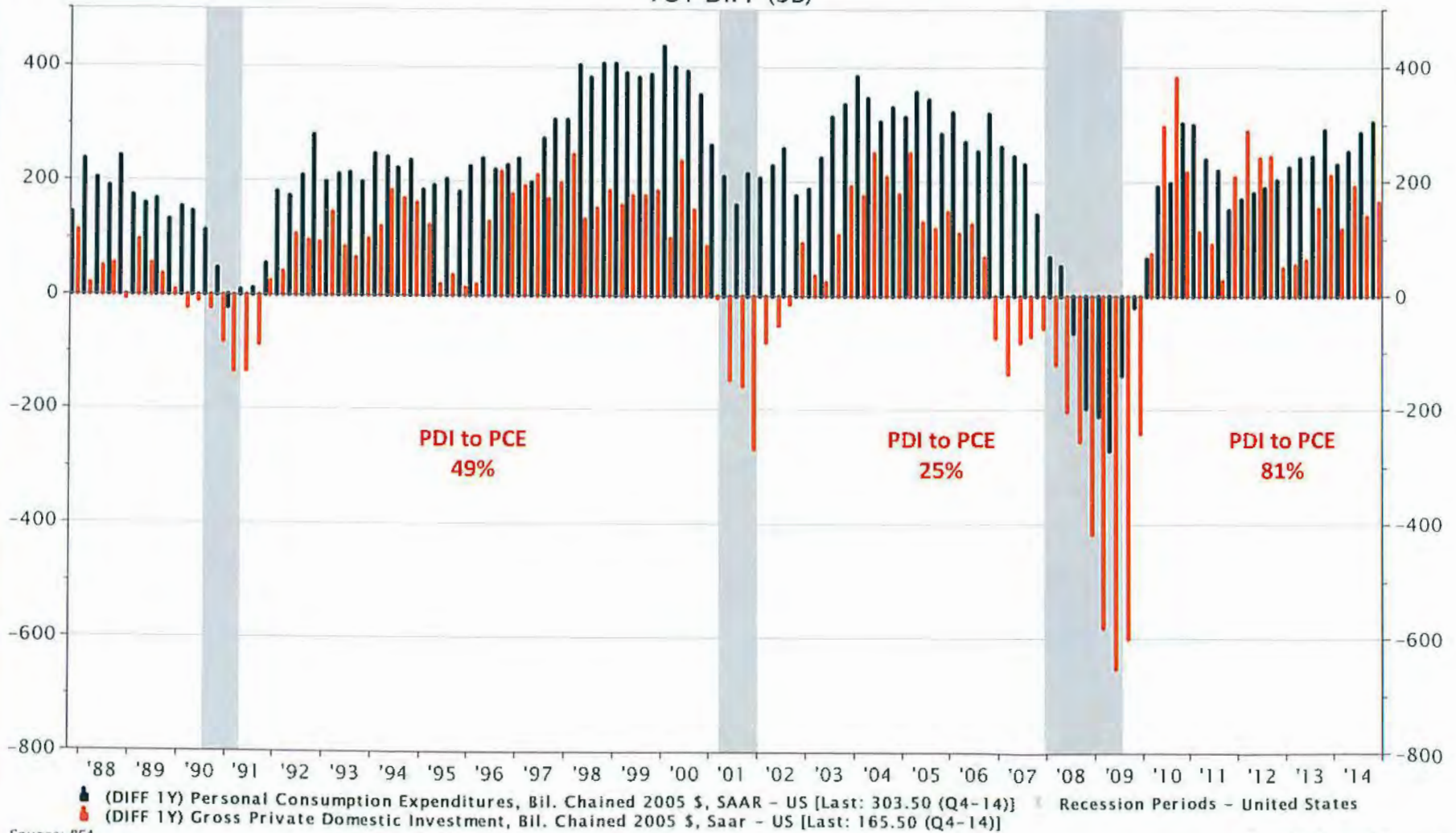
- Aging**
  - "Core" 25-54 plateaued in 2000
  - Young in long term decline
  - Old the most rapidly growing demographic
- Women**
  - Plateaued in labor force
- Youth**
  - At 50-yr low point

Source: Bureau of Labor Statistics



# Business Spending Growth Almost Replacing Consumer... ... Despite Being Four Times Smaller

Real PCE vs Real Private Domestic Investment  
YOY DIFF (\$B)



Source: BEA

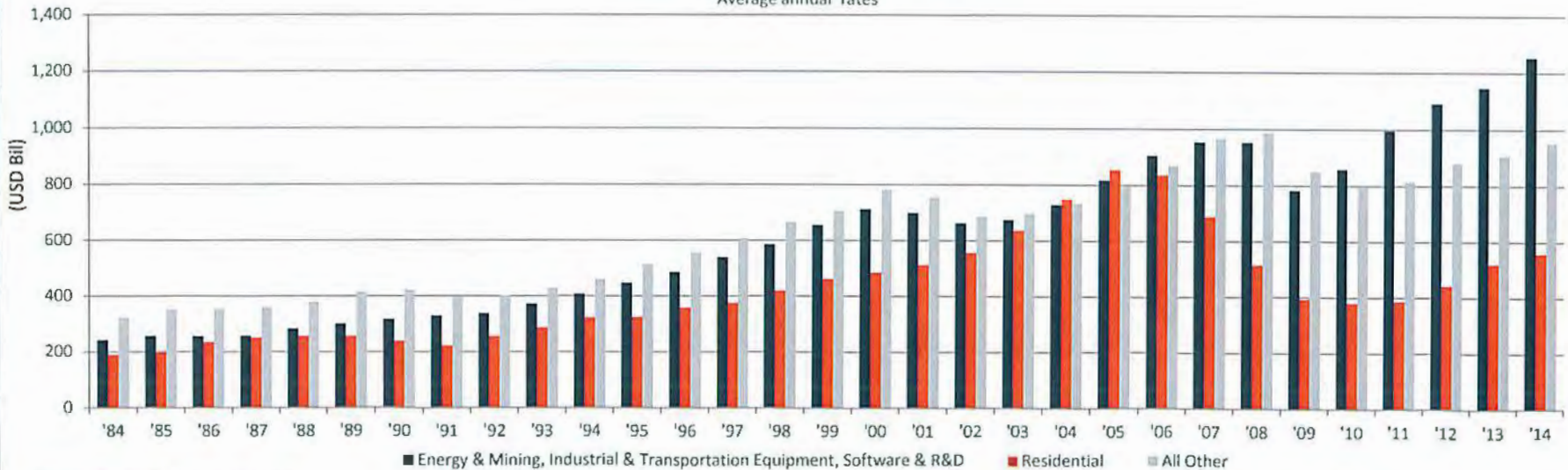
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# Private Fixed Investment ... A New Era for Energy/Industrial

Private Fixed Investment by Type  
Real YoY % Change



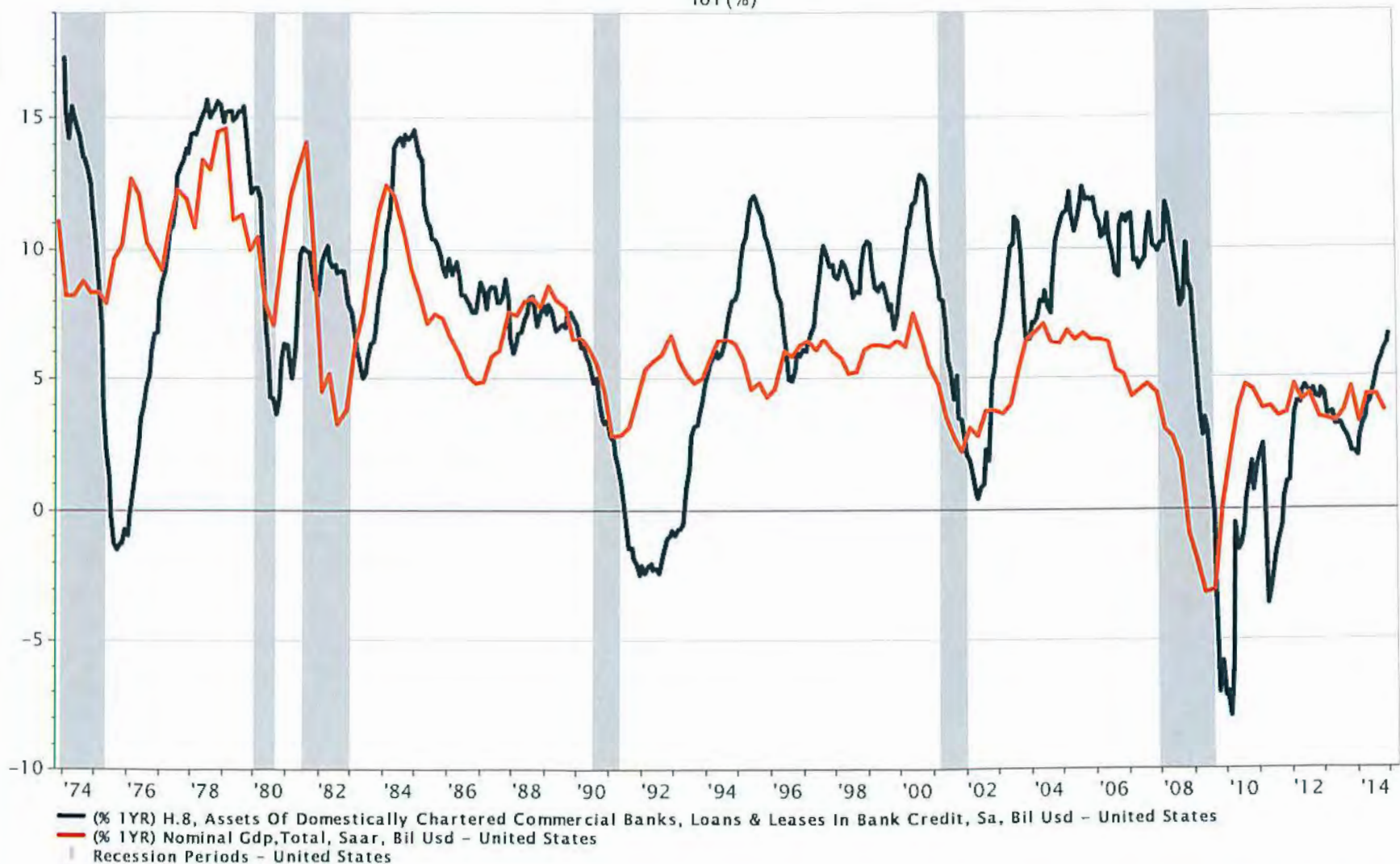
Private Fixed Investment by Type  
Average annual rates



Source: Bureau of Economic Analysis

# Bank Loans Follow GDP – But Lag by 6 Months

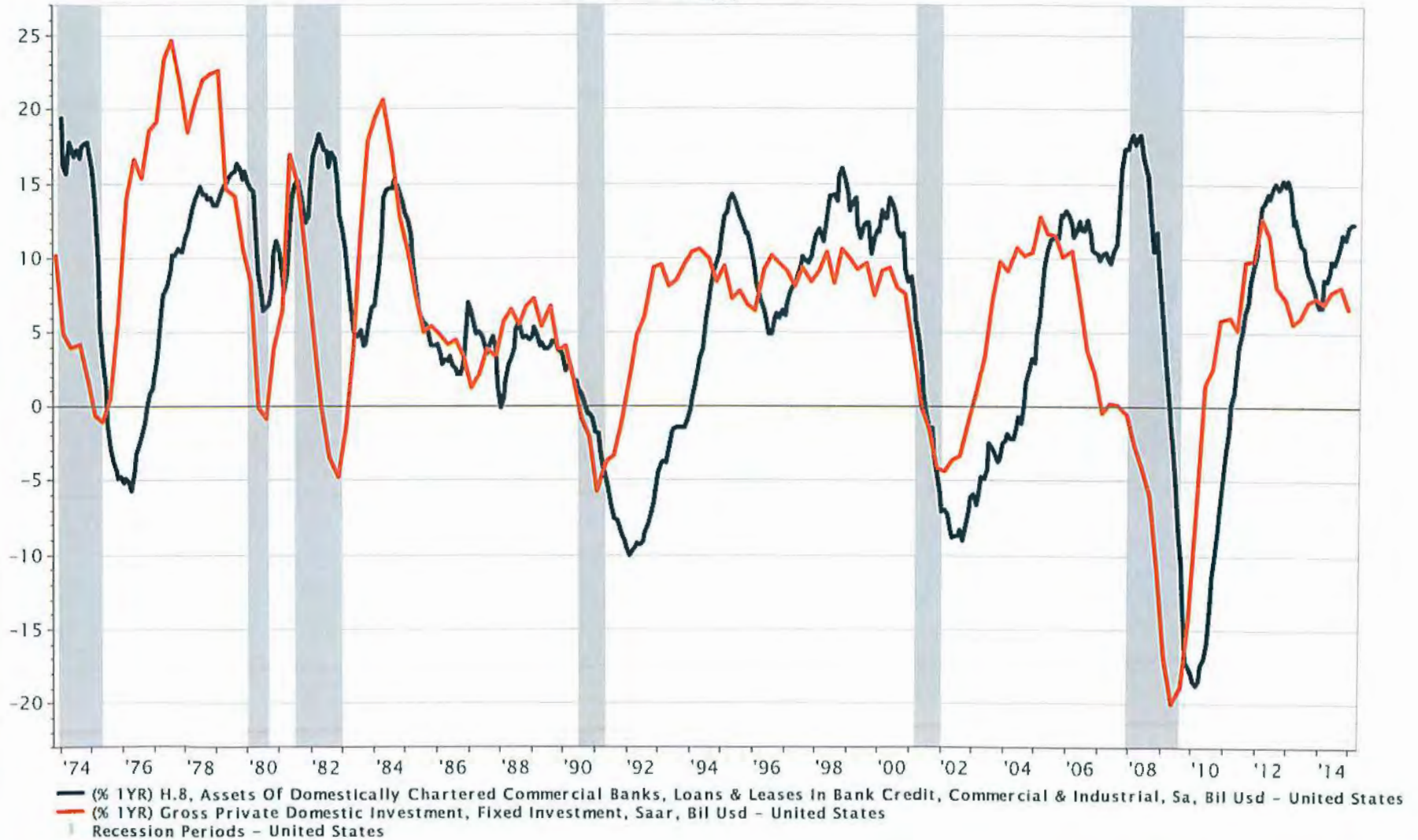
Total Bank Loans to GDP  
YoY (%)



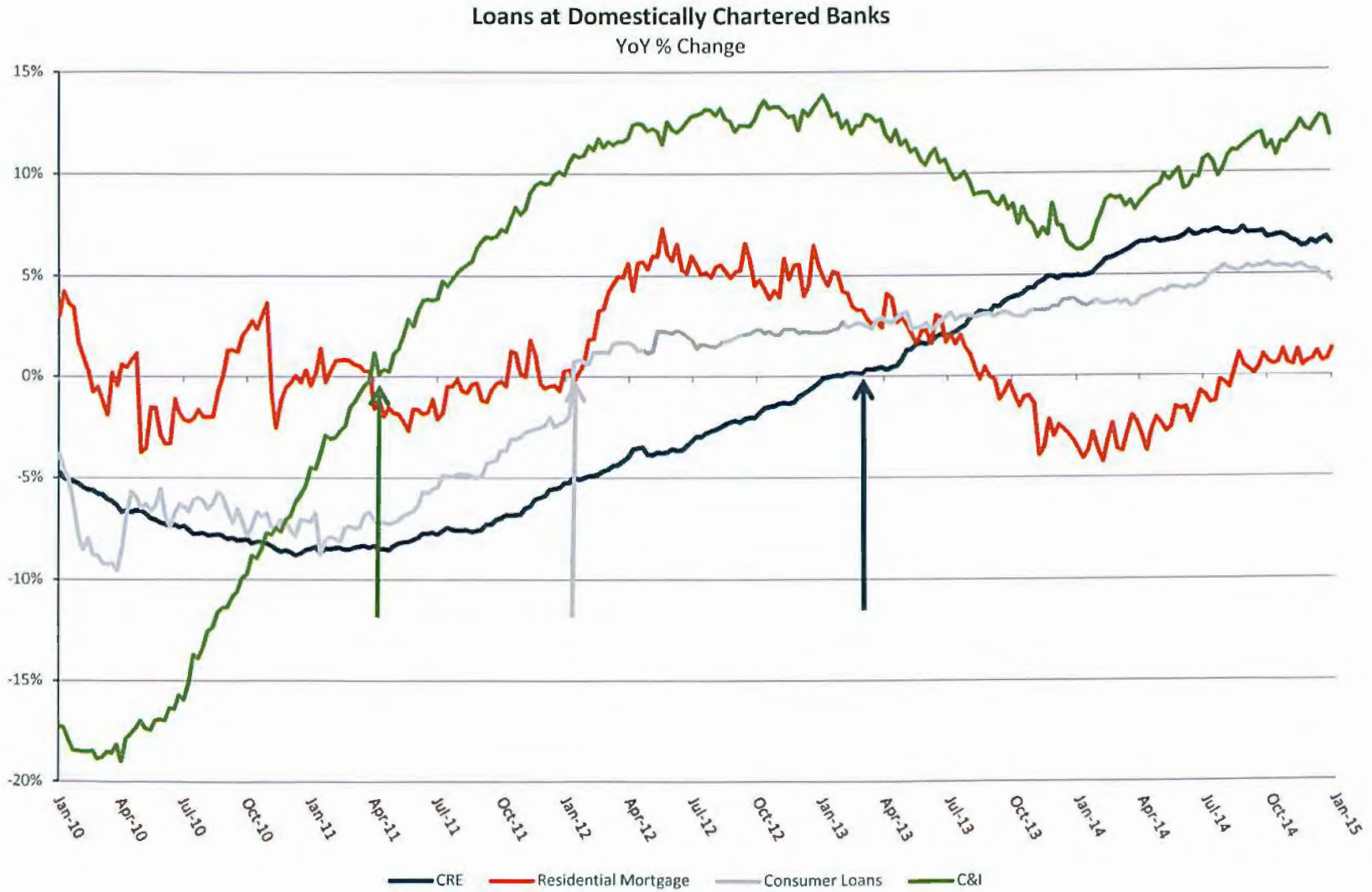
# C&I Loans Tightly Follow Fixed Investment Cycle

## Commercial & Industrial Loans

YoY(%)



# Bank Lending Cycle – All Domestically Chartered Banks



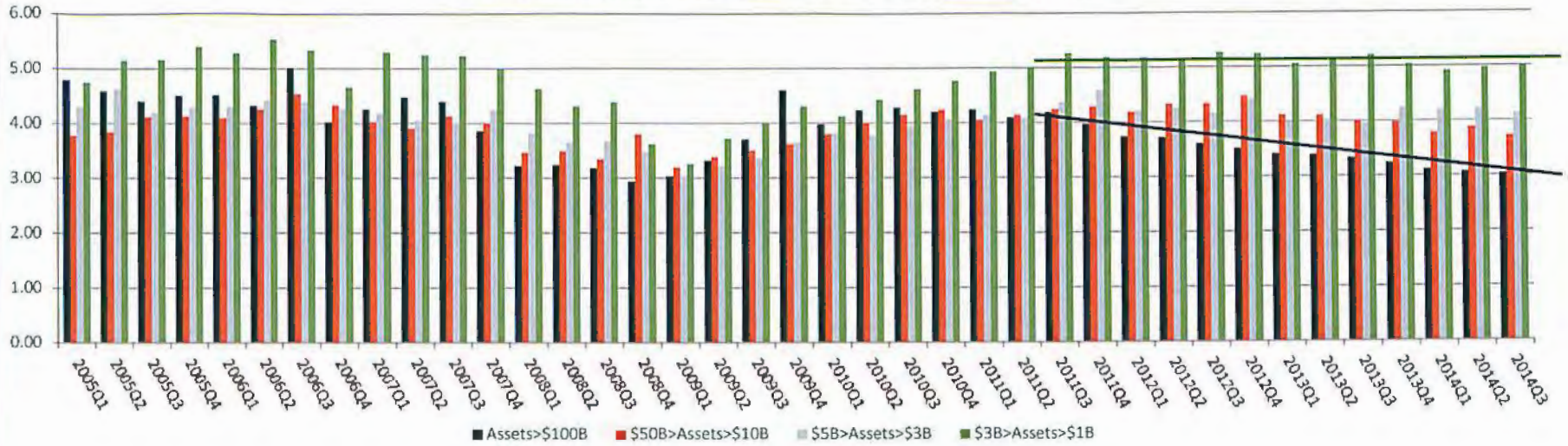
# Bank Lending Cycle – Banks Below \$100B Assets



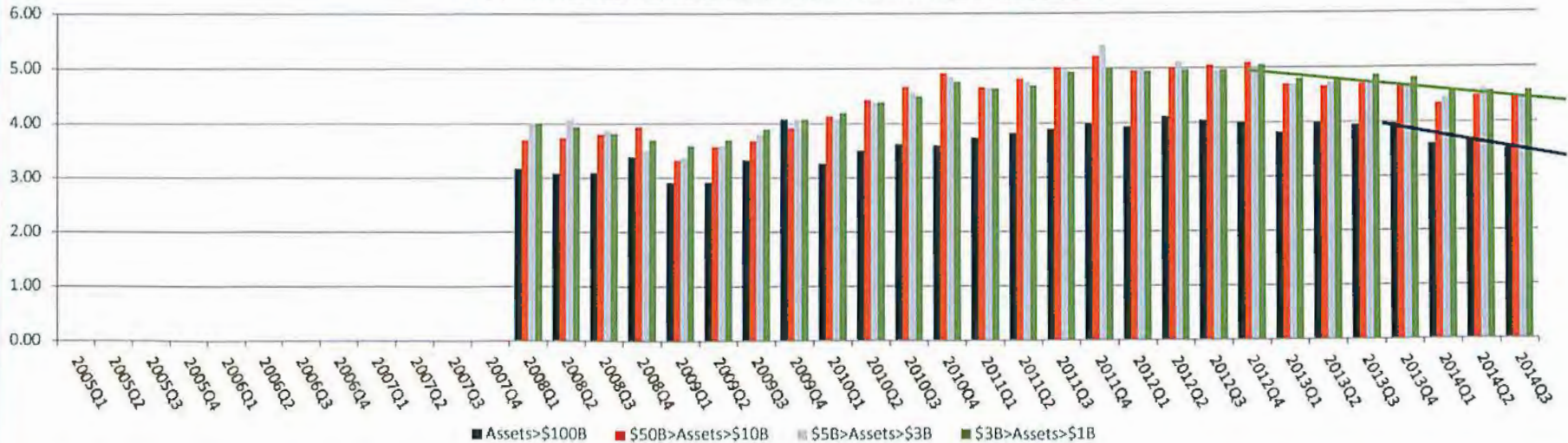
Source: Federal Reserve System

# Loan Pricing Spreads by Bank Asset Size

## Commercial & Industrial Loan Yields vs Overall Cost of Funds

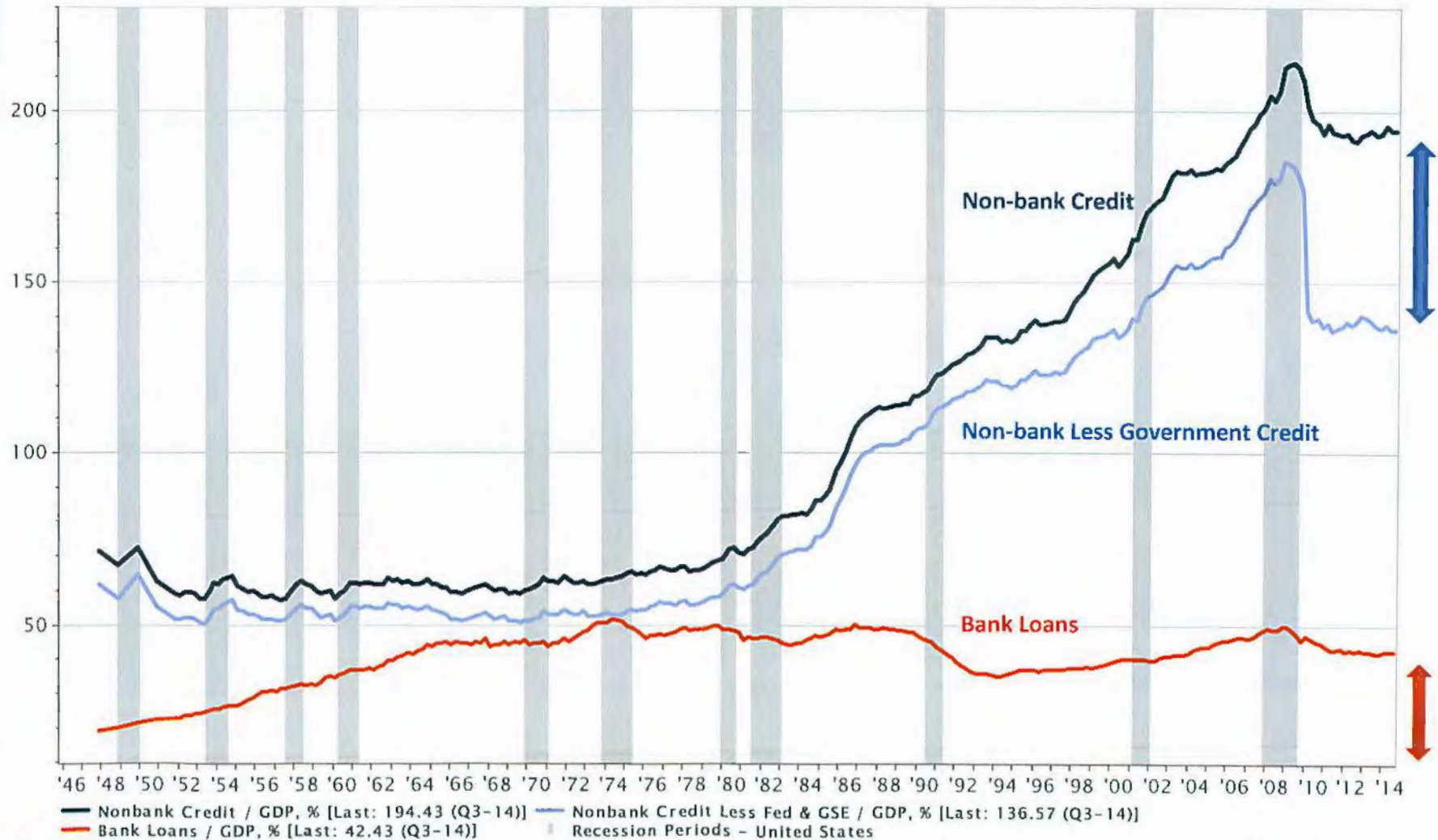


## Commercial Real Estate Loan Yields vs Overall Cost of Funds



# "Shadow" Banking Collapsed ... Not Banks

## Bank Loans vs Nonbank Credit



Source: Federal Reserve System

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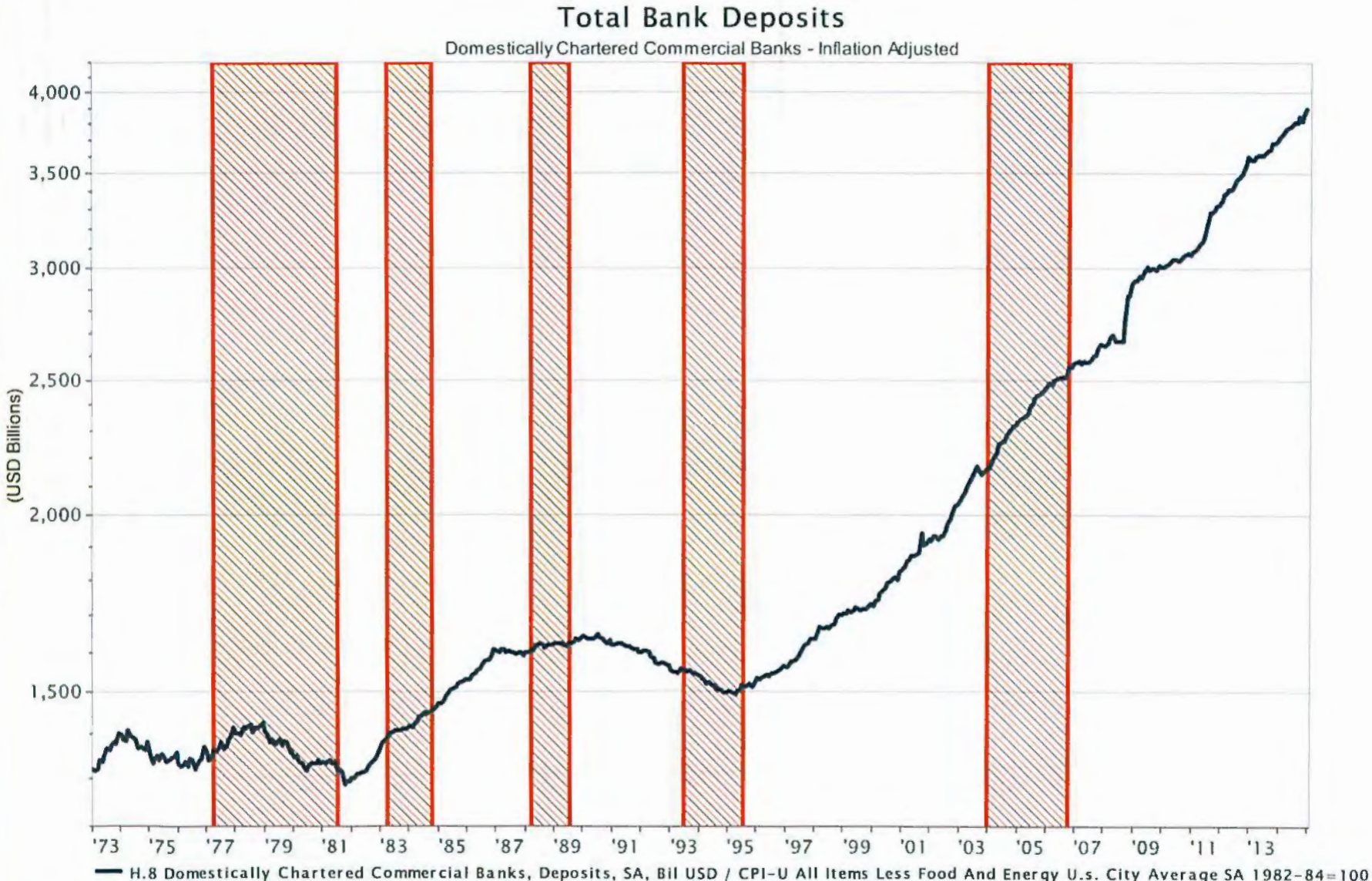
# “Shadow” Market Collapse / Bank Market Opportunity

**Financial Sector Credit Outstanding  
Change in \$ Billions**

	Change Since		Period Change						
	3Q2014	Dec 2007	3Q2014	2013	2012	2011	2010	2009	2008
<b>\$3.5 Trillion “Hole”</b>									
Banks	10,529	1,320	428	235	376	134	239	(342)	250
GSEs	5,968	3,139	12	42	(219)	(200)	3,633	(338)	208
Mutual Funds	4,692	2,496	347	364	652	359	354	387	32
Federal Reserve	4,168	3,448	432	1,086	35	376	271	1,002	245
Life Insurance Companies	3,539	668	88	77	74	125	152	140	12
ABS Issuers	1,364	(3,036)	(82)	(283)	(213)	(242)	(1,044)	(778)	(395)
Money Market Mutual Funds	1,420	(542)	(192)	31	(83)	(10)	(397)	(620)	728
Mortgage Pools – Agency & GSE	1,624	(2,841)	54	132	132	165	(4,237)	415	497
Finance Companies	1,297	(538)	(9)	(20)	(35)	(46)	(144)	(220)	(65)
Private Pension Funds	1,195	422	29	50	147	74	121	10	(7)
P&C Insurance Companies	965	96	12	25	1	36	4	33	(16)
Funding Corporations	263	(75)	85	(8)	(60)	(66)	41	(315)	247
Credit Unions	941	283	49	50	46	38	24	33	43
Foreign Banks	854	(140)	28	(7)	6	42	(24)	(287)	103
State & Local Govt. Retirement Funds	983	107	103	63	8	14	22	(83)	(20)
Broker Dealers	386	(417)	(91)	(175)	89	6	32	(192)	(86)
REITs	520	273	22	39	127	120	44	(10)	(69)
ETFs	272	238	29	12	52	46	30	46	23
Holding Companies	153	93	1	(57)	108	3	22	3	14
Federal Govt. Retirement Funds	201	102	9	9	15	26	11	7	24
Closed-end Funds	168	(3)	(2)	14	11	(2)	5	11	(41)
Banks in U.S. Affiliated Areas	60	(33)	(4)	0	(0)	(5)	(19)	(3)	(2)
<b>Total</b>	<b>41,581</b>	<b>5,058</b>	<b>1,347</b>	<b>1,680</b>	<b>1,271</b>	<b>995</b>	<b>(860)</b>	<b>(1,101)</b>	<b>1,727</b>

Source: Federal Reserve System

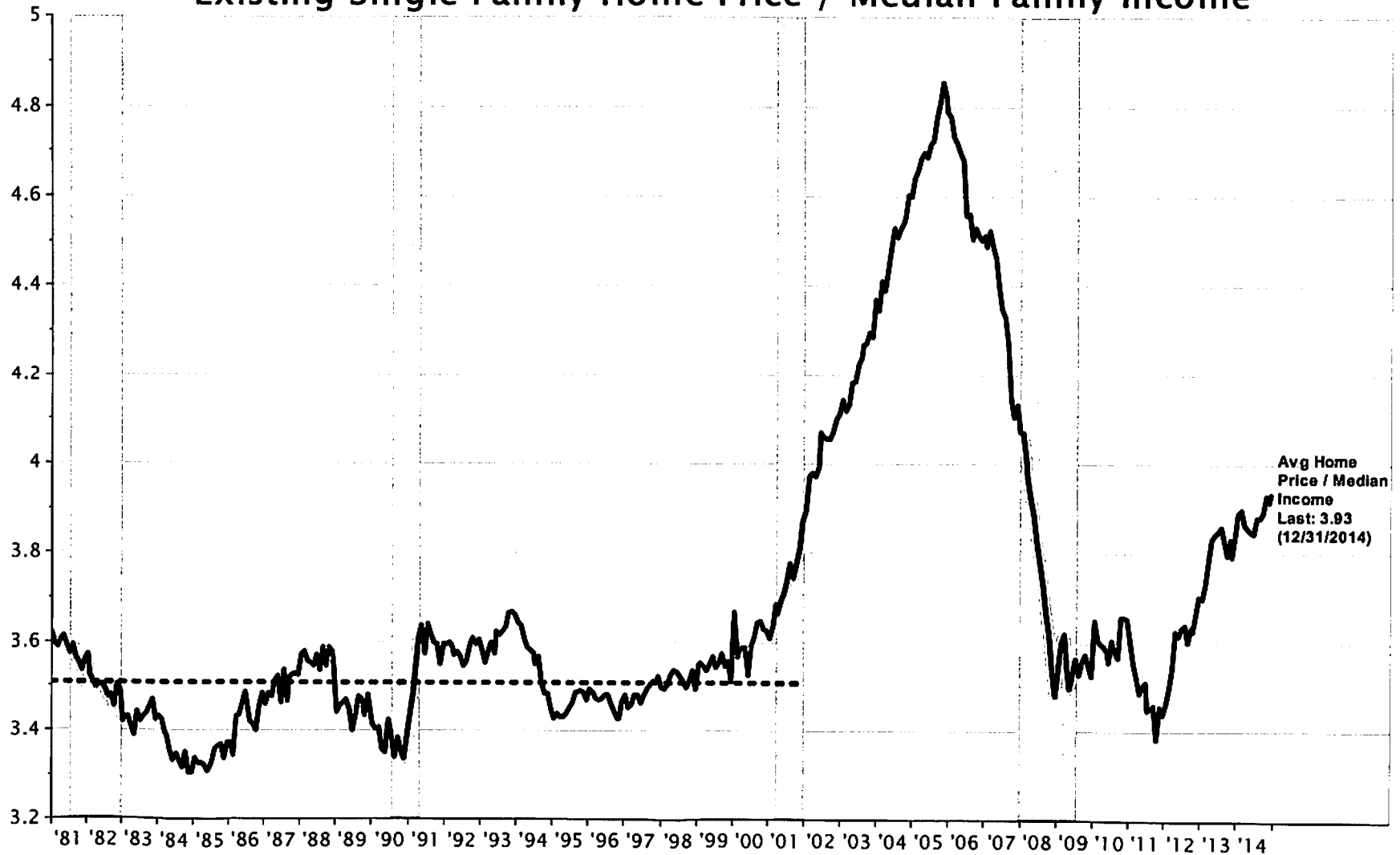
# Deposits Largely Insensitive to Past Periods of Rising Rates



Source: Federal Reserve System, FactSet

# Policy Stimulation Driving Prices More Than Construction

## Existing Single Family Home Price / Median Family Income



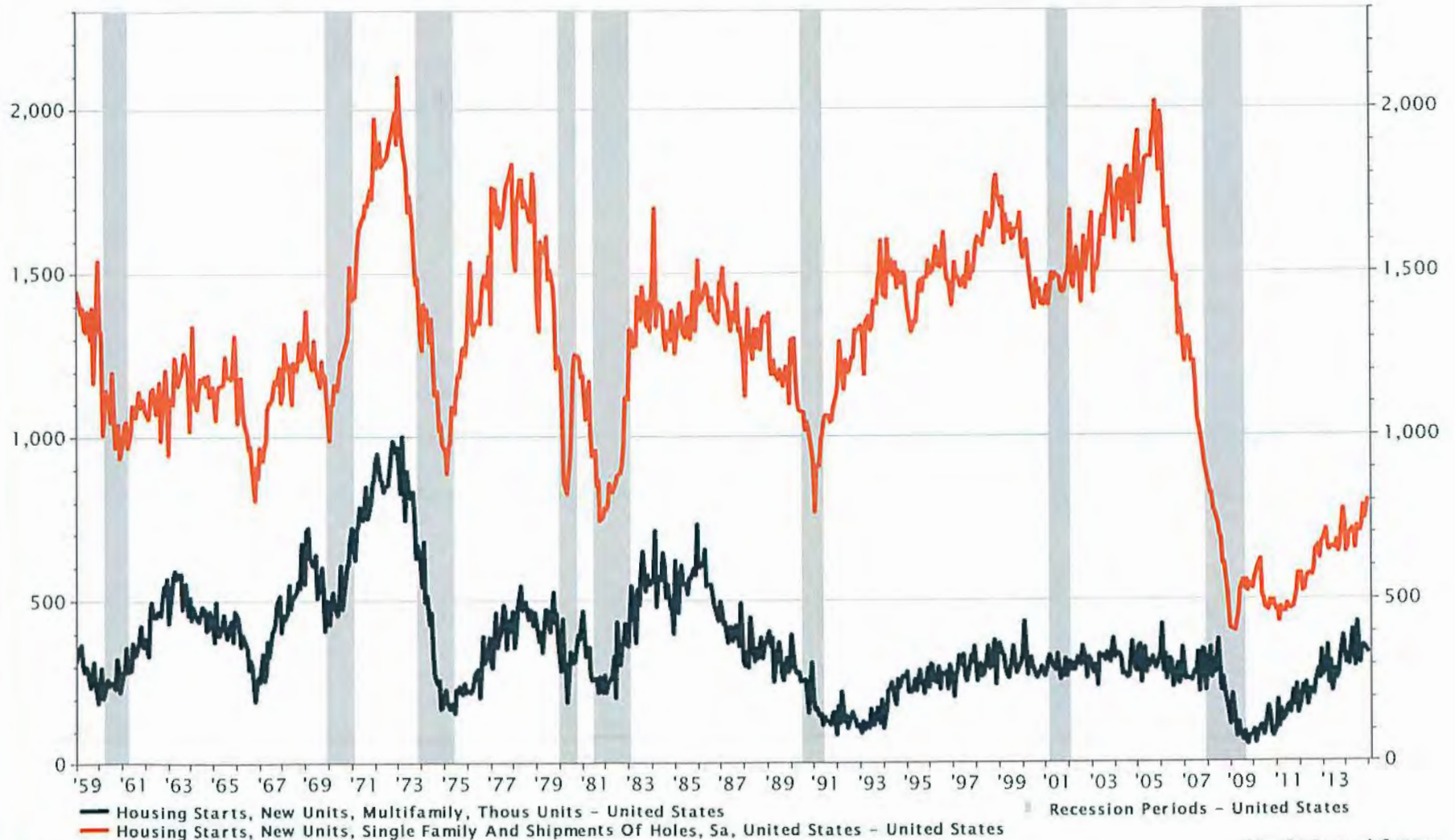
Avg Home Price / Median Income  
Last: 3.93  
(12/31/2014)

Source: NAR

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# Fundamental Housing Recovery Barely Above Historic Bottoms

## Housing Starts



Source: U.S. Department of Commerce

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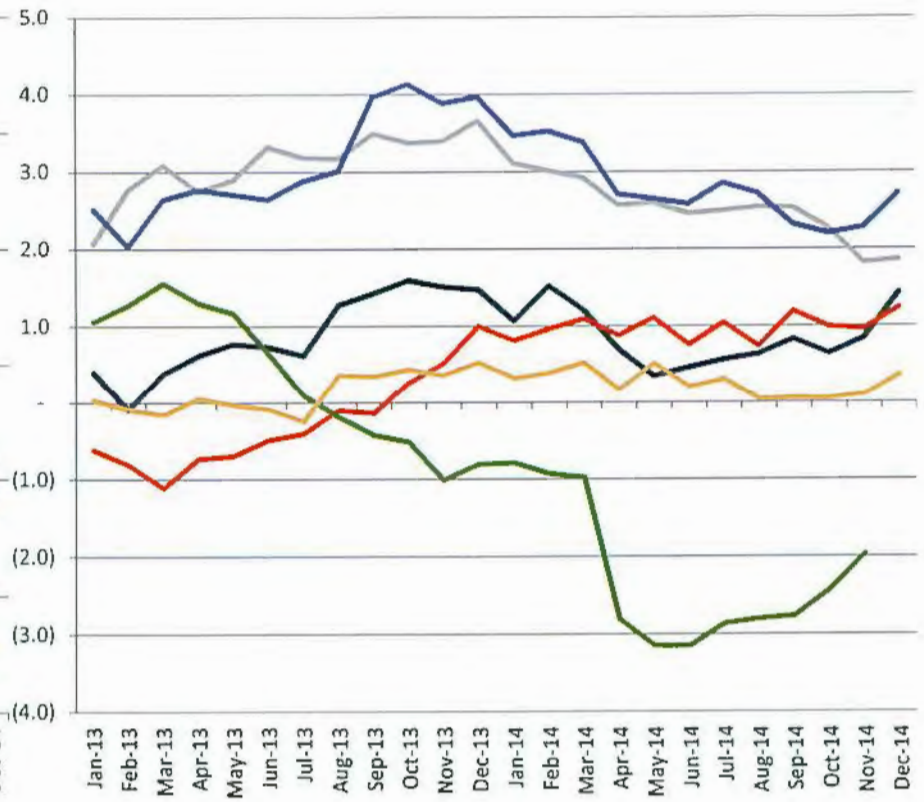
# 10-Yr Global Rate Squeeze ... Real Rates Mostly Flat !

10 Year Yields



— U.S.    — U.K.    — Italy  
— Japan    — Germany    — Spain

Ten Year Yields less Inflation



— U.S.    — U.K.    — Italy  
— Japan    — Germany    — Spain

# 10-Yr Treasury Follows Nominal GDP... Should Be 4%



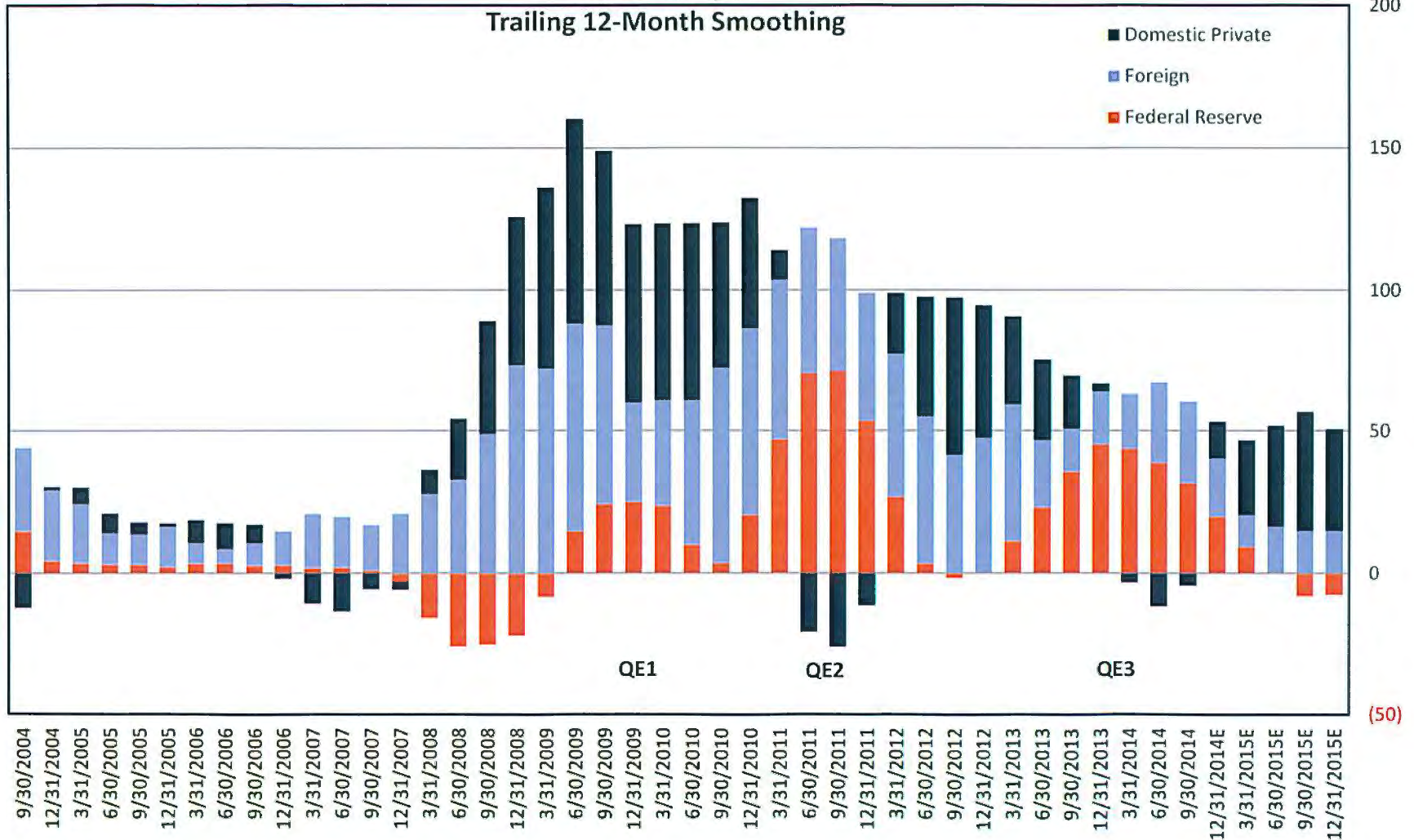
- **Ten-Year Average**
  - 3.34% 10-Yr US Treasury rate ... 34bp below nominal GDP
- **Twenty-Year Average**
  - 4.40% 10-Yr US Treasury rate ... 9bp below nominal GDP
- **Nominal GDP Future ?**
  - 2 to 3% Real GDP growth plus 2 to 3% inflation = 4 to 6%

# Purchases of USTs – Fed Out, Foreign Low

## Purchases of U.S. Treasuries

Net Monthly \$B

Trailing 12-Month Smoothing



Sources: net supply history and projections: CBO,&UST; demand projections: SOP

# External Holdings of Sovereign Debt – Government & Bank

(Billions of USD)	Periods of Declining Euro (Monthly Avg)	Europe ex Germany & France	Canada, Australia, Switzerland & UK	USA	Germany & France	Japan
3/31/2007		10,718	8,115	4,539	6,542	1,126
6/30/2007		11,169	8,383	4,689	6,872	1,070
9/30/2007		11,871	8,972	4,790	7,265	1,211
12/31/2007		12,527	9,582	5,092	7,584	1,296
3/31/2008		13,746	10,249	5,261	8,398	1,503
6/30/2008		13,815	9,384	5,221	8,282	1,434
9/30/2008	(389)	12,779	9,091	5,449	7,810	1,526
12/31/2008		11,480	8,000	6,146	7,346	1,609
3/31/2009		11,147	7,773	6,101	7,042	1,581
6/30/2009		11,782	8,124	6,107	7,460	1,661
9/30/2009		12,169	8,190	6,421	7,670	1,737
12/31/2009		11,860	8,154	6,559	7,501	1,639
3/31/2010	(226)	11,384	8,111	6,722	7,405	1,572
6/30/2010		10,503	7,875	6,854	7,039	1,734
9/30/2010		11,494	8,523	7,131	7,847	1,999
12/31/2010		10,918	8,356	7,277	7,603	2,012
3/31/2011		11,604	8,599	7,877	7,907	2,044
6/30/2011		11,829	8,725	7,758	8,211	2,110
9/30/2011		11,391	9,049	8,067	7,960	2,357
12/31/2011	(127)	10,487	8,863	8,152	7,372	2,367
3/31/2012		10,888	9,115	8,121	8,033	2,305
6/30/2012		10,304	8,710	8,131	7,640	2,463
9/30/2012		10,582	8,953	8,325	7,796	2,578
12/31/2012		10,417	8,771	8,336	7,733	2,462
3/31/2013		10,331	8,614	8,448	7,570	2,283
6/30/2013		10,336	8,432	8,503	7,635	2,186
9/30/2013		10,886	8,321	8,534	7,756	2,286
12/31/2013		10,837	8,398	8,829	7,688	2,244
3/31/2014		11,094	8,394	8,991	7,984	2,171
6/30/2014	(109)	11,200	8,529	9,184	8,072	2,247
9/30/2014		10,442	8,253	9,337	7,667	2,199
Change since 2007		(2,085)	(1,329)	4,245	83	903

Source: World Bank, Sandler O'Neill



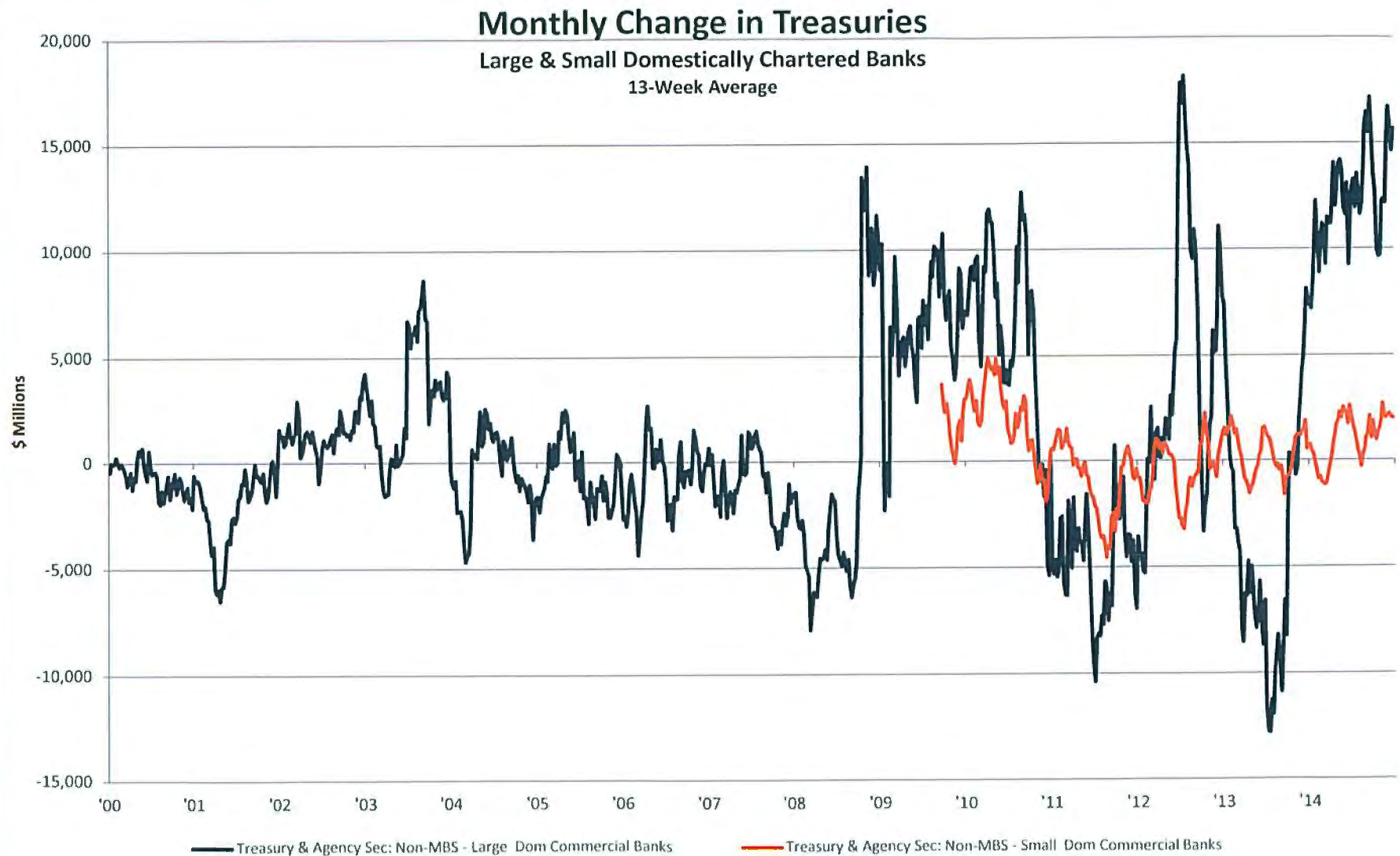
# External Holdings of US Treasuries

MAJOR FOREIGN HOLDERS OF TREASURY SECURITIES (\$B)

Country	Change	Current	Yr Ago													
		3-Mo Avg	3-Mo Avg	Nov 2014	Oct 2014	Sep 2014	Aug 2014	Jul 2014	Jun 2014	May 2014	Apr 2014	Mar 2014	Feb 2014	Jan 2014	Dec 2013	Nov 2013
China, Mainland	(22.6)	(6.4)	16.2	1250.4	1,252.7	1226.3	1269.7	1264.9	1268.4	1270.9	1263.2	1272.1	1272.9	1275.6	1270.1	1316.7
Japan	(8.6)	3.8	12.4	1241.5	1,222.4	1221.8	1230.1	1219	1219.5	1220.1	1209.7	1200.2	1210.8	1201.4	1182.5	1186.4
Belgium	(19.3)	(8.1)	11.3	335.7	348.1	353.9	359.9	352.6	364.1	362.4	366.4	381.4	341.2	310.3	256.8	200.6
Carib Bkg Ctrs				331.5	324.9	315.0	313.9	313.5	308.3	310.9	308.3	312.5	301	298.2	294.2	290.9
Oil Exporters	7.2	3.8	(3.4)	278.9	281.8	279.4	267.5	261.3	262.1	257.9	255.4	247.4	243.8	246.5	238.3	236.2
Brazil	2.8	0.8	(2.0)	264.2	261.7	262.3	261.7	258.6	253.7	250.1	245.8	245.3	243.9	246	245.4	246.9
Switzerland	(0.2)	(1.8)	(1.5)	183.8	184.3	186.2	189.1	184.2	175.9	174.0	177.6	175.8	168.2	173.8	176.6	
Taiwan				170.6	172.9	173.4	172.9	175.4	179.4	174.4	175.7	176.4	180.0	179.1	182.2	183.7
United Kingdom	(0.2)	0.6	0.8	174.5	171.3	167.9	172.8	173.1	173.7	179.9	185.5	176.5	163.2	163.7	161.5	
Hong Kong	(3.4)	1.7	5.1	165.6	161.0	159.0	160.5	158.7	158.2	155.8	155.1	155.7	160.4	158.8	141.7	
Luxembourg	10.1	5.6	(4.5)	167.3	162.5	156.1	150.5	145.6	146.2	142.0	141.5	145.3	136.9	135.6	130.4	
Russia	(4.6)	(3.3)	1.3	108.1	108.9	117.7	118.1	114.5	113.9	111.4	116.4	100.4	126.2	131.8	139.9	
Ireland				127.4	123.9	110.6	106.8	106.0	113.0	108.0	112.2	113.4	112.4	109.9	125.5	116.9
Singapore	(1.3)	1.3	2.6	110.1	108.0	108.5	106.3	101.0	98.1	97.5	93.1	91.3	87.4	85.9	86.2	87.2
Norway				74.5	77.2	81.8	87.0	84.8	86.7	85.3	85.6	88.2	89.7	88.2	87.3	82.3
India				80.5	77.5	80.0	80.4	79.7	72.9	70.1	68.7	70.2	67.0	68.1	68.5	63.9
Mexico	2.1	1.8	(0.3)	80.7	78.5	76.5	75.2	73.5	72.8	72.8	70.6	68.9	68.9	67.2	65.1	59.5
Turkey	4.0	2.4	(1.7)	80.5	75.7	74.7	73.4	54.9	52.8	53.2	50.5	50.9	49.6	48.9	52.2	53.4
Germany	(0.5)	1.4	1.9	4.8	1.0	1.3	18.5	2.1	(0.4)	2.7	(0.4)	1.3	0.7	(3.3)	(1.2)	1.9
Canada	0.8	(0.3)	(1.1)	73.5	72.5	75.0	69.4	65.0	68.0	62.8	63.0	63.0	61.3	63.9	67.3	64.3
France	2.9	2.8	(0.1)	64.0	62.9	65.3	64.9	66.3	65.2	62.7	60.6	60.1	59.3	55.5	55.9	57.0
All Other	(0.9)	1.4	2.3	1.1	(2.4)	0.4	(1.4)	1.1	2.5	2.1	0.5	0.8	3.8	(0.4)	(1.1)	(1.0)
				67.5	59.7	72.3	59.0	54.8	63.1	65.4	62.3	57.1	54.9	57.5	53.8	51.6
				7.8	(12.6)	13.3	4.2	(8.3)	(2.3)	3.1	5.2	2.2	(2.6)	3.7	2.2	(6.1)
				681.4	670.6	662.8	677.2	690.5	697.3	688.9	694.0	698.2	678.8	674.9	688.8	669.0
				10.8	7.8	(14.4)	(13.3)	(6.8)	8.4	(5.1)	(4.2)	19.4	3.9	(13.9)	19.8	11.8
Grand Total	(25.2)	15.2	40.3	6,112.4	6,058.9	6,066.4	6,066.9	5,998.0	6,013.2	5,976.5	5,961.1	5,950.0	5,890.6	5,841.8	5,792.6	5,716.8
				53.5	(7.5)	(0.5)	68.9	(15.2)	36.7	15.4	11.1	59.4	48.8	49.2	75.8	61.7
All Oil-Related:	(2.1)	(2.2)	(0.0)	606.2	609.3	620.7	612.7	600.4	600.7	590.1	588.6	565.0	587.9	589.2	585.2	574.9
				(3.1)	(11.4)	8.0	12.3	(0.3)	10.6	1.5	23.6	(22.9)	(1.3)	4.0	10.3	(10.0)

Source: US Treasury - TIC

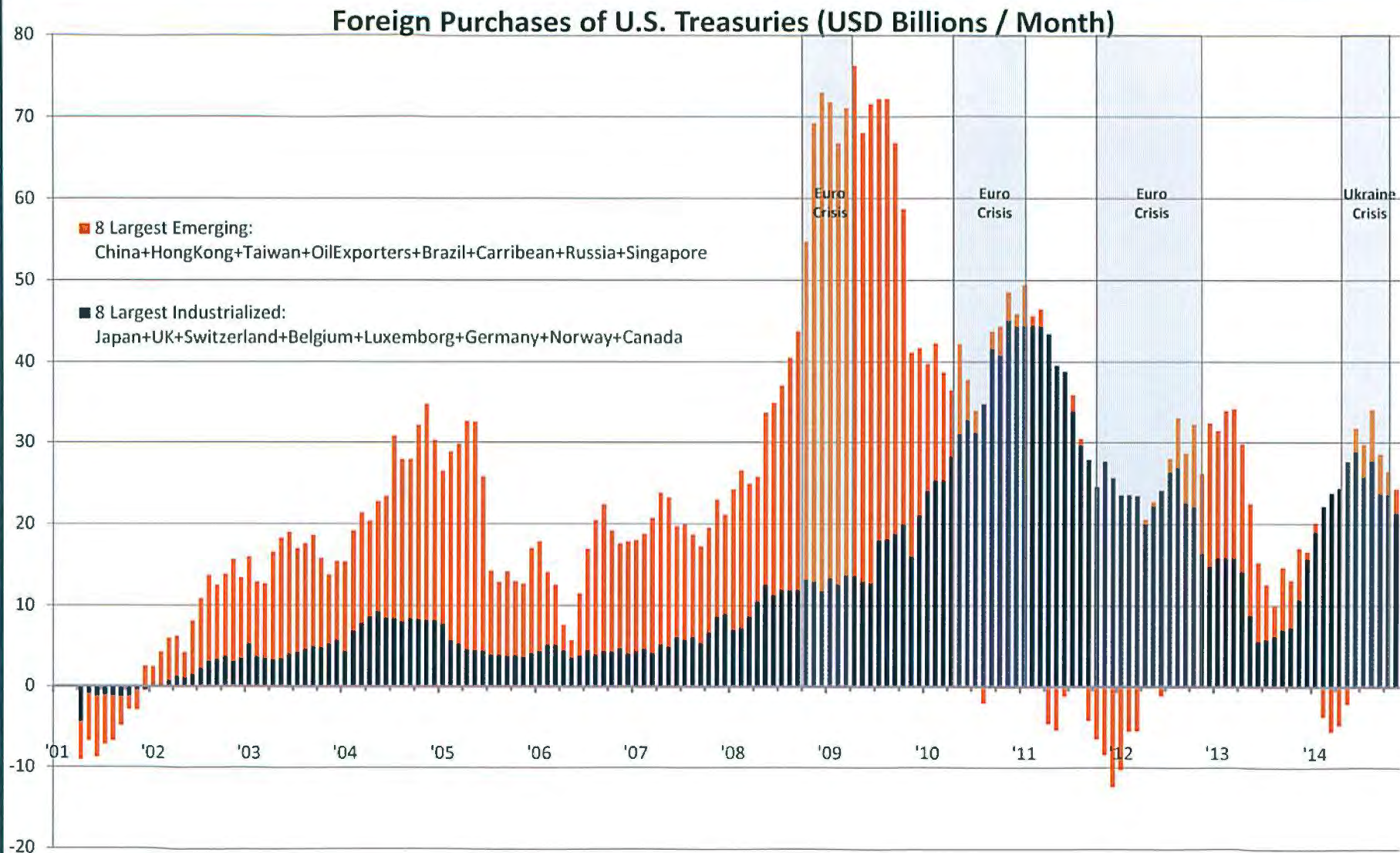
# New Liquidity Requirements Drive U.S. SIFI's to Treasuries



As of 1/20/2014

Source: Federal Reserve System

# Foreign Treasury Auction Demand – Emerging vs Industrialized

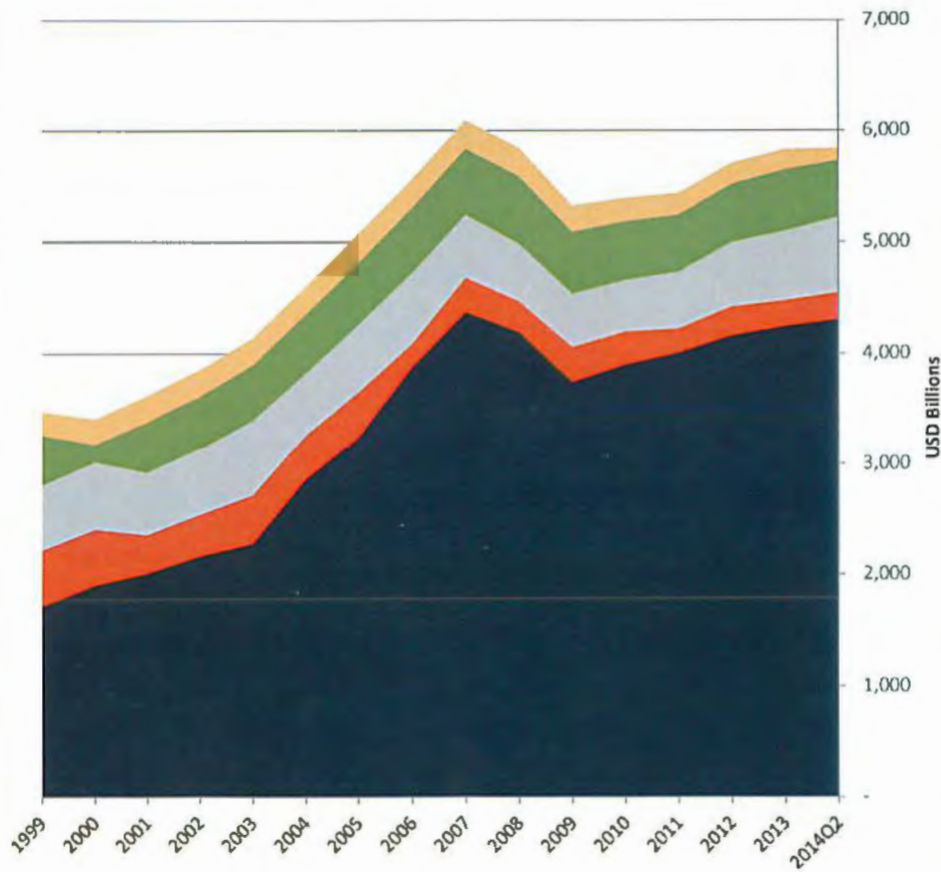


Source: US Treasury International Capital Reports, IMF & SOP adjustments  
12-Month moving averages, net change

As of 1/20/2014

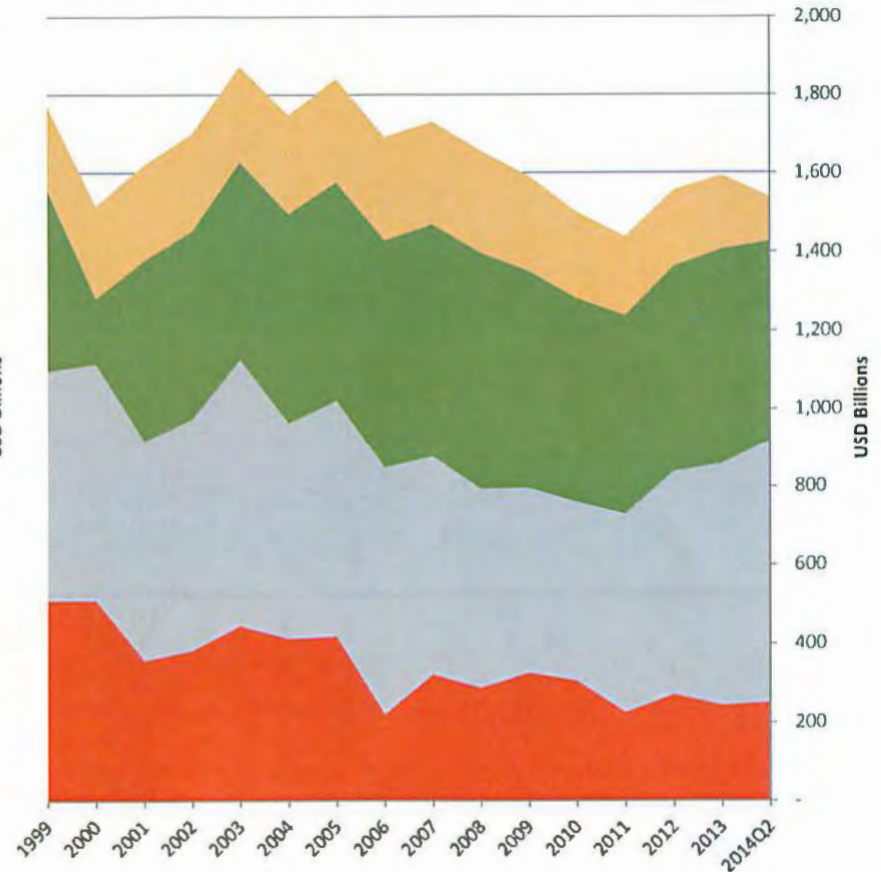
# Consolidation Favoring \$1-50B Category ... Banks Under \$1B Rapidly Losing Share

**Total Loans by Asset Size**  
All US Commercial & Savings Banks



- U.S. Banks & Thrifts > \$100B
- U.S. Banks & Thrifts \$50B-\$100B
- U.S. Banks & Thrifts \$10B-\$50B
- U.S. Banks & Thrifts \$1B-\$10B
- U.S. Banks & Thrifts < \$1B

**Total Loans by Asset Size**  
US Commercial & Savings Banks < \$100B



- U.S. Banks & Thrifts \$50B-\$100B
- U.S. Banks & Thrifts \$10B-\$50B
- U.S. Banks & Thrifts \$1B-\$10B
- U.S. Banks & Thrifts < \$1B

Source: SNL Financial

## Banking in Five Years – Competition Comes from Below SIFIs

- **A Lot More \$5B to \$50B Banks Will Form During Consolidation**
  - ... The New “Sweet Spot” in Mergers
  - ... The Regulatory Ceiling at \$50B (or Potentially \$100B) Will Restrain Larger Combinations
- **SIFI’s In the Triangle of Size, Complexity and Funding Volatility**
  - ... Higher capital buffers eventually force pricing discipline on deployed capital
  - ... Will be Less Competitive on Price

### All FDIC Insured Banks & Thrifts – 2Q14

	<\$500MM	\$500MM-\$1B	\$1-\$10B	\$10-\$50B	>\$50B	Total
Total Assets (\$000's)	881,839,178	469,148,819	1,524,928,003	1,582,868,496	10,810,504,432	15,269,288,928
% Assets	6%	3%	10%	10%	71%	
# of Banks	5,307	676	572	73	37	6,665
% Institutions	80%	10%	9%	1%	1%	
Change Since 2009	(1,324)	(37)	+2	+2	+1	(1,356)
<b>Change by 2019</b>	<b>(2,200)</b>	<b>(300)</b>	<b>(10)</b>	<b>+15</b>	<b>+5</b>	
Total Assets (\$000's)	516,275,547	287,041,348	1,902,831,206	3,805,662,413	12,516,501,549	19,028,312,063
% Assets	3%	2%	10%	20%	66%	
# of Banks	3,107	376	621	88	42	4,234
% Institutions	73%	9%	15%	2%	1%	
% Change in Share	-3%	-2%	0%	10%	-5%	

# Merger Deal Values Above \$1B in Assets Since 2000

Acquirer	Target	Acq. Date	Deal Value (\$mm)	Transaction Information			Seller Market Cap / Buyer Market Cap (%)
				Price / TBV (%)	Price / Est. EPS (x)	1-Day Market Premium (%)	
Royal Bank of Canada	City National Corp.	01/22/15	5,296	262	21.0	26.0	-
BB&T Corp.	Susquehanna Bancshares Inc.	11/12/14	2,501	172	17.4	39.1	-
CIT Group Inc.	IMB HoldCo LLC	07/22/14	3,369	102	-	-	-
Umpqua Holdings Corp.	Sterling Financial Corp.	09/11/13	1,995	167	19.4	13.9	87.2
PacWest Bancorp	CapitalSource Inc.	07/22/13	2,382	169	19.1	20.1	129.4
M&T Bank Corp.	Hudson City Bancorp Inc.	08/27/12	3,813	84	12.7	12.1	-
Mitsubishi UFJ Finl Grp Inc	Pacific Capital Bancorp	03/12/12	1,516	224	-	60.3	-
PNC Financial Services Group	RBC Bank (USA)	06/20/11	3,450	97	-	-	-
Capital One Financial Corp.	ING Bank FSB	06/16/11	9,000	102	-	-	-
Comerica Inc.	Sterling Bancshares Inc.	01/18/11	1,029	230	-	29.8	13.3
Hancock Holding Co.	Whitney Holding Corp.	12/22/10	1,468	164	-	39.8	99.3
Bank of Montreal	Marshall & Ilsley Corp.	12/17/10	4,096	98	-	33.9	-
First Niagara Finl Group	NewAlliance Bancshares Inc.	08/19/10	1,498	165	23.0	25.4	53.8
PNC Financial Services Group	National City Corp.	10/24/08	5,604	37	-	(18.9)	20.6
Banco Santander S.A.	Sovereign Bancorp Inc.	10/13/08	1,910	68	-	0.0	-
Wachovia Corp.	Wachovia Corp.	10/03/08	15,127	57	-	79.0	11.7
Mitsubishi UFJ Finl Grp Inc	UnionBanCal Corp.	08/18/08	3,808	233	18.2	12.2	-
Bank of America Corp.	Countrywide Financial Corp.	01/11/08	4,145	32	4.7	(7.6)	2.1
Toronto-Dominion Bank	Commerce Bancorp Inc.	10/02/07	9,157	307	26.2	6.6	-
Royal Bank of Canada	Alabama National BanCorp.	09/05/07	1,670	302	19.9	50.2	-
Fifth Third Bancorp	First Charter Corp.	08/15/07	1,089	297	21.7	56.6	3.5
People's United Financial Inc.	Chittenden Corp.	06/26/07	1,753	379	21.3	31.3	23.3
Wells Fargo & Co.	Greater Bay Bancorp	05/04/07	1,477	317	17.3	(3.5)	1.2
National City Corp.	MAF Bancorp Inc.	04/30/07	1,918	277	19.5	36.1	-
Bank of America Corp.	LaSalle Bank Corporation	04/22/07	21,000	239	-	-	-
Banco Bilbao Vizcaya Argent SA	Compass Bancshares Inc.	02/16/07	10,164	452	19.2	20.4	-
Merrill Lynch & Co.	First Republic Bank	01/29/07	1,784	339	24.0	43.6	-
Huntington Bancshares Inc.	Sky Financial Group Inc.	12/20/06	3,592	309	16.3	25.0	48.8
Toronto-Dominion Bank	TD Banknorth Inc.	11/19/06	3,201	499	15.1	6.5	-
PNC Financial Services Group	Mercantile Bankshares Corp.	10/08/06	6,027	378	19.9	28.5	21.3
National City Corp.	Fidelity Bankshares Inc.	07/26/06	1,038	368	28.9	11.8	-
National City Corp.	Harbor Florida Bancshares Inc.	07/10/06	1,104	324	21.0	21.6	-
Citizens Banking Corp.	Republic Bancorp Inc.	06/26/06	1,034	254	15.2	31.9	-
Banco Bilbao Vizcaya Argent SA	Texas Regional Bancshares Inc.	06/12/06	2,165	485	22.5	13.7	-
Wachovia Corp.	Golden West Financial	05/07/06	25,474	277	15.2	15.0	-
JPMorgan Chase & Co.	BONY Retail Banking Business	04/07/06	3,100	NA	-	-	-
Capital One Financial Corp.	North Fork Bancorp.	03/12/06	14,568	490	16.2	22.7	43.3
Sovereign Bancorp Inc.	Independence Cmnty Bank Corp.	10/24/05	3,591	346	15.7	29.4	-
Wachovia Corp.	Westcorp	09/12/05	3,417	224	13.2	4.7	-

Note: Excludes merger of equals and processing deals. Shading indicates Sandler O'Neill involvement.

Source: SNL Financial.

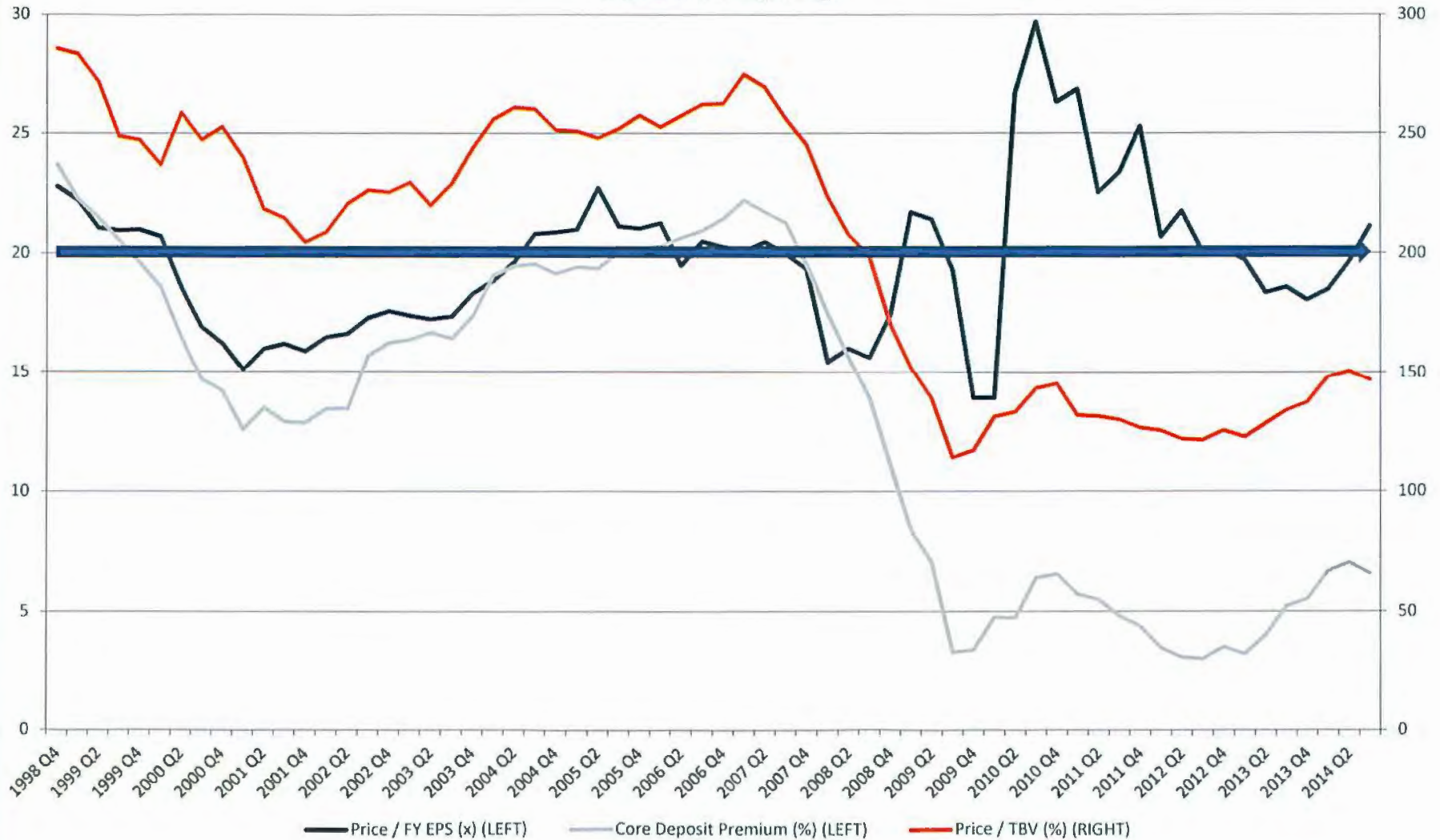
## Merger Deal Values Above \$1B in Assets Since 2000 (continued)

Acquiror	Target	Annnc. Date	Deal Value (\$mm)	Transaction Information			Seller Market Cap / Buyer Market Cap (%)
				Price / TBV (%)	Price / Est. EPS (x)	1-Day Market Premium (%)	
TD Banknorth Inc.	Hudson United Bancorp	07/11/05	1,899	447	15.7	14.2	-
Zions Bancorp.	Amegy Bancorp Inc.	07/05/05	1,710	408	21.6	4.3	24.5
BNP Paribas Group	Commercial Federal Corp.	06/13/05	1,339	231	-	34.1	-
Capital One Financial Corp.	Hibernia Corp.	03/06/05	4,977	280	15.3	24.2	21.3
Toronto-Dominion Bank	Banknorth Group Inc.	08/25/04	3,818	478	17.3	26.9	-
Fifth Third Bancorp	First Natl Bkshs of FL	08/01/04	1,530	663	27.8	40.5	3.1
Wachovia Corp.	SouthTrust Corp.	06/20/04	14,365	373	18.4	20.2	-
SunTrust Banks Inc.	National Commerce Finl Corp.	05/07/04	7,432	451	18.8	22.1	34.4
Royal Bank of Scotland Group	Charter One Financial	05/04/04	10,527	354	15.2	24.7	-
BNP Paribas Group	Community First Bankshares	03/15/04	1,217	450	15.7	12.6	-
National City Corp.	Provident Financial Group Inc.	02/16/04	2,134	246	16.8	15.3	-
North Fork Bancorp.	GreenPoint Financial Corp.	02/15/04	6,396	379	12.1	(1.8)	-
Sovereign Bancorp Inc.	Seacoast Financial Services	01/26/04	1,100	348	21.3	14.9	-
J.P. Morgan Chase & Co.	Bank One Corp.	01/14/04	58,783	285	15.2	15.1	63.2
Independence Comm. Bank Corp.	Staten Island Bancorp Inc.	11/24/03	1,474	245	19.9	18.9	-
Bank of America Corp.	FleetBoston Financial Corp.	10/27/03	49,329	374	18.9	43.0	37.7
New York Community Bancorp	Roslyn Bancorp Inc.	06/27/03	1,579	290	10.7	(2.5)	-
BB&T Corp.	First Virginia Banks Inc.	01/21/03	3,375	319	17.4	24.7	18.5
M&T Bank Corp.	Allfirst Financial Inc.	09/26/02	2,880	302	-	-	-
Citigroup Inc.	Golden State Bancorp Inc.	05/21/02	5,590	283	11.7	12.7	2.1
BNP Paribas Group	United California Bank	12/08/01	2,400	222	-	-	-
Washington Mutual Inc.	Dime Bancorp Inc.	06/25/01	5,168	428	-	-	-
BNP Paribas Group	BancWest Corp.	05/07/01	2,483	339	18.4	40.1	-
Citigroup Inc.	European American Bank	02/12/01	1,950	364	-	-	-
Royal Bank of Canada	Centura Banks Inc.	01/26/01	2,330	279	15.9	29.5	-
BB&T Corp.	F&M National Corp.	01/24/01	1,163	325	19.9	47.2	5.7
ABN AMRO Holding NV	Michigan National Corp.	11/22/00	2,750	309	-	-	-
Fifth Third Bancorp	Old Kent Financial Corp.	11/20/00	4,962	331	15.4	42.3	21.7
Comerica Inc.	Imperial Bancorp	11/01/00	1,289	242	15.9	14.1	12.4
Firststar Corp.	U.S. Bancorp	10/04/00	21,237	443	12.9	21.4	97.8
FleetBoston Financial Corp.	Summit Bancorp	10/02/00	6,991	292	13.3	15.7	-
Chase Manhattan Corp.	J.P. Morgan & Co.	09/13/00	34,423	344	17.1	5.8	-
Washington Mutual Inc.	Bank United Corp.	08/21/00	1,527	185	11.3	0.7	-
M&T Bank Corp.	Keystone Financial Inc.	05/17/00	1,027	204	11.1	33.4	31.8
Wells Fargo & Co.	First Security Corp.	04/10/00	2,778	197	10.2	15.8	3.9
BB&T Corp.	One Valley Bancorp Inc.	02/07/00	1,202	231	14.1	30.1	-
	<b>Median (75)</b>		2,778	291	17.3	21.6	21.5
	<b>Pre-2008 Median (57)</b>		2,750	321	16.8	21.5	21.5
	<b>Post-2009 Median (13)</b>		2,501	165	19.3	27.9	87.2

Note: Excludes merger of equals and processing deals. Shading indicates Sandler O'Neill involvement.  
Source: SNL Financial.

# Consolidation Driving P/TB and Deposit Premiums Up ... P/Earnings Has Returned to Previous Average

Bank & Thrift M&A Median Pricing  
4 Quarter Smoothing Average



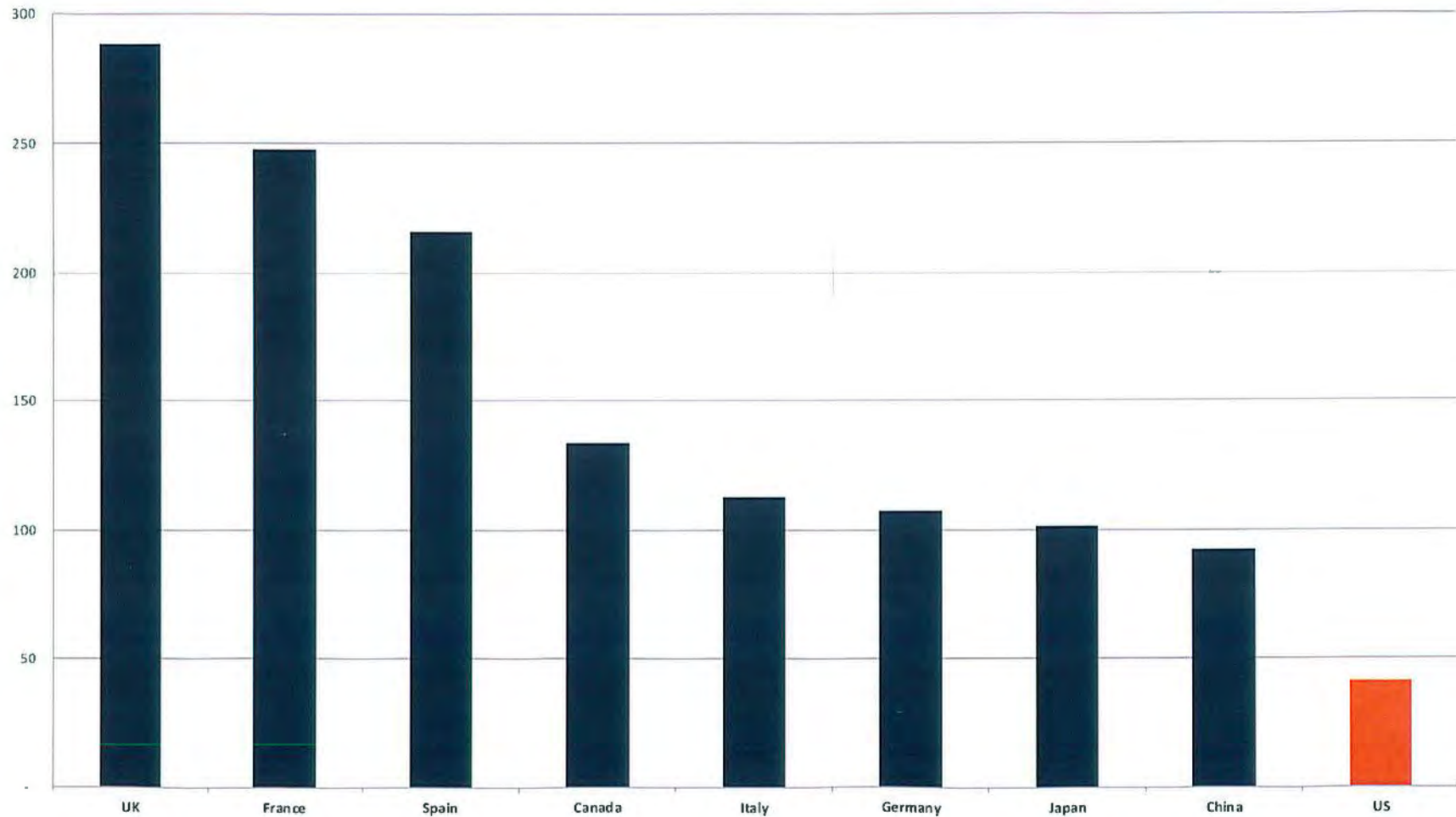
As of 2Q14

Source: SNL Financial



# U.S. Banking Concentration Among the Lowest Worldwide

Top 3 Banks' Assets / Nominal GDP (%)



Source: SNL Financial, IMF

# Market Valuation Factors

<b>TCE Ratio</b>	<b>Median Price to Tangible Book</b>
8% and up	130%
7% - 8%	161%
6% - 7%	121%
5% - 6%	119%
< 5%	NM

<b>Total Assets</b>	<b>Median Price to Tangible Book</b>
> \$10bn	166%
\$5bn - \$10bn	169%
\$1bn - \$5bn	142%
\$500mm - \$1bn	101%
< \$500mm	100%

<b>Pre-tax Pre-Provision to Avg Assets</b>	<b>Median Price to Tangible Book</b>
> 200 bp	194%
150 - 200	155%
100 - 150	127%
50 - 100	107%
< 50	106%

<b>Reserves to NPLs</b>	<b>Median Price to Tangible Book</b>
120% and up	142%
100% - 120%	156%
80% - 100%	142%
60% - 80%	135%
40% - 60%	135%
< 40%	100%

Note: Includes all nationwide banks & thrifts traded on the NASDAQ, NYSE and NYSE MKT  
 Financial data as of most recent quarter; market data as of November 5, 2014  
 Source: SNL Financial

# Bank Stocks Lack Interest Rate Correlation

## Correlation to 10-Yr UST Rate

Consumer Staples	0.77
Energy	0.67
Health Care	0.64
Materials	0.61
Consumer Discretionary	0.61
Industrials	0.60
Utilities	0.42
<b>Nasdaq/Bank</b>	<b>0.39</b>
Information Technology	0.30
Telecommunications Services	0.01

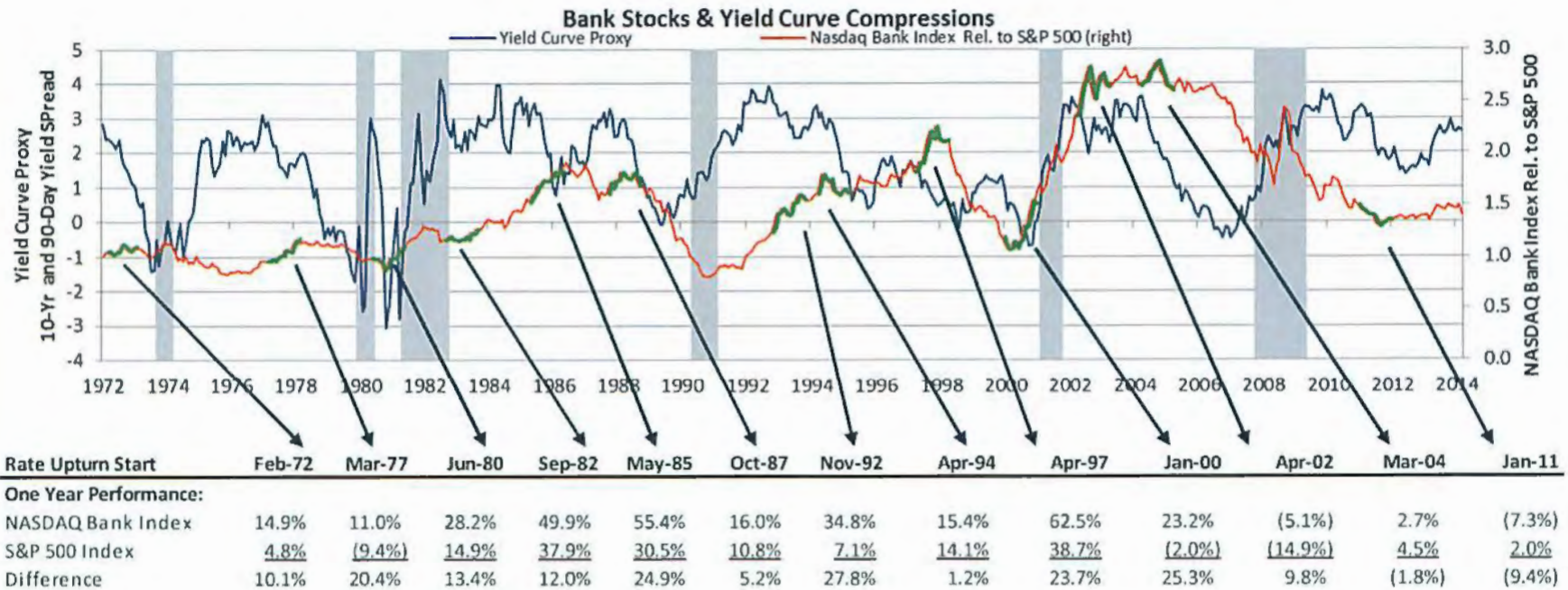
## Correlation to Fed Funds Rate

Consumer Staples	0.43
Energy	0.38
Materials	0.32
Consumer Discretionary	0.31
Health Care	0.31
Industrials	0.24
<b>Nasdaq/Bank</b>	<b>0.12</b>
Utilities	0.09
Information Technology	0.07
Telecommunications Services	0.05

Source: FactSet  
Note: from 1990-to-date

As of 11/5/2014

# Flattening Yield Curve Cycles ... Bank Stocks Outperform !



# Price to Forward PE by Asset Size

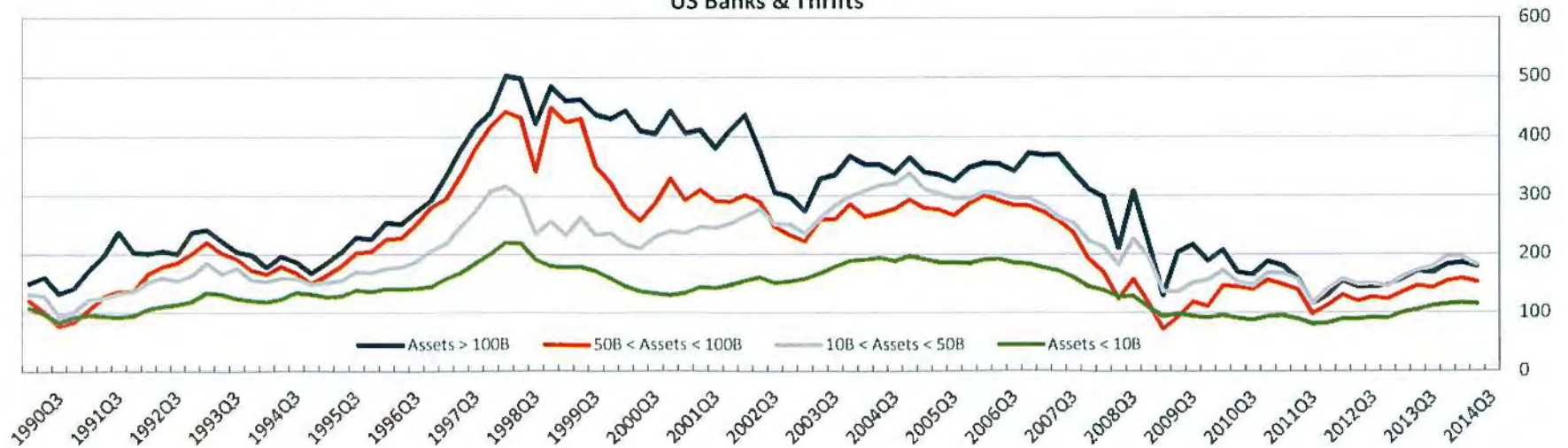


# Price to Book by Asset Size

Price to Book  
US Banks & Thrifts



Price to Tangible Book  
US Banks & Thrifts



As of 11/5/2014

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