



What the Board Needs to Know in 2023

June 26, 2023

Christopher L. Kochard

KBW, Director

Seth A. Winter

Troutman Pepper, Partner



**troutman
pepper**
KEEFE, BRUYETTE & WOODS
A Stifel Company

- 01 Executive Summary**
- 02 How We Got Here**
- 03 What's Next**
- 04 The New Bank M&A Environment**
- 05 Other Key Considerations for 2023**

Executive Summary

Introduction / Highlights

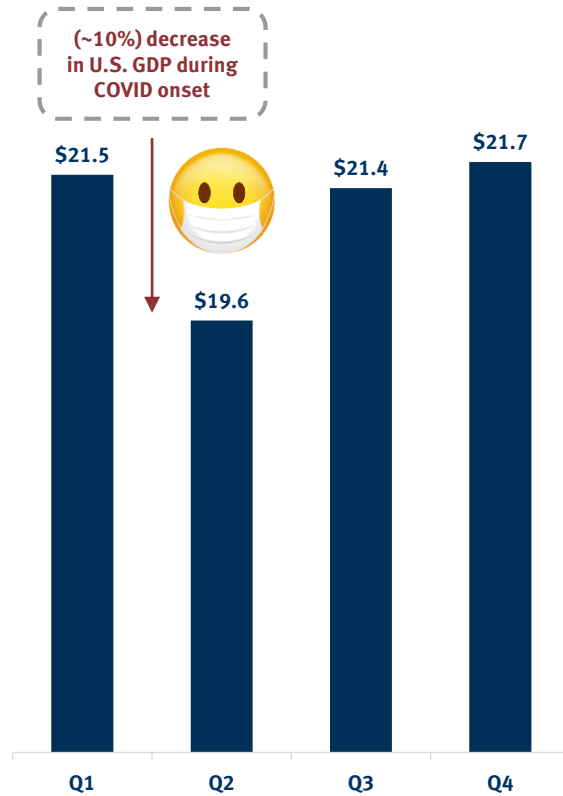
Hunkering Down but Remaining Opportunistic

- **Politics/Regulation**
 - More regulation and less bank “friendly”?
 - Troubled banks have largely left the system
 - New regulatory-driven liquidity and capital ratios coming to forefront
 - Regulatory pressures will likely focus on banks over \$100B in assets but will trickle down to entire industry
 - Strong regulatory relationships are as important as ever
 - Don’t give the regulators a reason to slow approvals on M&A/strategy
 - Promptly resolve and remediate open issues
 - 2024 Presidential Election
- **Financial**
 - Interest rate increases
 - Deterioration of common equity through AOCI
 - NIM trends and deposit and loan beta and growth
 - Balance sheet composition and management
 - Economic uncertainty
 - Asset quality
 - Capital planning
 - Stock repurchases and return of capital
- **Bank valuations**
 - Mutual funds have historical underweighting in bank stocks
 - Short selling driving bank stock underperformance
 - Long-only investors remain on the sidelines
 - Valuations at all time lows
- **Board dynamics**
 - ESG has a firm hold and will continue to grow in importance, particularly for large public banks
 - Directors continue to be more vocal
 - Succession planning is front of mind
- **Strategic considerations**
 - Core and contingent funding initiatives
 - M&A activity
 - Pressure to just do a transaction seems to have diminished, for now
 - Buyers showing restraint for now but remaining opportunistic
 - Sellers being methodical
 - More starts / stops and “pauses”
 - Time to begin dialogue and develop relationships
 - FDIC assisted transactions have been well received
 - Prepare for an uptick in MOE and small-cap transactions
 - Benefits of scale are still important
 - Non-bank M&A
- **“New” partnerships and products**
 - Fintech
 - Banking-as-a-service (BaaS)
 - Shadow banking

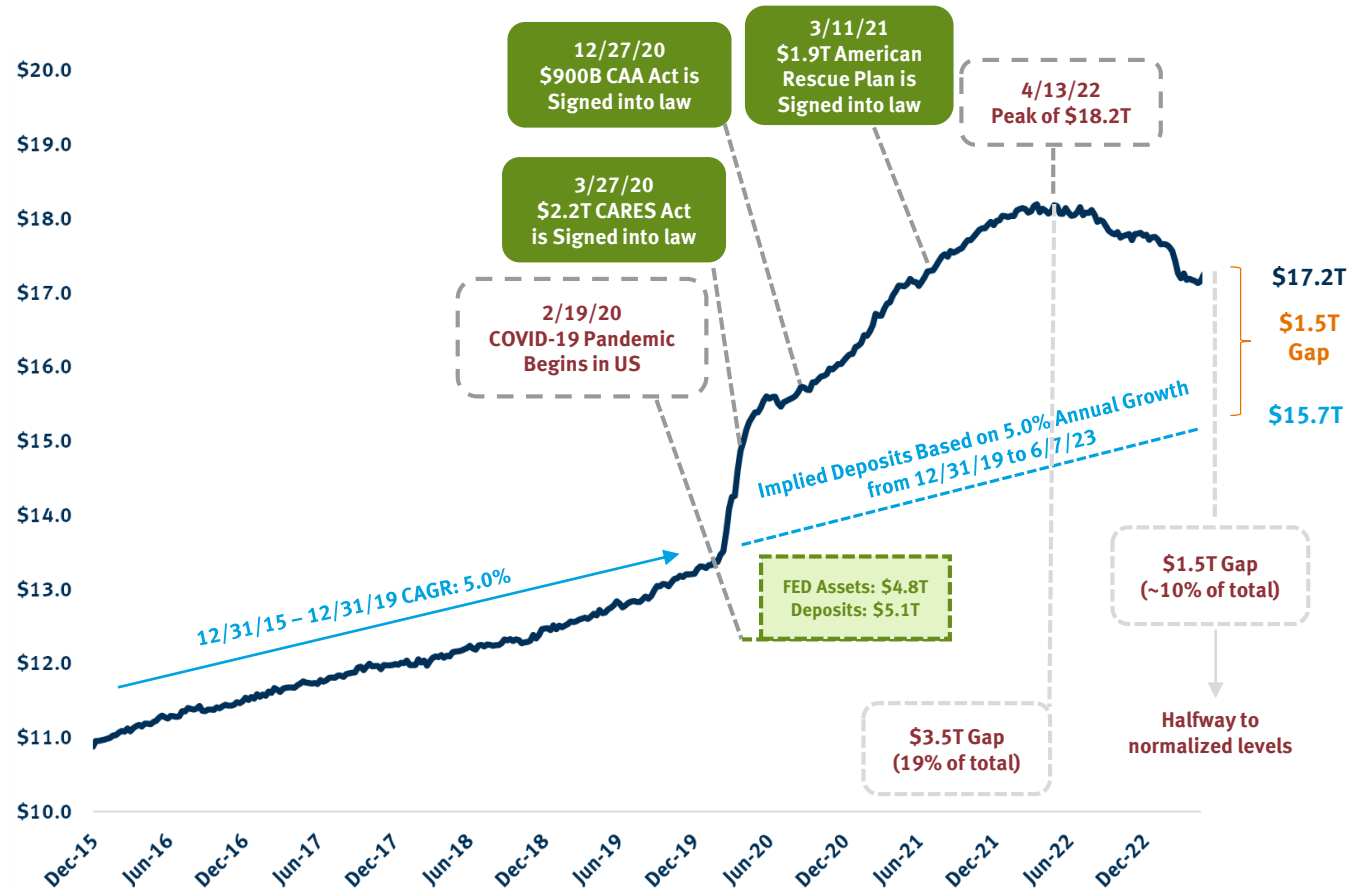
How We Got Here

How Did We Get Here?

2020 U.S. GDP (\$T)



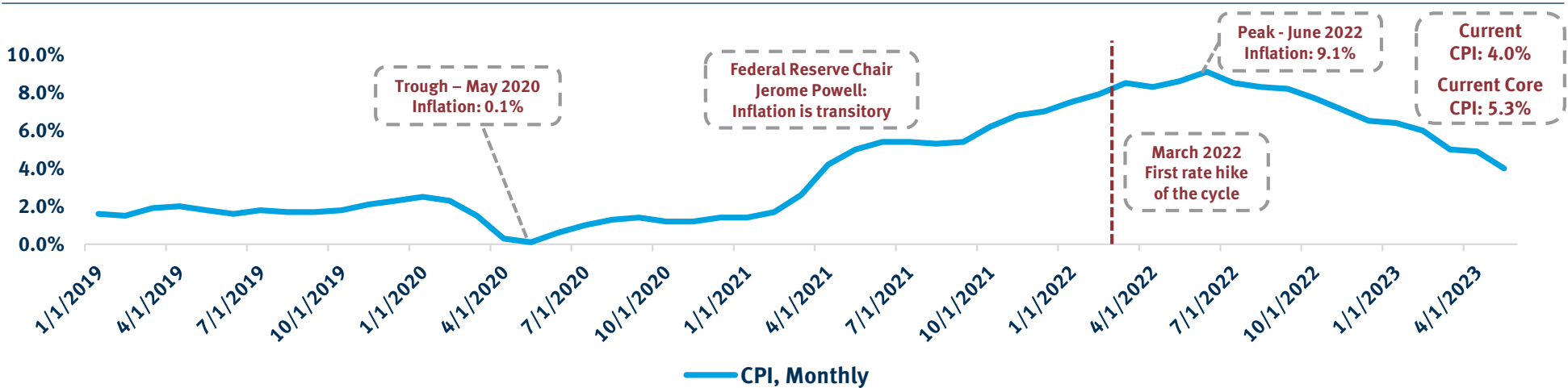
Total Deposits of Commercial Banks in the United States (\$T)



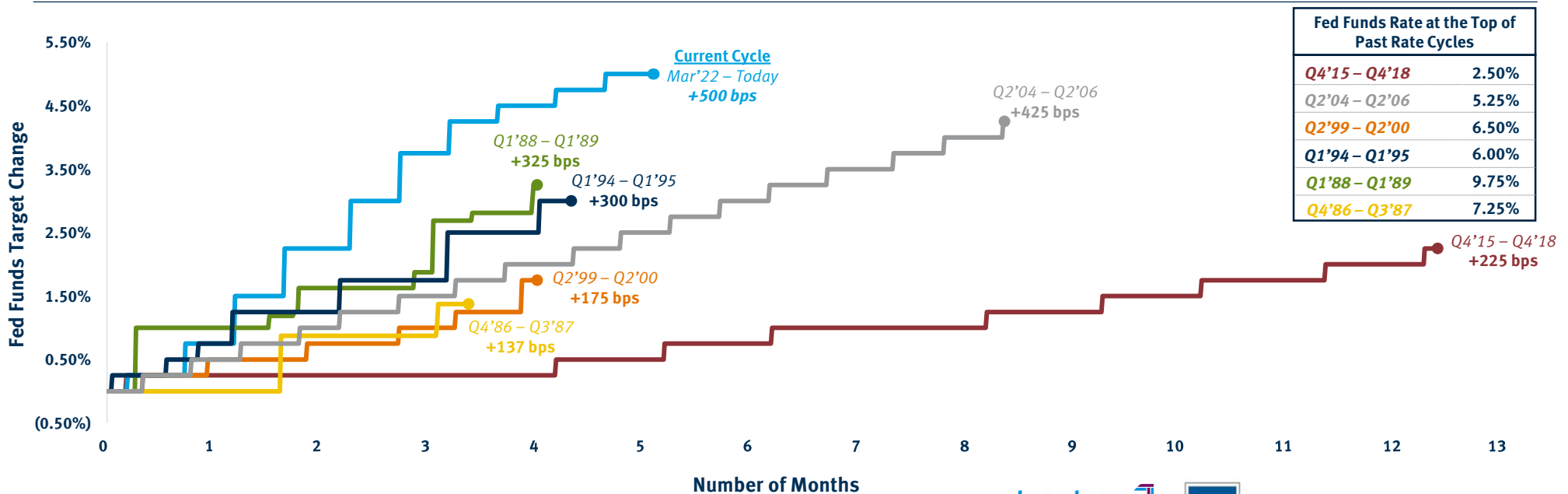
Source: FRED St. Louis Federal Reserve; Deposit data as of 6/7/23

How Did We Get Here?

Consumer Price Index Since 2019



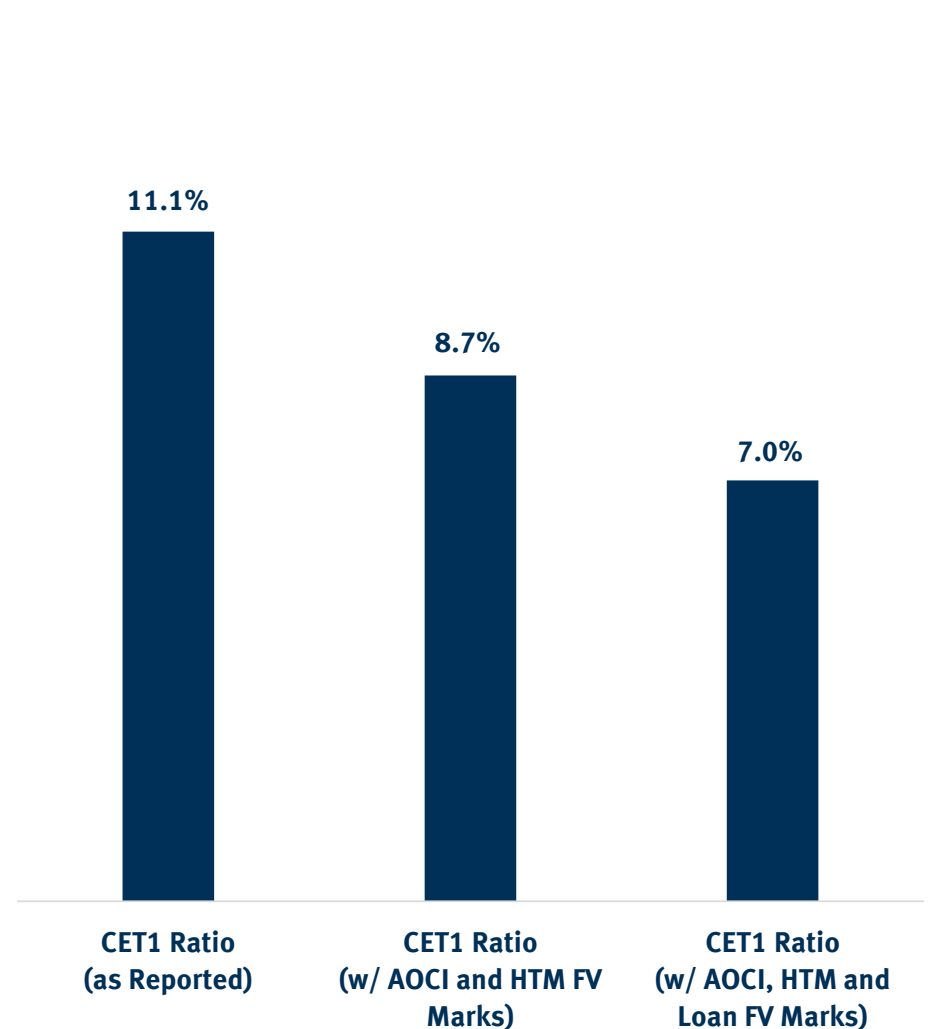
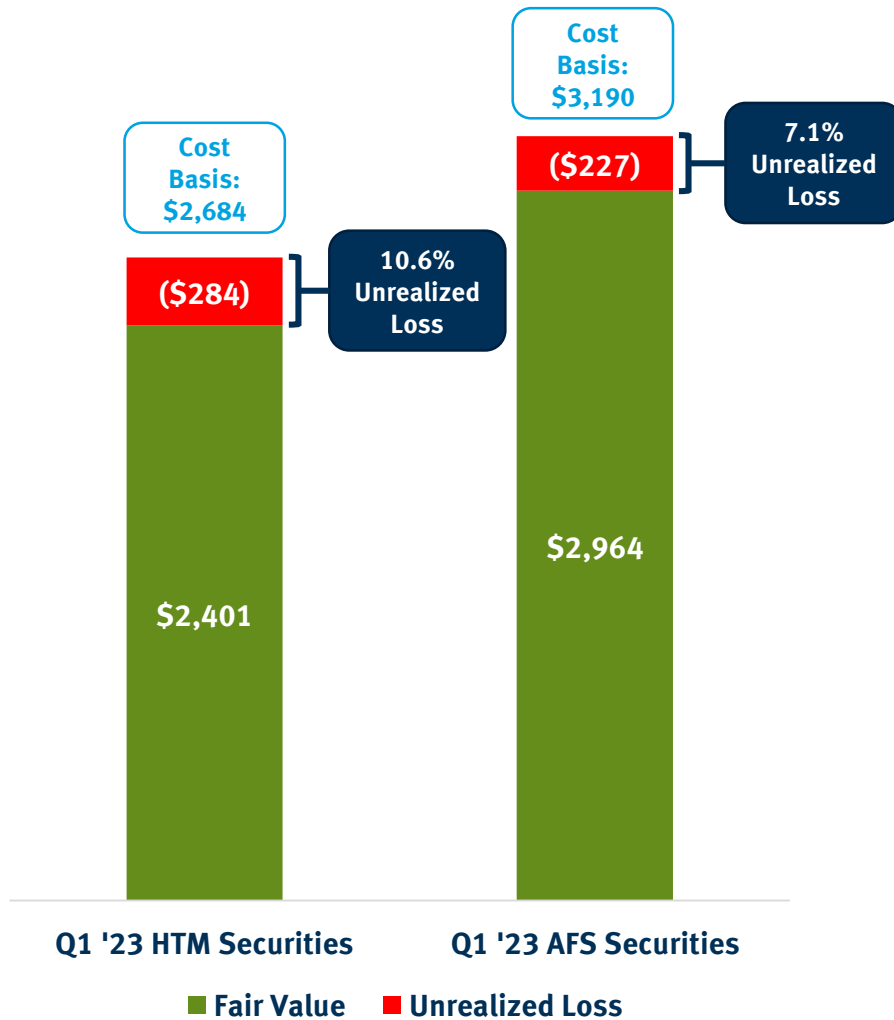
Changes In Fed Funds During Prior Cycles



Material Imbedded Losses on Bank Balance Sheets...

All U.S. Commercial Banks: Aggregate Securities Losses as of 3/31/23 (\$B)

Median KRX CET1 Ratio as of 3/31/23 (%)⁽¹⁾






Source: S&P Global Market Intelligence

(1) Median of the KBW Nasdaq Regional Banking Index's 50 bank constituents

The Great Financial Crisis vs. the 2023 Liquidity Crisis



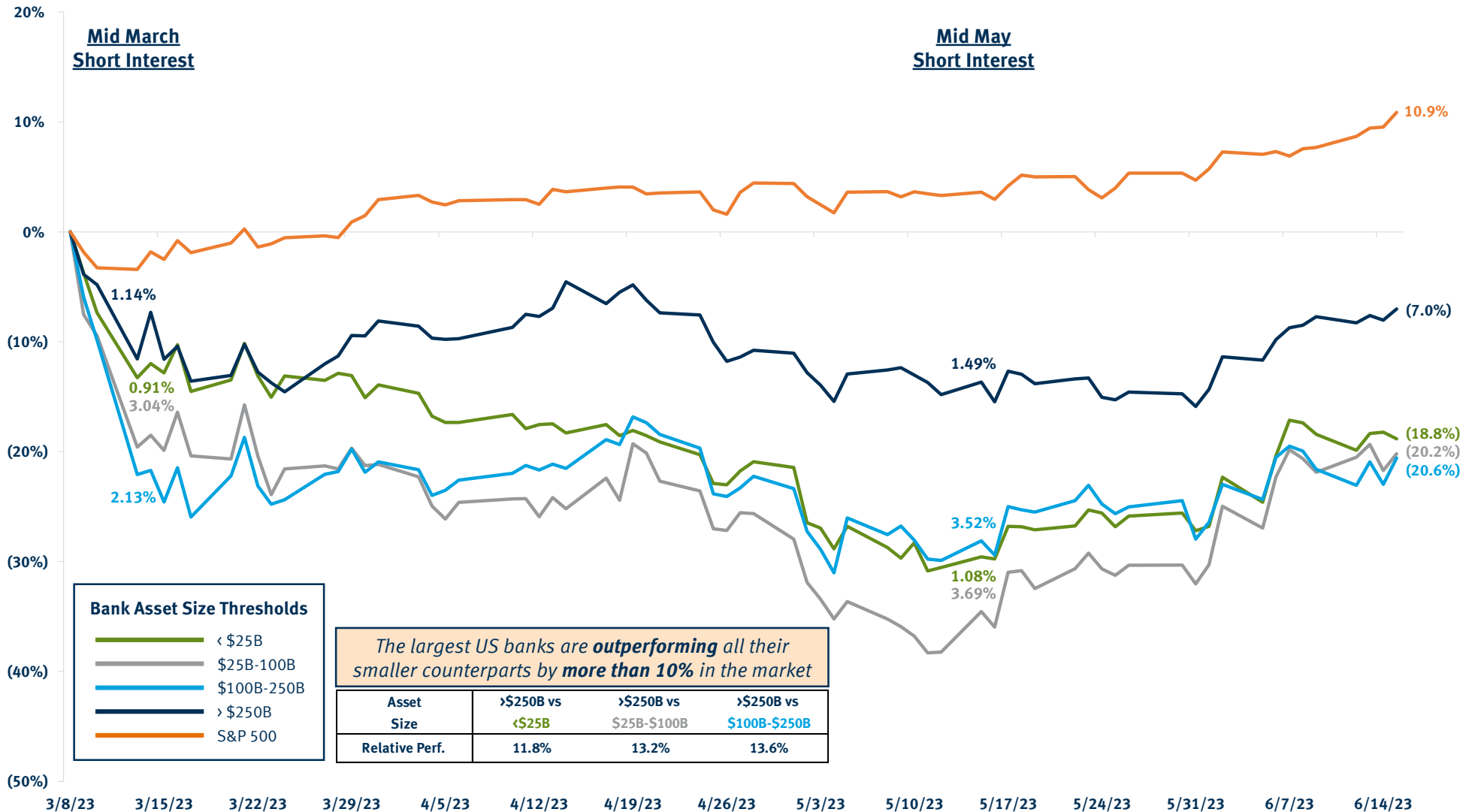
	Great Financial Crisis	2023 Liquidity Crisis
	2008-2013	March '23 - ?
Failures	489	   FIRST REPUBLIC
Assets	\$679B	\$209B + \$118B + \$229B \$556B
Cost to FDIC Fund	\$73B ⁽¹⁾	\$20B + \$3B + \$13B \$36B

Source: S&P Global Market Intelligence, FDIC.gov

(1) Per FDIC report titled "Crisis and Response: an FDIC History 2008-2013"; Represents total cost incurred by the FDIC's Deposit Insurance Fund over the time period 2008-2013

Bank Stock Performance Stratified by Total Asset Size

Price Performance Since 3/8/23



Source: S&P Global Market Intelligence; Market data as of 6/15/23

Note: Short interest calculated as the median short interest / shares outstanding as of the specified period; Short interest data reported at the middle and end of each month

What's Next

Regulatory Reactions...

KBW CEO Tom Michaud Providing His Perspective to Congress as a Subject Matter Expert on the 2023 Banking Crisis



What Is The Impact?



More Regulation



More Capital



More Liquidity



More Competition



More Consolidation

All Banks

- More Often
- More Stringent
- More Conservative Regulators

- Ex. AOCI
- Ex. HTM Losses

- Lower L / D Ratio
- Shorter Duration
- Sensitivity Analyses

- Deposit Pricing
- Lending Relationships

- Scale Becomes More Urgent
- Regulatory Thresholds

Banks Over \$100B in Assets

- TLAC
- Stress Testing
- Living Wills

- Regulatory Scrutiny
- Timing to Close

These potential changes will drive lower ROE's in the banking industry but can be remedied through scale and consolidation

New Areas of Investor Focus



Insured Deposits / Total Deposits



AFS / HTM Securities Losses and Potential Impact to Capital and Net Income



Deposit Flows / Velocity and Concentrations



Liquidity



NIM Trends and Interest Rate Sensitivity



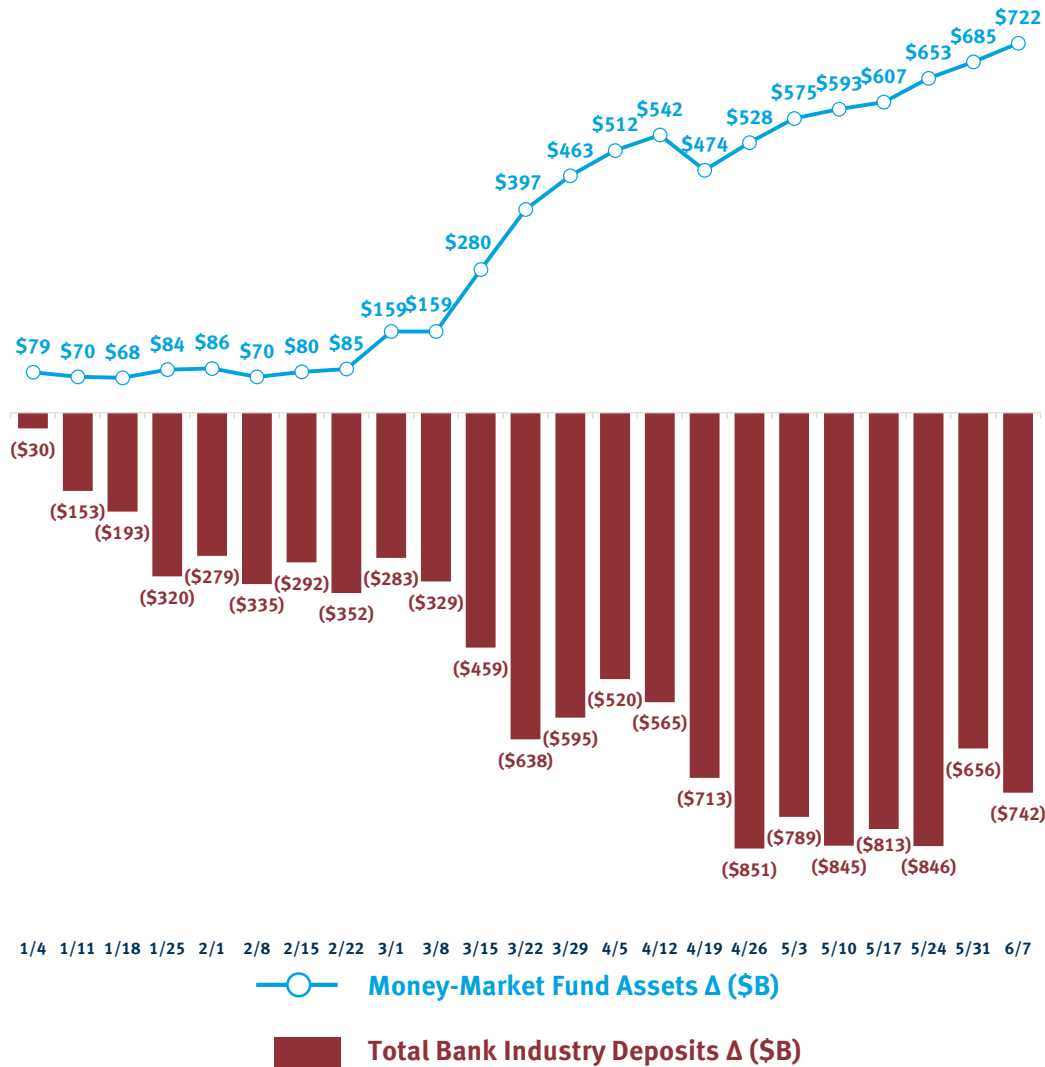
Commercial Real Estate (with a Focus on Office and Urban Markets)



Asset Quality

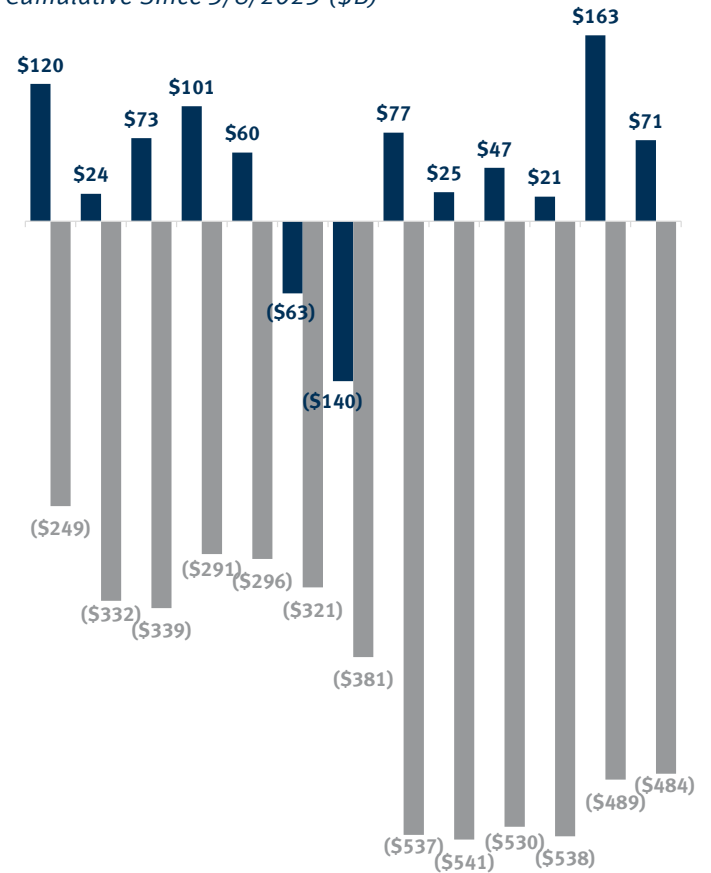
Bank Deposits Are Flowing to Money Market Funds as Depositors Chase Rates

YTD Cumulative Change In Money Market Funds and Industry Deposits (\$B)



Deposit Flow by Bank Size

Cumulative Since 3/8/2023 (\$B)



Source: Federal Reserve and Investment Company Institute. Data as of 6/7/23
 (1) Large Banks are defined as the 25 largest commercial banks by asset size
 (2) Small Banks are defined as commercial banks outside of the top 25 with at least \$300mm in assets
 Page 15 PRIVATE AND CONFIDENTIAL

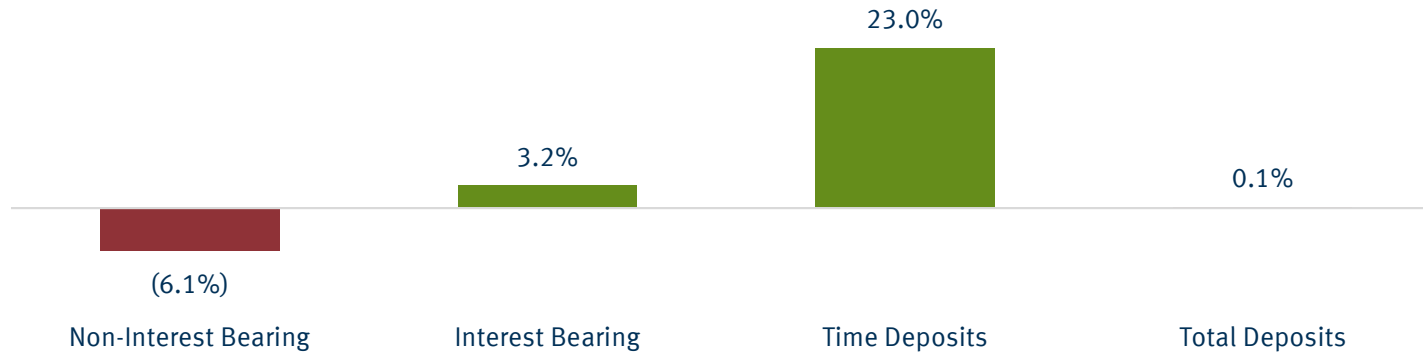


KEEFE, BRUYETTE & WOODS
 A Stifel Company

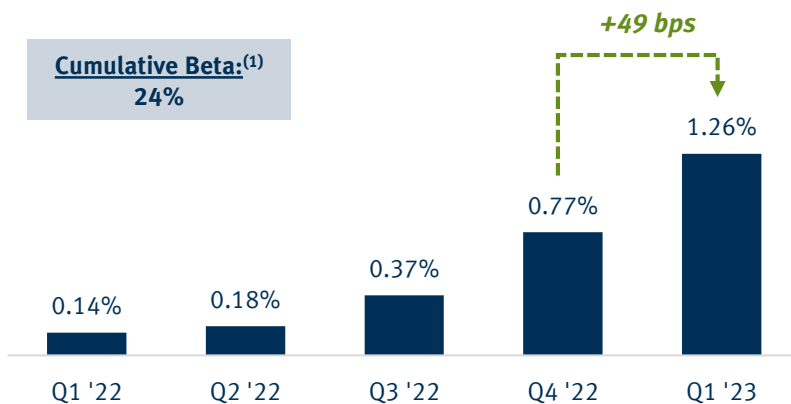
Non-interest Bearing Deposits Are Migrating Towards Pre-COVID Levels... ...Driving Higher Deposit Competition and Costs

Data Reflects 267 Banks with Assets \$3B+ and Reported Q1 Results

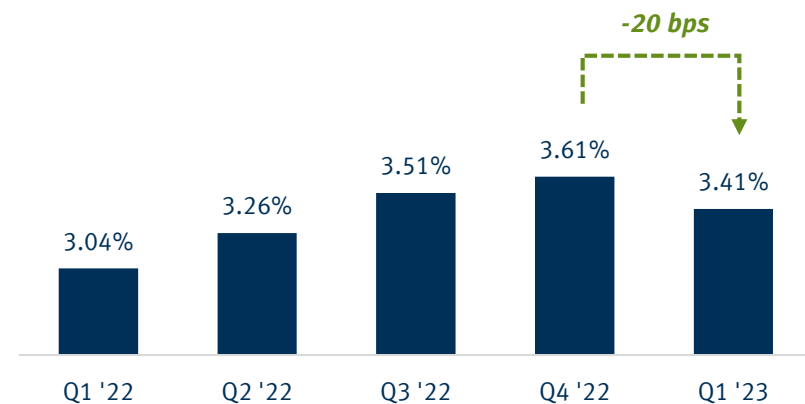
Deposit Flows and Mix (Not Annualized)



Total Deposit Costs



Net Interest Margin



Source: S&P Global Market Intelligence; Financial data as of or for the period ended 3/31/23, as-reported
Note: Represents banks with MRQ assets \$3B+ with available Q1 2023 data as of 6/15/23

(1) Cumulative beta calculated as the change in cost of total deposits from Q4 '21 to Q1 '23 divided by the change in average Fed Funds from Q4 '21 to Q1 '23

Is Commercial Real Estate Hiding In Plain Sight?

KBW 3/7/2023 Report: “No Soft Landing for CRE, Especially Office – Impact Analysis Across Financials”

1. **KBW forecasts a 30%+ decline in office values**, 10-15% decline in multifamily, and peak to trough declines could exceed 20-30%
2. **Values are 30-50% into correction**, which we believe is worse than consensus expectations.
3. **KBW forecasts CRE volumes to fall 30-40%** and expects a five-quarter correction (vs. eight during the GFC).
4. **At-risk markets** – San Francisco, New York, Washington, D.C., Seattle, Phoenix, Austin, Denver, Minneapolis, and others.
5. **Framework implies 1-3% loan losses over time (cumulative)**. Impact to equity/book value higher given leverage.
6. **As of Q1, public banks have 4.8% of their loan book in office exposure**—representing 43.8% of TCE.
7. **Office losses likely higher, but knock-on impacts** to other sectors including select multifamily.
8. **CMREITs have most risk given “transitional” focus and funding / financing strategies**.
9. **US bank CRE exposure remains significant with office +10% of loans for 16 companies**.
10. **Life insurance – expect CRE stress to be gradual and manageable**.
11. **Alternative asset managers with RE exposure** – cautious sentiment but near-term risk is headlines, potential performance fees.

Source: KBW Research

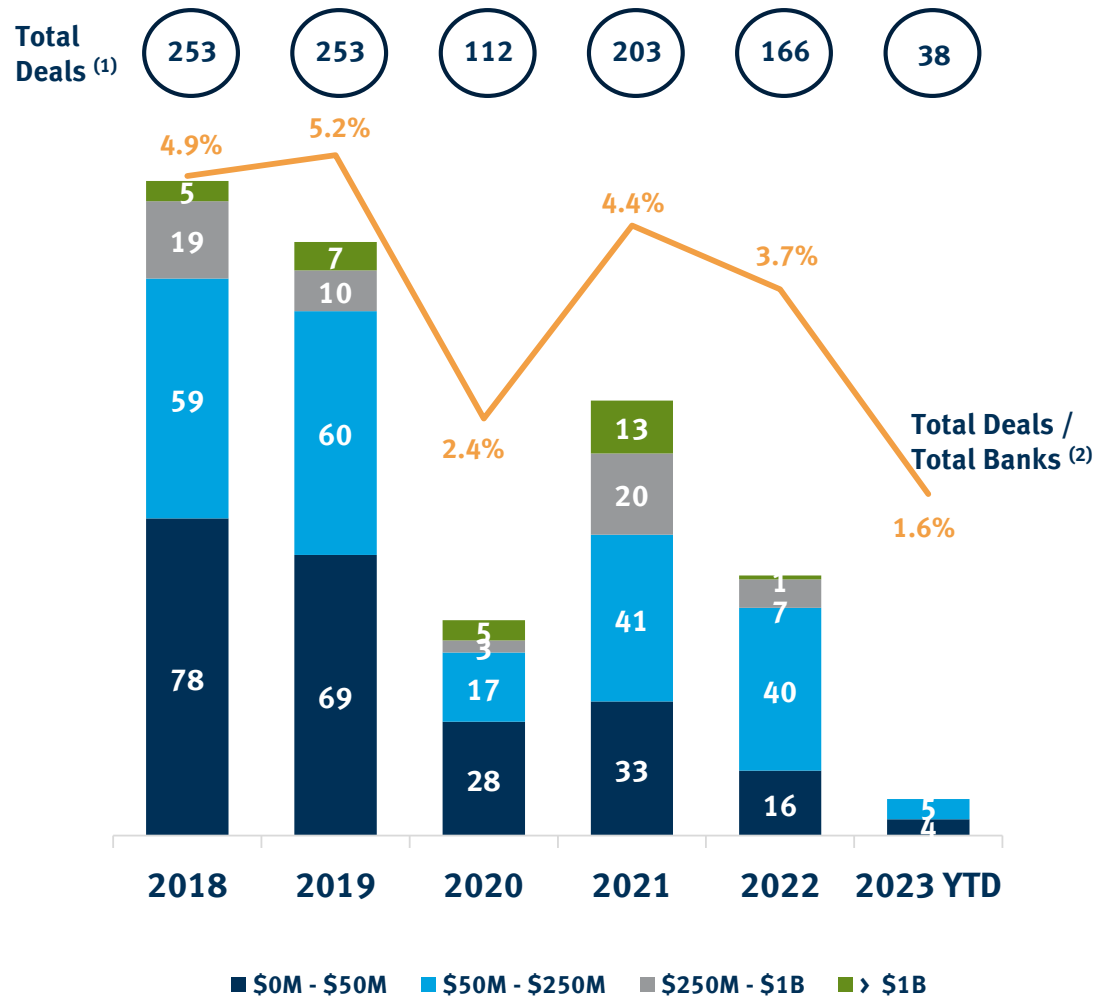
Page 17 PRIVATE AND CONFIDENTIAL



The New Bank M&A Environment

M&A Overview and Outlook for 2023 and 2024

Deal Activity Over the Last 5 Years



Major Themes

- 1 **M&A Activity is Coming:**
 - **Lower Profitability Driven by:**
 - More Liquidity
 - Shorter Duration Investments
 - More Regulatory Costs
 - Slower Growth
 - Continued Pressure on Consumer Fees
 - **Lower ROE driven by:**
 - Redefined Ratios
 - More Capital
- 2 **Regulators have begun to signal a more accommodating view on bank M&A**
- 3 **New Regulatory Thresholds Will Again Shape the Industry**
- 4 **Purchase Accounting and Interest Rate Marks Will Remain Elevated**
- 5 **The deals directly following the GFC resulted in the most shareholder value accretion to the buyers**
- 6 **Scale is Working and Will be a Driver**

Source: S&P Global Market Intelligence; Data as of 6/15/23

Note: Includes all announced bank and thrift transactions where target was headquartered in the United States

(1) Total deal number includes deals with no deal value disclosed

(2) Number of deals as a percent of total banks in the United States as of 6/30 each year

Rethinking M&A Valuation

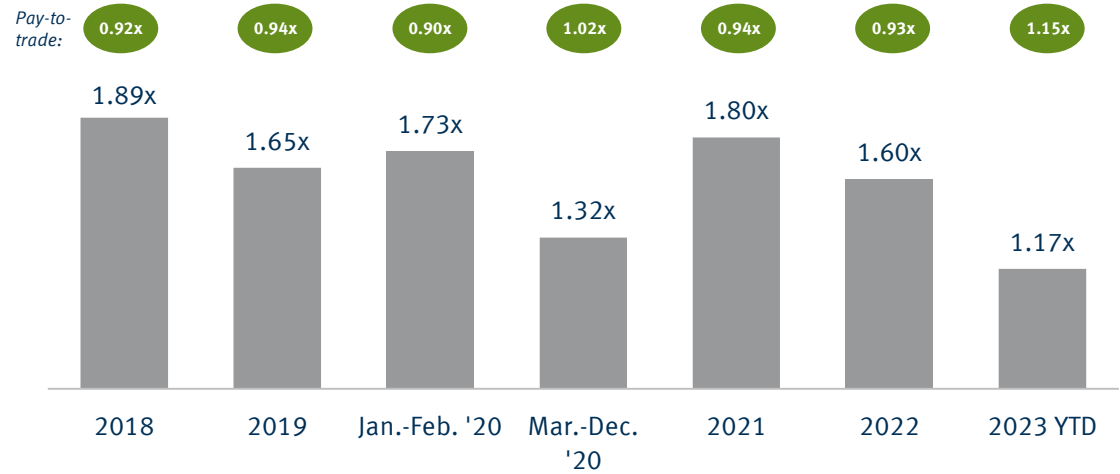
It's All Relative

Pay-to-Trade is:

$\frac{P / TBV \text{ Multiple Paid in Transaction}}{P / TBV \text{ Trading Multiple of Buyer}}$

- M&A is **governed by valuation**
 - M&A pay-to-trade generally range between 0.9x and 1.0x of the buyer's P/TBV multiple
- Expect M&A process to experience more **speed bumps** than normal
- There is natural resistance of sellers to accept lower price and buyers to issue stock at depressed valuations
- In today's environment, **M&A valuation** needs to be **viewed through the lens of relative ownership and valuation**
 - What % of the pro forma company are you getting relative to contribution or historical valuation
 - Higher interest rates creating purchase accounting triggers
 - **Economic uncertainty** generally slowing down M&A

Historical Tangible Book Value Multiples (1)

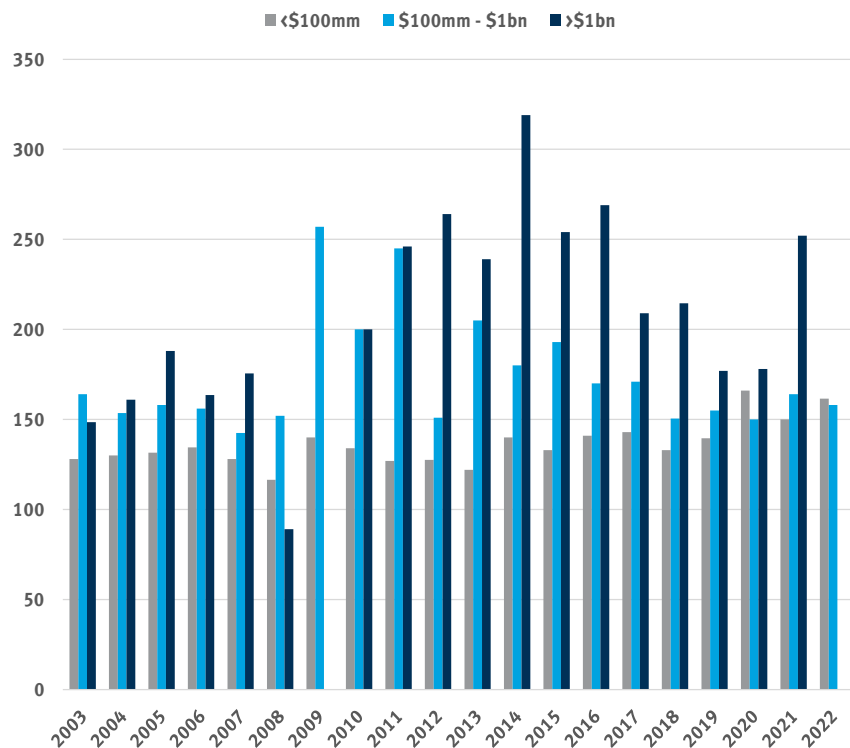


- Current environment should lend itself to more **selective merger processes** with fewer conversations as opposed to broad auction processes
- New **1% excise tax** on cash portion of consideration applicable in many instances involving public companies
- **Negative operating leverage** should continue to drive bank M&A conversations over time
- **Positive operating leverage** can help separate acquirors from targets

Source: Source: S&P Global Market Intelligence, FactSet and Company documents; M&A data as of 6/15/23

(1) Includes nationwide transactions since 1/1/18 with announced deal values \$50M+

Number of Days From Deal Announcement to Deal Completion ⁽¹⁾⁽²⁾



Generally, larger transactions will take longer, but increasingly more random

Median Number of Days From Deal Announcement to Deal Completion

Deal Value	2003 - 2022	2021 & 2022	▲ from '03 - '22 to '21 - '22
<\$100mm	134	156	22
\$100mm - \$1bn	164	161	(3)
>\$1bn	192	252	60

Extensive Due Diligence is **Expected**

- More economic uncertainty will create more diligence
 - 3rd Party loan review
 - Multiple management meetings
 - Operational matters stressed (IT, contracts, real estate, etc.)
- Anti-trust evaluation is critical
- Regulatory relationships are key
 - Can impact deal structure
 - Stay away from D.C.
- **No Shortcuts!**

Source: S&P Global Market Intelligence and FactSet; Data as of 12/31/22

Note: Transactions include bank, savings bank and thrift transactions; Excludes non-full bank transactions; Transactions grouped by announced deal value

Note: Median values shown for number of days from deal announcement to deal completion

(1) Incomplete deals announced before 6/1/21 assume completion date of 1/18/22 to reasonably measure lengthiness of approval process for incomplete deals for illustrative purposes

(2) M&T Bank Corporation/Hudson City Bancorp, Inc. excluded due to idiosyncratic regulatory issues

Which Bank M&A Deals Have Worked?

	 	 	 
Assets Acquired	\$72B	\$38B	\$203B
Purchase Discount	23%	21%	14.5%
Bargain Purchase Gain	\$10.9B ⁽¹⁾	\$2B ⁽¹⁾	\$2.6B ⁽²⁾
EPS Accretion	~81% ⁽¹⁾	+20%	1% ⁽¹⁾
TBV Accretion	76% ⁽¹⁾	+15%	1% ⁽¹⁾
Stock Perf. Day of Announcement	↑ 50%	↑ 30%	↑ 2%
Relative Stock Perf. vs. KRX Since Announcement	↑ 124%	↑ 68%	↑ 1%

Source: S&P Global Market Intelligence, FactSet, Company Documents; Market Data as of 6/15/23

(1) Per KBW Research

(2) Per Management Estimates

Page 22 PRIVATE AND CONFIDENTIAL

M&A Opportunities Remain Despite Economic Uncertainty

Successful Transactions in Past Turbulent Markets

Buyer:



Seller:



Transaction Details

Announcement Date	4/4/2013	2/20/2013	6/28/2012	6/20/2011	6/10/2013
Deal Value (\$mm)	\$343.1	\$298.6	\$500.0	\$3,450.0	\$444.5
Stock Consideration (%)	100% Stock	100% Stock	Cash	Cash	100% Stock

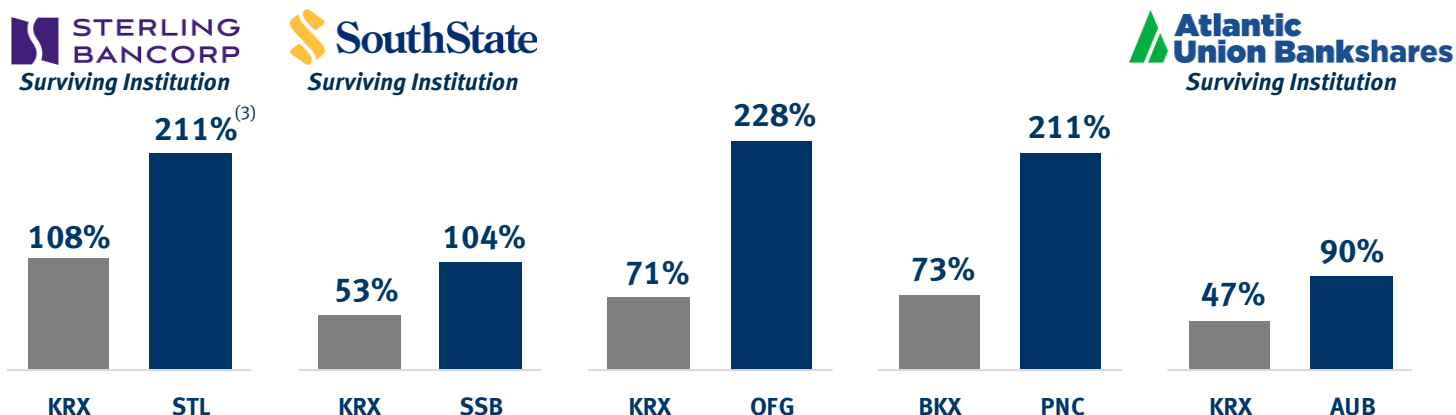
Transaction Impact

EPS Accretion (%)	31	Double Digit	52	Accr.	10.8
TBV Earnback (Yrs.)	2.8	3.25	5	--	5

Company Assets

Seller Assets (% of Buyer)	74.1	62.6	80.1	10.6	74.4
Pro Forma Assets (\$mm)	\$6,461	\$8,352	\$11,640	\$286,754	\$7,065
Current Total Assets (\$mm)	\$29,659 ⁽¹⁾	\$44,924	\$10,058	\$561,777	\$20,103

Total Shareholder Return Since Announcement⁽²⁾



Source: S&P Global; FactSet; Market Data as of 6/15/23

Note: BKX defined as the KBW Nasdaq Bank Index which includes securities of the leading banks and thrifts in the US; KRX defined as KBW Regional Banking Index which includes securities of US regional banks and thrifts

1) STL last reported total assets prior to completion of merger with WBS

2) Total return defined as total change in price, adjusted for dividends and splits; includes reinvestment of dividends

3) STL total return measured up until announcement of merger with WBS on 4/19/2021; Total return up until completion of merger on 1/31/22 is 247%

Optionality for Acquirors

Bolt-on Bank Acquisition



- Execution is more manageable given natural extension or in-market
- Leverage existing knowledge of market
- Achievable cost saves
- Target banks with good deposit base
- May be better received during economic uncertainty

Merger of Equals



- Significant potential upside to pro forma shareholders after the merger is complete
- Current investor focus is time period for regulatory approval process
- Risk/reward is higher than bolt-on
- Longer-term can create significant franchise value as pro forma entity is integrated
- Cultural alignment is critical for long-term success

Fintech Acquisition



- More polarizing today than over the last couple of years
- Remains a hot topic in boardroom discussion
- Same opportunity can be viewed by the board of directors:
 - Enhancing growth
 - Keeping up with the larger competitors
 - Differentiation versus existing competitors
 - Significantly more diligence questions
 - Regulatory considerations can not be overlooked

Three Possible Routes for a Seller

Hypothetical results and considerations of 3 transactions where a target sells to a relatively larger bank, sells to a bank twice its size, and a transformational/MOE deal

- The financial summary table highlights short term versus the longer term valuation creation opportunity
- Assuming the P/E multiples remain constant the transformational transactions can create significant upside

Illustrative Financial Consideration Scenarios

	Larger Buyer	Buyer 2x Size	MOE
Initial Premium	20-40%	15-30%	0-15%
Buyer EPS Accretion	5-10% / 2.5-7.5% ⁽¹⁾	10-20% / 5-15% ⁽¹⁾	20-30% / 10-30% ⁽¹⁾
Buyer TBV Earnback	1-2 Years	2-3 Years	2-4 Years
Buyer TBV Dilution	3-5% / 0-2% ⁽¹⁾	5-10% / 3-5% ⁽¹⁾	10%+ / 4-8% ⁽¹⁾

Non-Financial Considerations

	Larger Buyer	Buyer 2x Size	MOE
Corporate Structure			
Corporate Name			
Ownership / Control			
Headquarters			
Board Composition			
Liquidity to seller			

Source: KBW Corporate Finance

(1) Excluding interest rate marks

Types of M&A Processes – From Seller Perspective

	Pros	Cons
Negotiated Transaction	<ul style="list-style-type: none"> ✓ Best way to ensure a preferred outcome ✓ Leverage is maintained by the threat of opening it up ✓ Some buyers are more inclined to participate if promised a good look ✓ Maximum opportunity to extract social issues ✓ Limits risk of leaks ✓ Can be turned into an auction 	<ul style="list-style-type: none"> ✗ Requires a continuation of interest ✗ Prevents the possibility of a bidding frenzy ✗ Not appropriate when indifferent to which buyer wins ✗ Need to carefully evaluate board’s fiduciary duties ✗ Temptation for buyer to extend diligence process in uncertain environment
Limited Auction	<ul style="list-style-type: none"> ✓ Similar to a “full auction” ✓ Risk of leaks is slightly lower than with a full auction ✓ Sensitive buyers may be more likely to engage if promised the whole world is not participating ✓ The presence of the top players means competitive dynamics are nearly maximized 	<ul style="list-style-type: none"> ✗ Similar to a “full auction” ✗ Not appropriate when possibility of a wild card bidder is present ✗ As with a full auction, certain buyers may lose enthusiasm because of the loss of the collaborative spirit in a negotiated deal
Full Auction	<ul style="list-style-type: none"> ✓ Builds a record that is easy to explain to shareholders and meets fiduciary duties ✓ Especially appropriate when there is uncertainty as to how many and to what degree institutions will be interested ✓ Greatest potential for competition 	<ul style="list-style-type: none"> ✗ Greatest risk for leaks ✗ Social issues take a greater backseat to price ✗ Some buyers feel it is not worth their time given lower likelihood of success and lack of commitment from seller

M&A – Expect Different Headlines in '23

Other Observations

- **Board politics** and involvement are becoming more prevalent in bank M&A
- **Social considerations** matter a lot especially for those that are the decision makers at various points in the process
 - Evaluate state law / governance documents for clarity to consider non-financial factors
- **Compensation/titles/roles** matter
- **Lawsuits** are still being filed and some are becoming more sophisticated
 - Don't panic!
 - Can affirmatively do things to minimize risk
 - Consider communication among decision makers – assume discoverable, unless lawyers are coordinating
- **Regulators** hold the keys
 - CRA
 - Anti-trust
 - Systems and processes to limit risks posed by growth

Other Key Considerations for 2023

Fintech – It's not all Crypto

- **Has evolved to impact every part of a financial institution's business**

- Basic core processing
- Banking-as-a-Service
- Lending
- Underwriting
- Payments
- Investments in Fintech funds
- Cryptocurrency and blockchain
 - Recent headlines will lead to more questions
- Artificial Intelligence

- **Fintech adoption has obviously increased at an accelerated rate over the last several years**

- Many experts believe this trend will continue for the foreseeable future
- Longer-term question remains how will the banking industry continue to implement technology – outsource, partnership and/or customize
- Greater size / scale opens more fintech alternatives

- **Opportunities to respond and react**

- Partner with a company or sponsor which may include equity ownership
- Acquire technology
- Develop own technology
 - Own use
 - Sell to other financial institutions
- Due diligence and regulatory considerations
- Assume Fintech partner does not fully appreciate regulatory expectations
- Negotiate contract carefully
 - Include future audit/ diligence rights

- **Board training is critical**

- Size and current technical capabilities is irrelevant
- Need to understand opportunities and competition
- Consider identifying board-level fintech or I.T. talent

ESG – Increasing Relevance

- **Not new to financial institutions**

- The S (Social) and the G (Governance) have been a focus
- The E (Environmental) has taken hold and will trickle down to regional / community banks
- Impact on public and private companies are beginning to line up

- **Important for all banks to act on diversity**

- Makeup of the board
- Employee base
- Customers and communities
- Methods to communicate commitment
- Reporting on diversity of talent, experience and competence

- **Different constituents with different impacts**

- Regulators
 - Banking regulators
 - SEC / Nasdaq / NYSE
- States
 - Board requirements
 - Reporting requirements
- Customers
- Investors – Evolving and not a precise definition
 - Retail
 - Institutional
 - ESG Funds

Corporate Governance, Regulatory, Key Compensation Items, and Legal Potpourri

- **Succession planning**
 - Remains an issue with smaller banks
 - Seeing development of young talent stepping up
 - Need to be proactive and forward thinking
 - Applies to Executive and Board of Directors
 - Failure to address leadership succession can lead to M&A as a succession strategy
- **Vendor agreements**
 - Opportunity to review and comment
 - Need to coordinate with strategic planning
 - Board needs to fulfill oversight role
 - Regulatory expectations remain high
- **Employment matters**
 - Compensation matters
 - Tight labor market
 - Inflation increasing expenses
 - Pay vs performance reporting
 - Claw backs
 - Developments with restrictive covenants
 - Many states have enhanced enforcement / interpretation
 - Feds getting in the action
 - **Time to review agreements and plans!**
- **Bank regulatory hot issues**
 - BSA / AML
 - CRA
 - Cybersecurity
 - Vendor management
 - CFPB
- **Class action lawsuits continue**
 - Overdraft charges remain a focus
 - Evaluate customer contracts and prepare

P Presenter Biographies

Today's Presenters



Chris Kochard

Chris Kochard joined KBW in 2012 and serves as a Director in the firm's depository investment banking group. He is based in KBW's Richmond, VA office and is responsible for merger & acquisitions, strategic advisory and private and public capital markets transactions for financial services businesses based in the Southeast. He has advised on more than 80 M&A and capital transactions with an aggregate transaction value in excess of \$15 billion. Chris graduated from the University of Virginia with a BS in Systems Engineering and a BA in Economics with a concentration in finance.

Email: ckochard@kbw.com

Work Phone: 804.643.4255

Cell Phone: 434.242.3687



Seth Winter

Seth Winter regularly represents financial institutions in mergers and acquisitions, including bank mergers and acquisitions of nonbank institutions. State and nationally chartered community banks, and their boards of directors and executive officers, rely on him to handle a variety of regulatory, compliance, and corporate governance issues. Seth regularly advises boards of directors on legal issues and fiduciary duties in the context of complex strategic transactions. He also represents financial institutions in connection with applications to federal and state regulatory agencies, including applications related to organic and M&A growth, new lines of business, and entry into new geographic markets.

Email: seth.winter@troutman.com

Work Phone: 804.697.2329

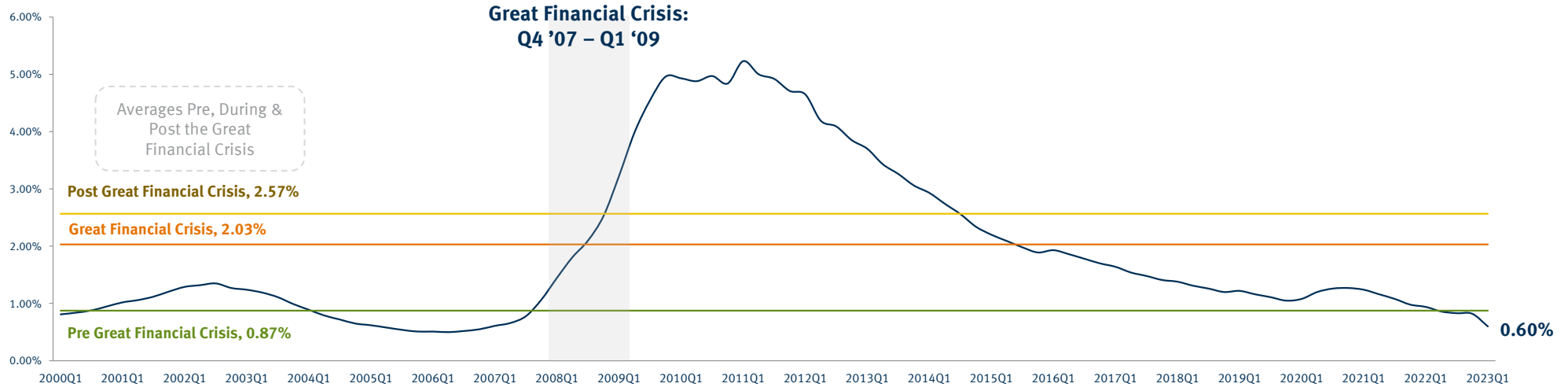
Cell Phone: 804.929.8899

A

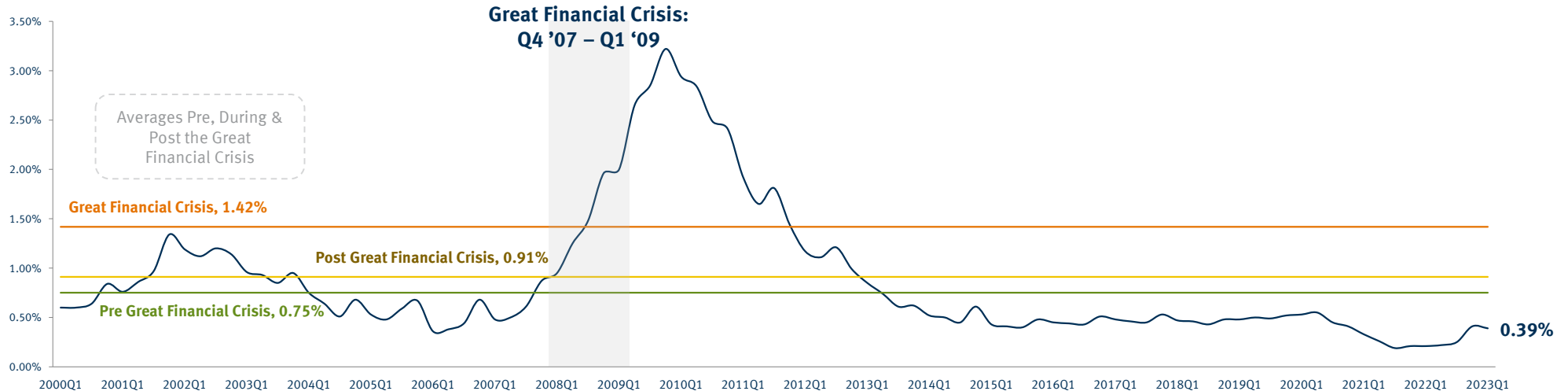
Appendix

Recent Credit Loss Experience is the Best in Decades...Are We Due for Losses?

NPAs / Loans + OREO (%)



NCOs / Average Loans (%)



Source: S&P Global Market Intelligence
 Note: Data is shown for the S&P Global index "U.S. Commercial Banks"

Indicates purchase accounting adjustments which are interest rate-related

Rising Rate Environment Has Meaningful Impact on M&A Accounting

Illustrative Bank Balance Sheet

Assets
Cash
Securities - Held-to-Maturity
Securities - Available-for-Sale 2
Total Securities
Gross Loans Held for Investment
Loans Held for Sale
Loan Loss Reserve
Total Net Loans
Goodwill
Core Deposit Intangibles
Total Intangible Assets
Total Assets
Liabilities & Shareholders' Equity
Time Deposits
Non-Time Deposits
Total Deposits
Trust Preferred Securities
Subordinated Debt
Senior Debt
Total Borrowings
Total Liabilities
Preferred Equity
Common Equity
Accumulated Other Comprehensive Income 8
Total Equity
Total Liabilities & Shareholders' Equity

Purchase Accounting Adjustments

Assets
Securities - Held-to-Maturity 1
Gross Loans Held for Investment 3
Liabilities & Shareholders' Equity
Time Deposits 4
Trust Preferred Securities 5
Subordinated Debt 6
Senior Debt 7

Notes	
1	Marked to fair value
2	AFS securities are stated on the balance sheet at fair value; unrealized losses on these securities are recognized in AOCI
3	Marked to fair value; fair value mark consists of a credit related adjustment, as well as an interest rate related adjustment for fixed rate loans
4	Marked to fair value
5	Marked to fair value
6	Marked to fair value
7	Marked to fair value
8	Accreted through earnings

Capital Planning

Share Repurchase

Repurchase Assumptions

A U.S. bank with ~\$5.0B in assets and a CET1 ratio of ~10%

	0.8x P / TBV	1.1x P / TBV	1.4x P / TBV
P / TBV Multiple			
% of Shares Repurchased	5% Of the Company	5% Of the Company	5% Of the Company

Relative Repurchase Impacts

<u>Impact to:</u>			
TBVPS Dilution	~1.0%	~(0.5%)	~(2.0%)
EPS Accretion	~2.5%	~2.5%	~2.0%
TBVPS Earnback	~0 yrs	~1 yr	~4 yrs
CET1 Ratio	~9.6%	~9.5%	~9.3%

Disclaimer

This presentation and the information contained herein is confidential and has been prepared exclusively for the benefit and internal use of the KBW client to whom it is directly addressed and delivered (including such client's subsidiaries, the "Company"). In connection with the preparation and provision of these materials, KBW has relied upon and assumed, without independent investigation or verification, the accuracy and completeness of all financial and other information that was made available, supplied, or otherwise communicated to KBW by or on behalf of the Company and other publicly available information, and KBW expressly disclaims any responsibility for, or liability in connection with, such information or the Company's use of these materials. Any analyses of any potential strategic alternatives or transactions that may be available to the Company reflected in these materials (and the other contents hereof) are preliminary and are subject to the assumptions and qualifications set forth herein, as well as further review and modification by KBW. Any valuation ranges or other estimates are solely illustrative and do not purport to be valuation advice in respect of the Company or any other entity (including any potential counterparty to any strategic alternative or transaction) and should not be relied upon as such. Any such advice would only be provided pursuant to an engagement letter or other definitive written agreement entered into between the Company and KBW. These materials are necessarily based upon economic, market, financial and other conditions as they exist on, and on the information made available to us as of, the date of these materials, and subsequent developments may affect the analyses (if any), information or other contents in these materials. These materials do not contain advice in any respect as to the legal, regulatory, tax or accounting consequences of any potential strategic alternatives or transactions on the Company or the Company's shareholders, and it is the responsibility of such parties to obtain advice on such matters from other qualified professionals. It is understood that these materials are solely for the information of, and directed to, the Company and its Board of Directors in their evaluation of potential strategic alternatives or a transaction and are not to be viewed as definitive or to be relied upon by any shareholder of the Company or any other person or entity. These materials are not intended to, and do not, constitute a valuation of the Company or any other party (including, without limitation, the price or consideration that may be offered or paid in any potential transaction, or in any of the other terms thereof), a fairness opinion, or a recommendation to the Company as to how the Company, its Board of Directors or shareholders should vote or act with respect to any potential strategic alternatives or transactions, and are provided for informational purposes only. Any identification of, or discussion regarding, any third parties in these materials does not purport to indicate the interest or receptiveness of any such party to a strategic alternative or transaction with the Company. Any such indication of interest, and the potential terms of any such transaction, can only be ascertained through substantive negotiations with such third parties. KBW cannot and will not guarantee the successful consummation of any potential strategic alternative or transaction referenced herein. In addition, the Company should be aware that in the ordinary course of KBW's business, it may have had confidential discussions with financial investors or with parties in the Company's industry group (including competitors) regarding strategic alternatives, including potential transactions. Such discussions may have focused on specific companies and/or presented illustrative data concerning possible transactions involving such companies, which may include the Company. These materials are confidential and are not to be published, quoted or referred to, in whole or in part, in any registration statement, prospectus or proxy statement, or in any other document used in connection with the offering or sale of securities or to seek approval for any potential strategic alternatives or transactions, nor shall these materials be used for any other purposes, without KBW's express written consent. All transaction announcements included herein appear as a matter of record only. Dollar volume for securities offerings represents full credit to underwriter. KBW is a full-service securities firm which may be engaged at various times, either directly or through its affiliates, in various activities including, without limitation, securities trading, investment management, financing and brokerage activities and financial advisory services for companies, governments and individuals. In the ordinary course of these activities, which may conflict with the interests of the Company, KBW and its affiliates from time-to-time may (i) effect transactions for its own account or the accounts of its customers and hold long or short positions in debt or equity securities or other financial instruments (or related derivative instruments) of the Company or other parties which may be the subject of any engagement or transaction involving the Company; (ii) hold discussions with and provide information to clients, potential clients and other entities regarding various market and strategic matters (including potential strategic alternatives), which entities may include potential counterparties to a transaction or strategic alternative involving the Company, and which matters may have included a possible transaction with the Company; and/or (iii) perform various investment banking, financial advisory and other services for other clients and customers who may have conflicting interests with respect to the Company.

Independence of Research

KBW prohibits its employees from directly or indirectly offering a favorable research rating or specific price target, or offering to change a rating or price target, as consideration or inducement for the receipt of business or for compensation.

Basis of Presentation

References herein to "KBW" collectively refer to Keefe, Bruyette & Woods, Incorporated and other affiliated broker-dealer subsidiaries of Stifel Financial Corp. Unless otherwise indicated, information presented herein with respect to the experience of KBW also includes transactions effected and matters conducted by companies acquired by Stifel (including pending acquisitions publicly announced by KBW), or by KBW personnel while at prior employers

Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | www.stifel.com