



Making the First Move, Consolidation of the Banking Industry

September 21, 2015

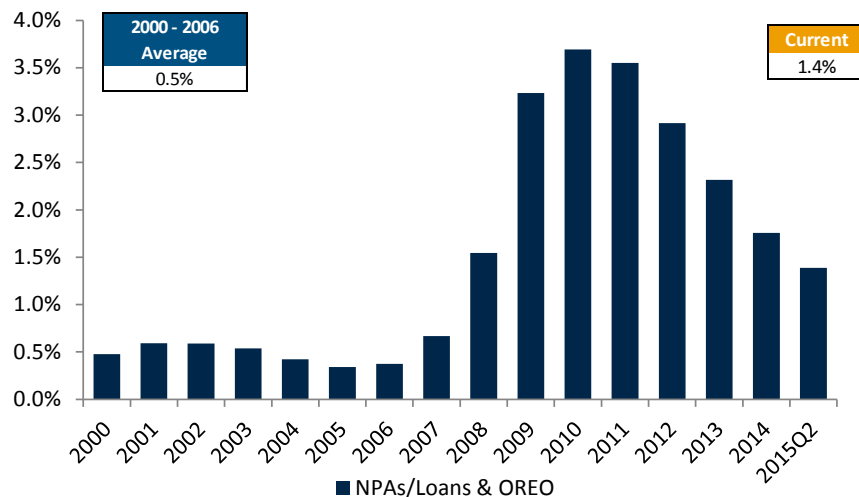
Making the First Move, Consolidation of the Banking Industry

CURRENT BANKING LANDSCAPE

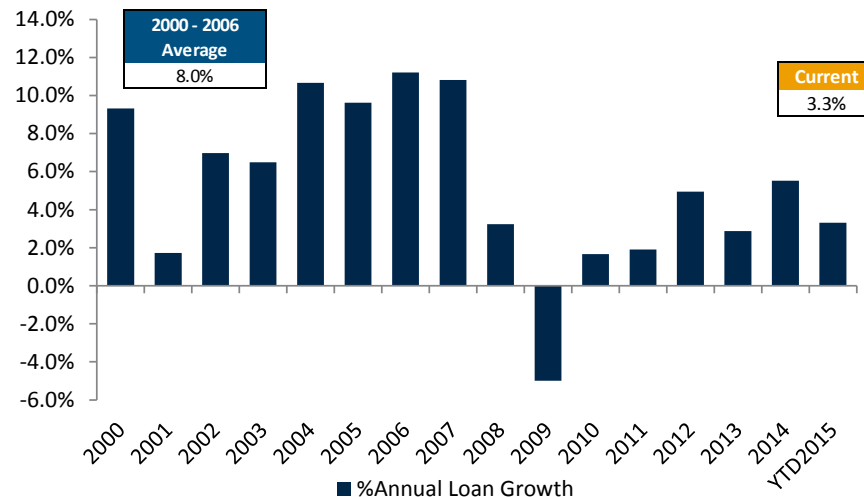
- Unprecedented change has permanently altered the banking landscape over the last decade
- Industry is focused squarely on growth and profitability
- However, a tepid economy coupled with increasing regulatory burdens are leading to revenue headwinds, rising expenses and other operating challenges
- Focus on operating scale is high and expected to remain important
- Industry poised for meaningful consolidation

KEY BANKING INDUSTRY TRENDS

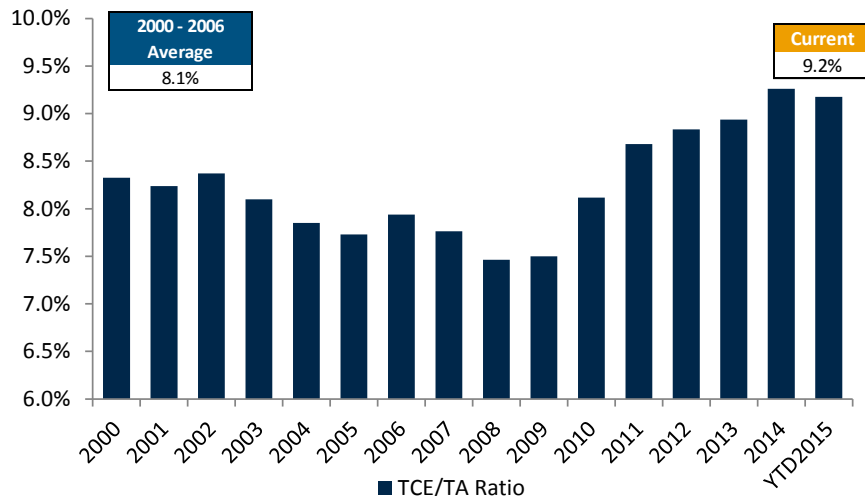
Credit is Yesterday's Headline



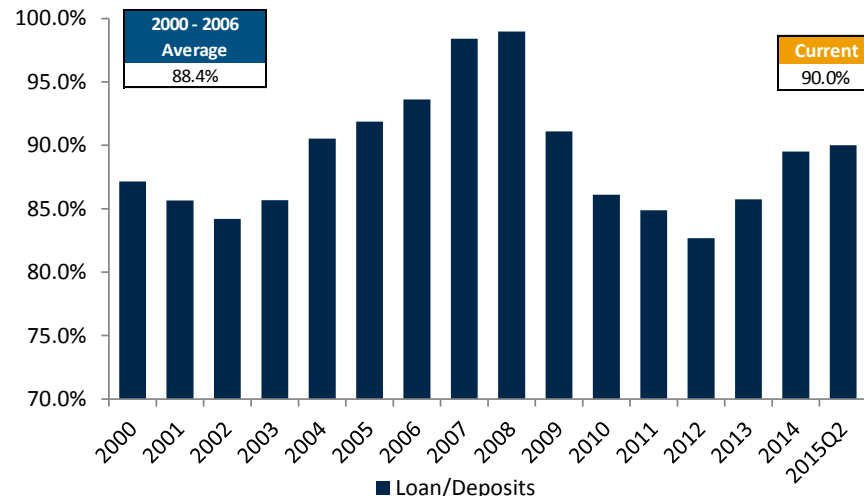
Loan Growth Challenged But Improving



Capital Levels are Strong



Liquidity Levels are Adequate

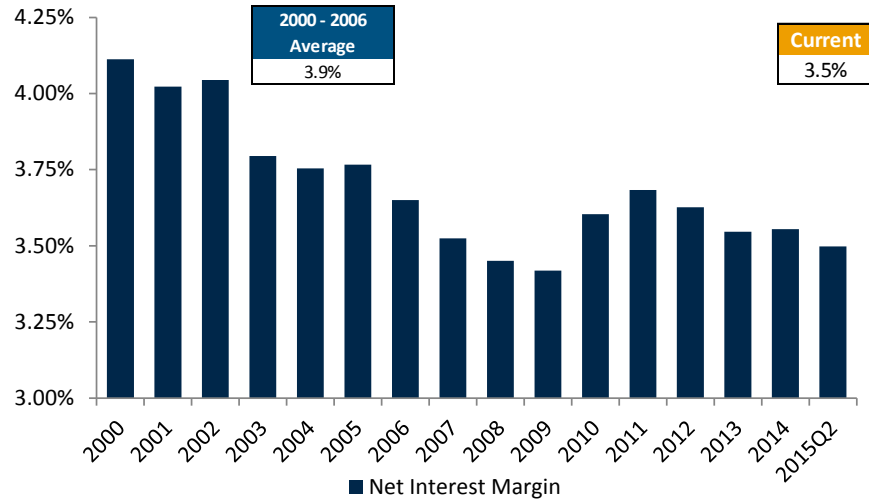


Note: Loan growth based on FDIC annual reports, other data based on SNL U.S. Bank & Thrift Index medians.

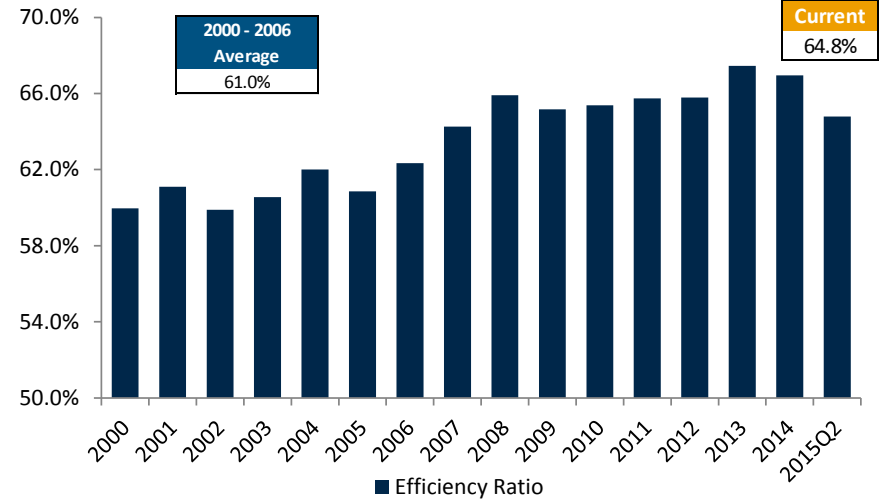
Data Source: FDIC.gov, SNL Financial.

KEY BANKING INDUSTRY TRENDS (CONT'D)

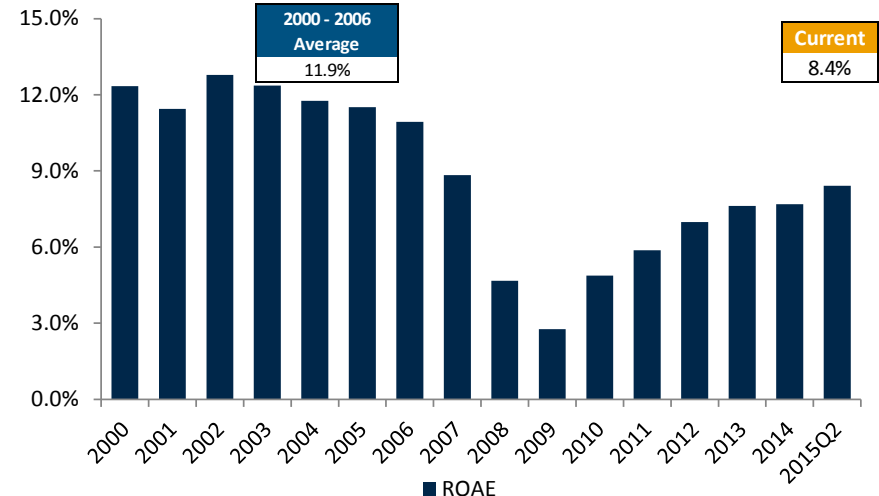
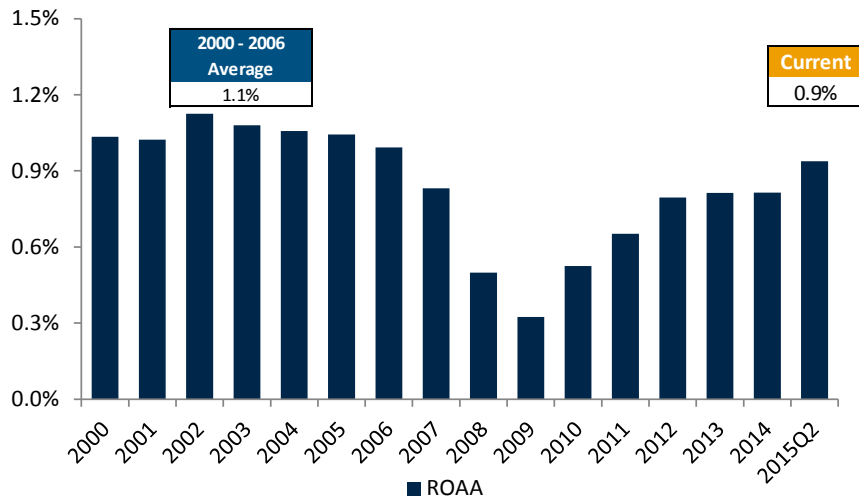
Margins Under Intense Pressure



Coupled With Rising Costs



Profitability Improving But Remains Depressed



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

	Impact to Normalized EPS			Purpose
	Universal Banks	Large Cap Banks	SMID Cap Banks	
Volcker Rule	2 - 5%	0 - 2%	0%	Regulate proprietary trading
Derivatives Reform	2 - 3.5%	0 - 2%	0%	Deleverage the system and reduce systemic risk of banks
Interchange / Durbin Amendment	2 - 3%	4 - 7%	4 - 8%	Determination of a reasonable debit interchange rate
Financial Crisis Responsibility	4 - 6%	4 - 6%	0%	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	2 - 4%	3 - 6%	6 - 12%	Restrict overdraft fees on ATMs and one-time debit card transaction fees
Card Act	3 - 5%	0 - 2%	0%	Prohibits risk based rate increase on existing credit card balances
Aggregate Impact	15 - 26.5%	11 - 25%	10 - 20%	

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.

Q2 '15 EARNINGS SEASON: PERFORMANCE VS. CONSENSUS

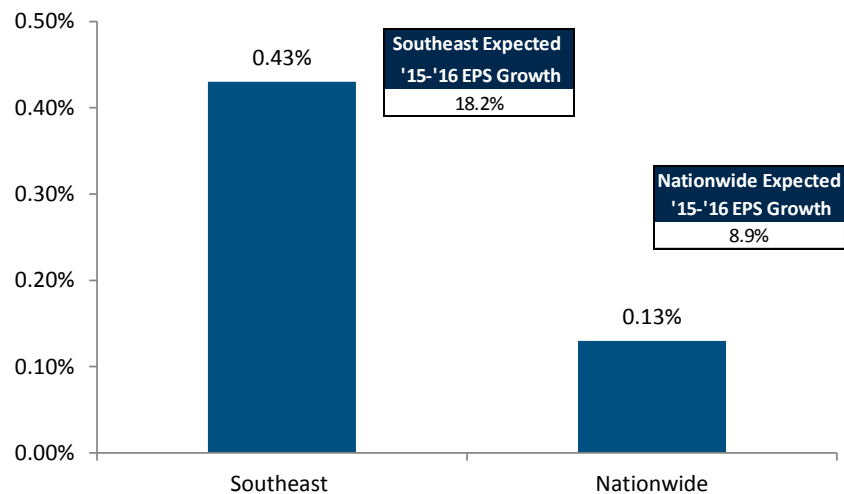
- While Southeastern banks did better than the industry on noninterest expense compared to consensus estimates, nationwide banks tended to make up more ground on noninterest income and provision expense than the Southeast, leading to the larger number of Southeast banks missing on EPS estimates

	Southeast			Nationwide		
	Miss	In-Line	Beat	Miss	In-Line	Beat
Q2 '15 Operating Results						
Earnings per Share	45%	14%	40%	30%	18%	53%
Revenue	33%	---	68%	37%	---	63%
Net Interest Income	59%	---	41%	58%	---	42%
Provision Expense	24%	---	76%	22%	---	78%
Noninterest Income	31%	---	69%	27%	---	73%
Noninterest Expense	67%	---	33%	70%	---	30%
Pre-Provision Net Revenue	56%	---	44%	54%	---	46%
Loan Growth	32%	3%	66%	45%	1%	53%
Net Interest Margin	26%	3%	72%	29%	3%	68%

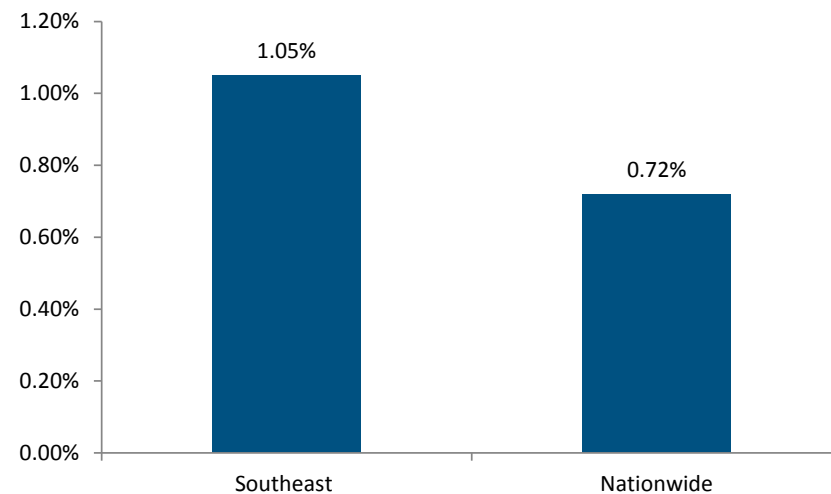
*Note: Nationwide data based on 160 banks, Southeast data based on 42 banks.
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Q2 '15 EARNINGS SEASON: 2016 CONSENSUS REVISIONS

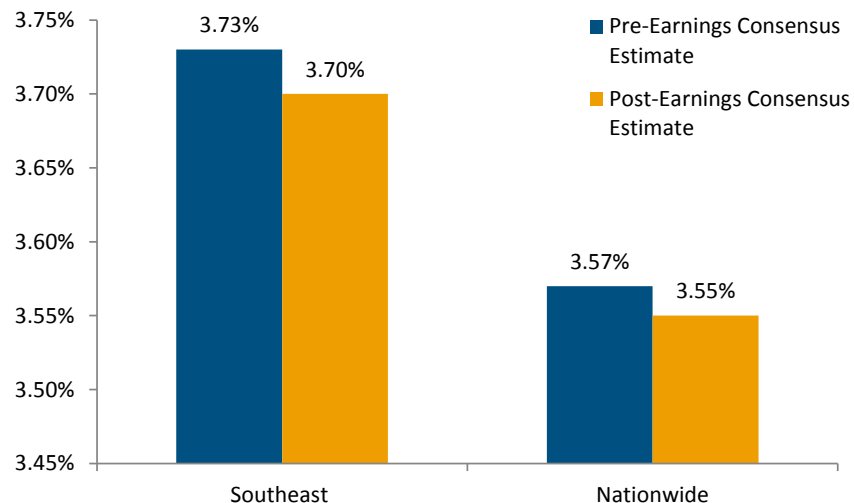
Revision To 2016 Consensus EPS



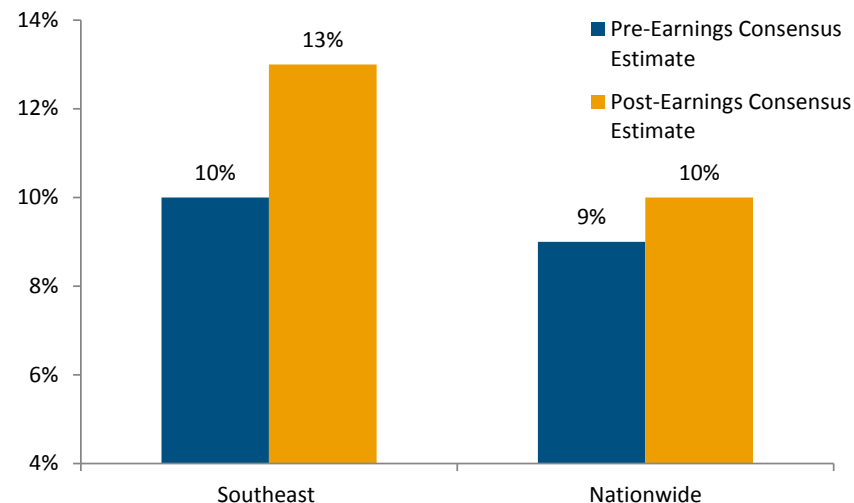
Revision To 2016 Consensus Revenue



Revision To 2016 Consensus NIM



Revision To 2016 Consensus Loan Growth



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.

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

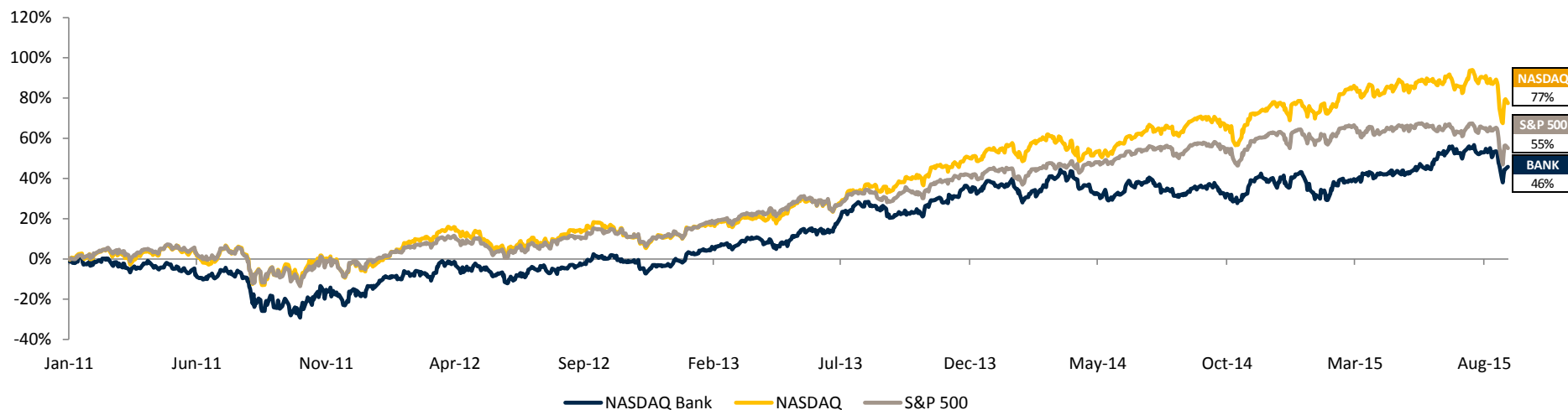
- **Equity capital markets remain open for banks**
 - Record year in 2014 with 14 IPOs pricing
 - 5 IPOs and 10 Follow-Ons have priced in 1H15
 - Robust pipeline for bank IPOs over the next 12-18 months

- **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

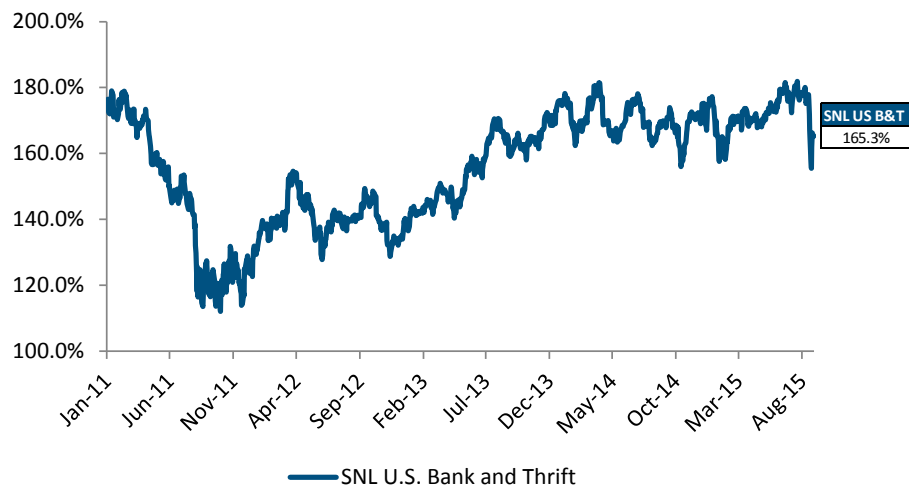
(1) Reflects NASDAQ Bank Index vs S&P 500. Market data as of August 31, 2015.
Data Source: Factset.

STOCK MARKET PERFORMANCE

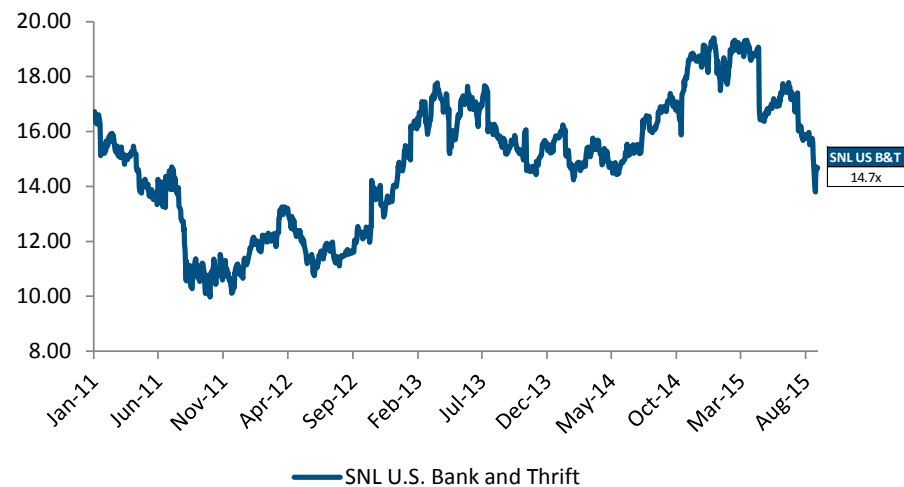
Stock Price Performance



Price/Tangible Book Value (TBV)(%)



Price/LTM EPS (x)



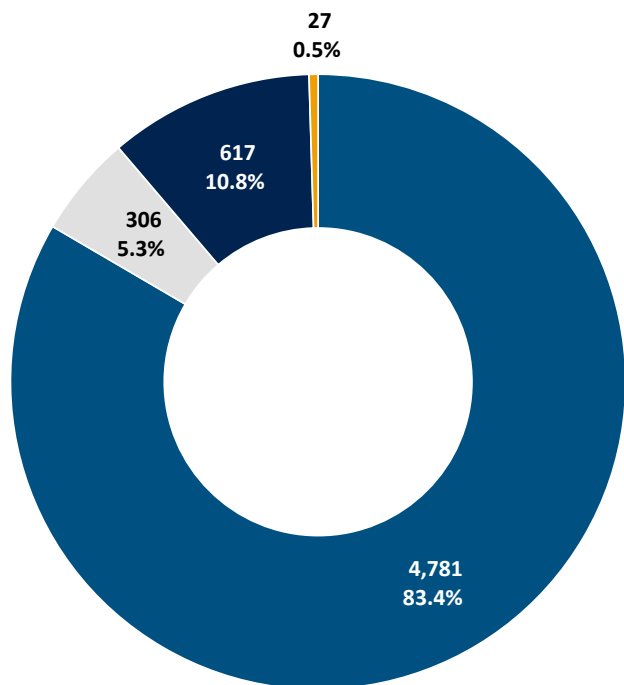
Note: Market data as of August 31, 2015.
Data Source: SNL Financial.

OVER-BANKED AMERICA



- The top 27 banks control 75% of the assets
- The bottom 4,781 banks control < 5% of the assets

Distribution Of Banks



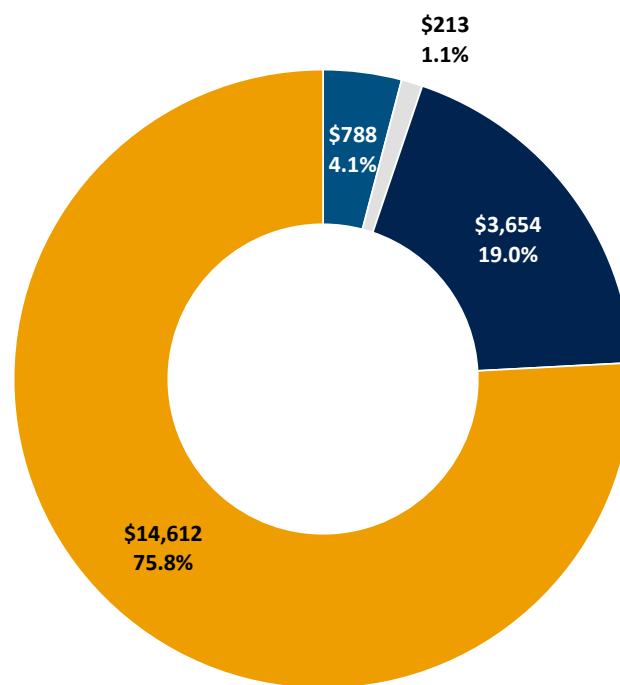
< \$500M

\$500M - \$1B

\$1B - \$100B

> \$100B

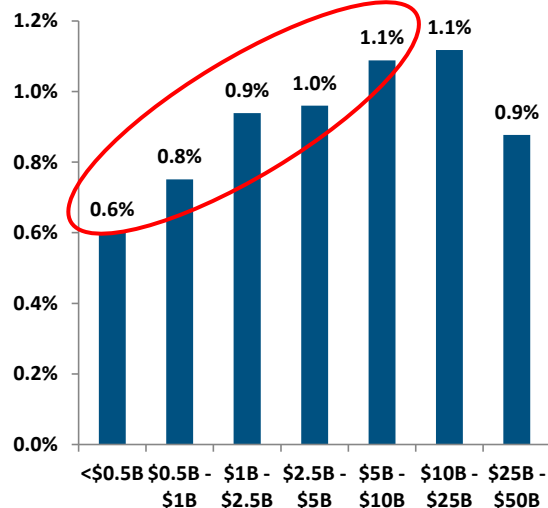
Distribution Of Assets (\$B)



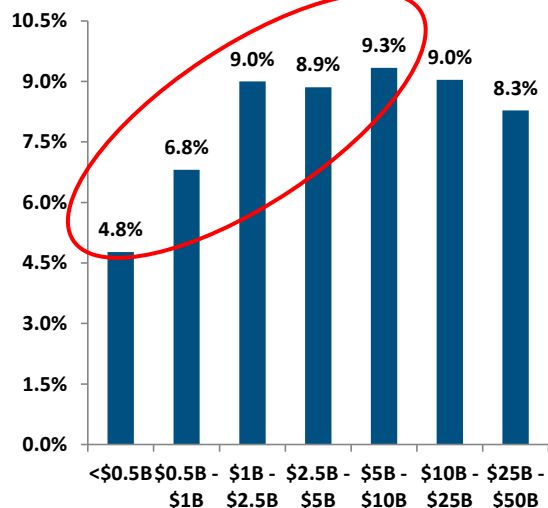
Note: Includes all top-tier consolidated banks and thrifts nationwide; excludes merger targets. Market data as of Q2 2015.
Data Source: SNL Financial.

THE VALUE OF SCALE – OPERATING PERFORMANCE

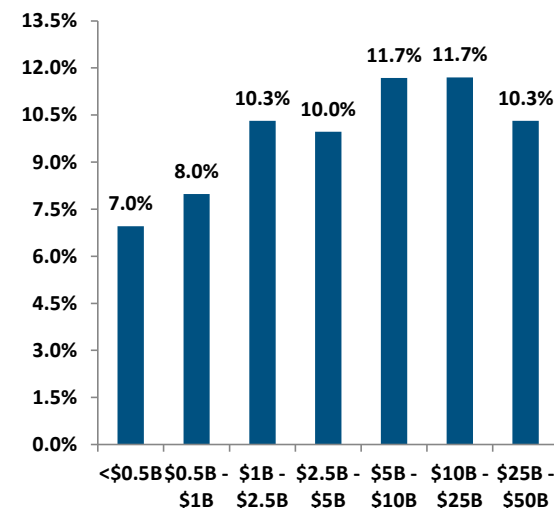
Core ROAA



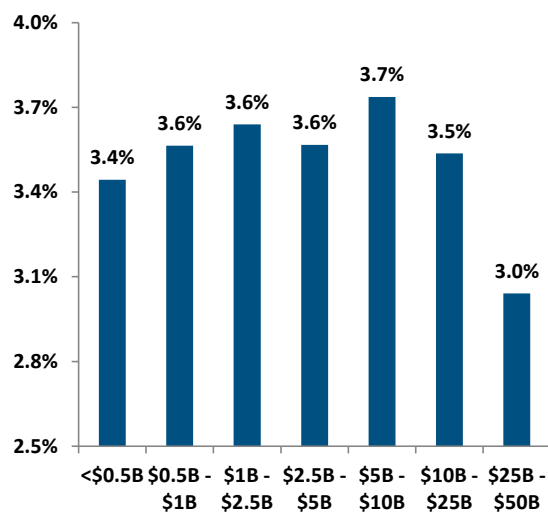
Core ROAE



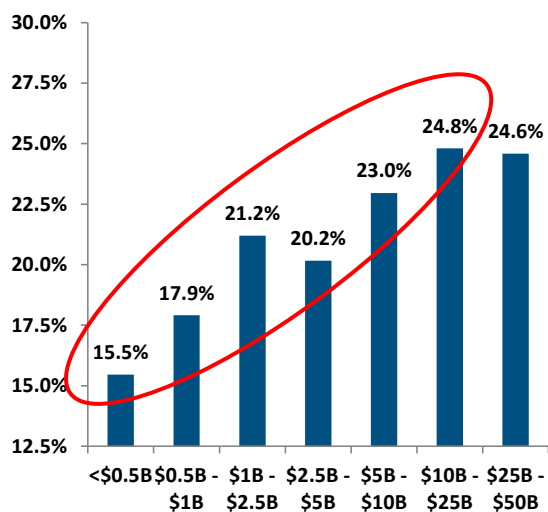
ROATCE



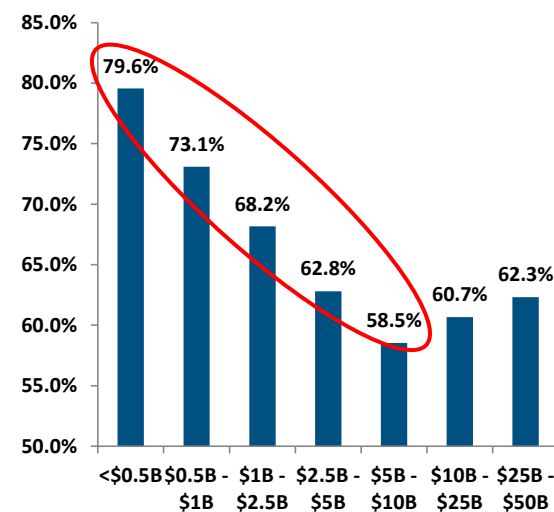
Net Interest Margin



Fee Income / Revenue



Efficiency Ratio



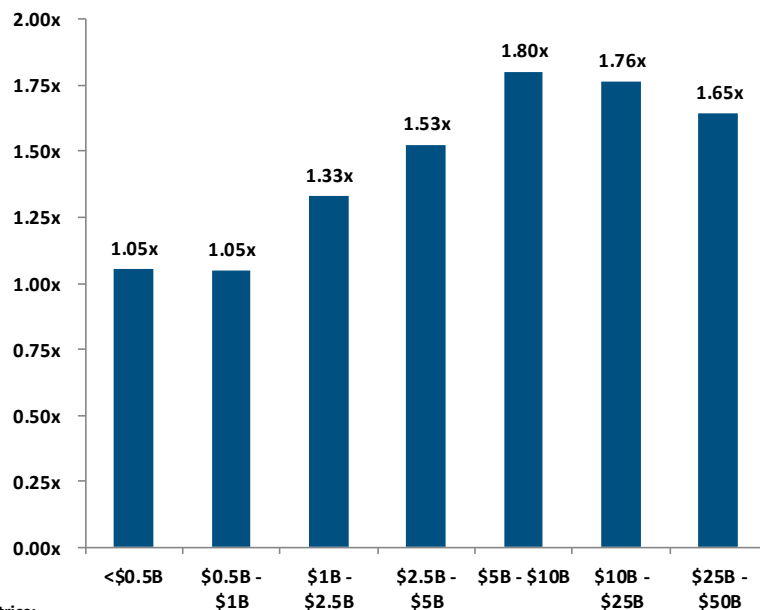
Note: All public banks & thrifts traded on a public exchange; financial data as of the last twelve months available.
Data Source: SNL Financial.

THE VALUE OF SCALE – TRADING VALUATIONS

- Scale drives higher returns, which drives valuations

P / TBV Multiples

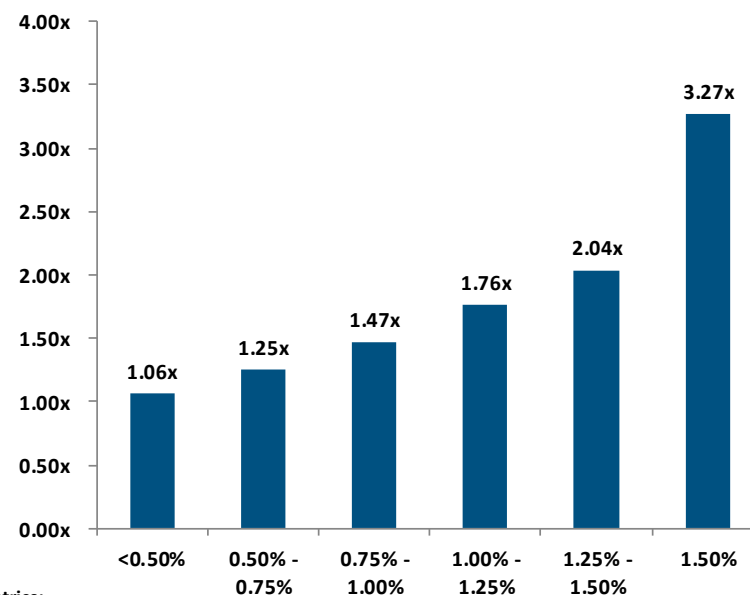
TOTAL ASSETS



Median Metrics:

Core ROAA	0.56%	0.75%	0.86%	0.98%	1.07%	1.05%	0.83%
P / 2015 EPS	NA	14.7x	14.8x	14.6x	15.5x	15.5x	16.7x
P / 2016 EPS	NA	11.8x	13.7x	13.2x	14.0x	13.9x	14.7x

2015 ESTIMATED ROAA



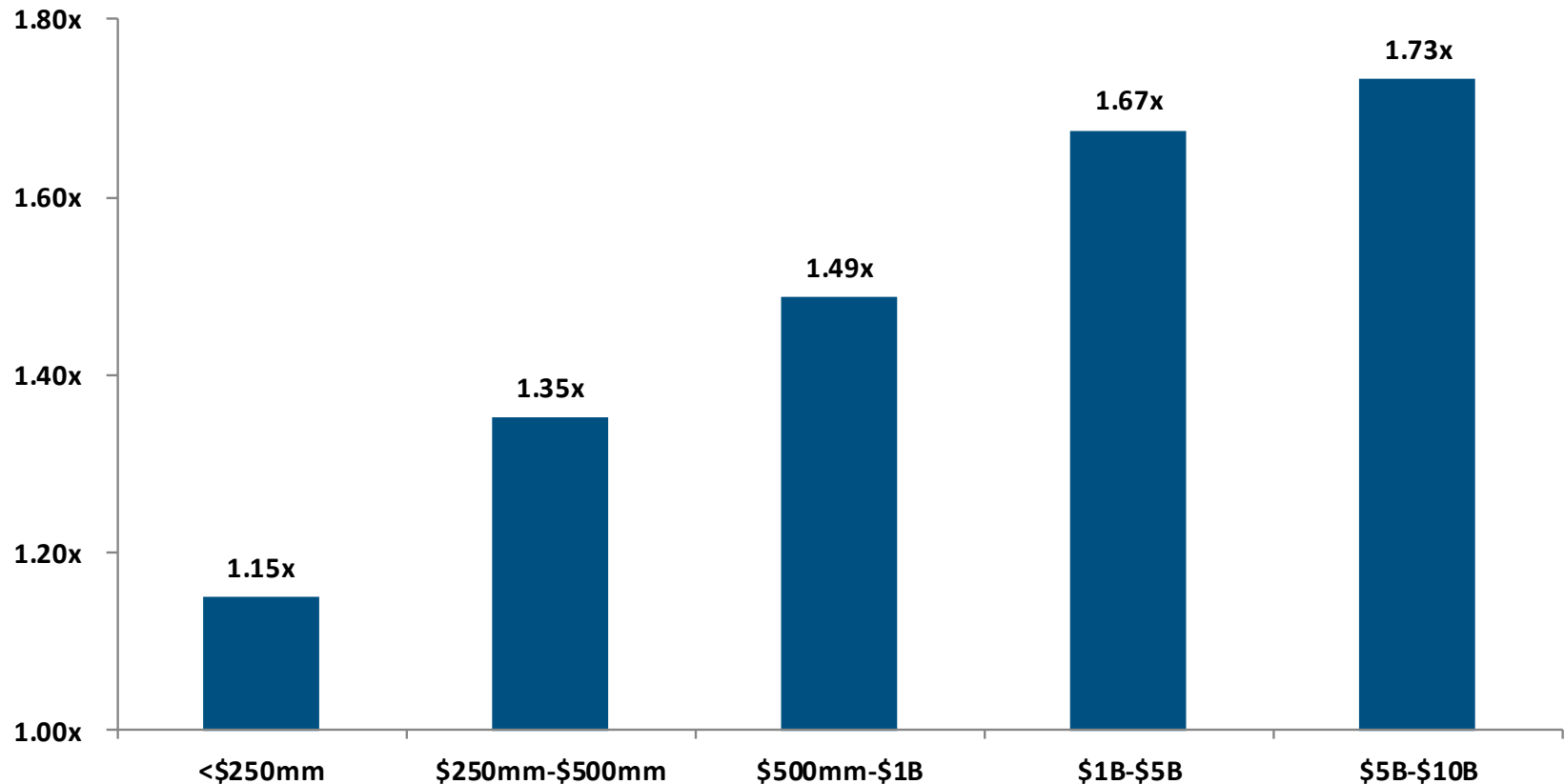
Median Metrics:

Total Assets	\$ 2,293.4	\$ 2,065.1	\$ 2,899.2	\$ 5,141.6	\$ 4,591.1	\$ 8,074.4
P / 2015 EPS	28.4x	15.8x	14.8x	14.6x	15.0x	16.9x
P / 2016 EPS	21.5x	13.8x	13.1x	13.3x	14.1x	14.3x

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

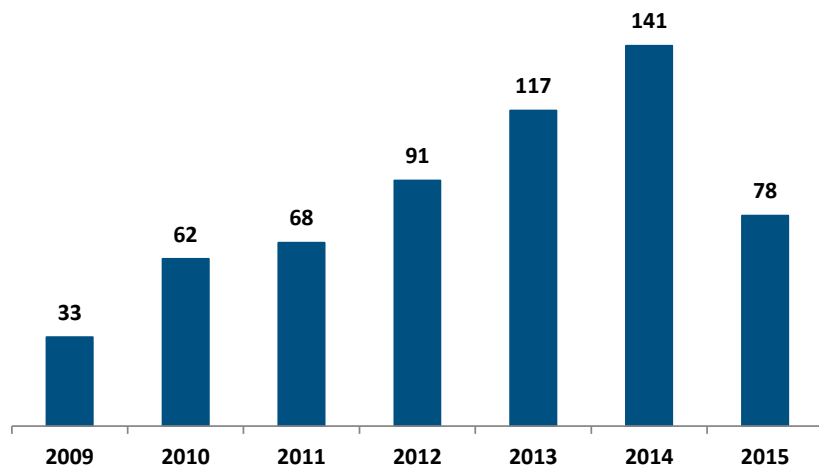


# of Transactions	233	108	74	64	9
% of Total	47.7%	22.1%	15.2%	13.1%	1.8%
Median LTM ROAA	0.39%	0.65%	0.65%	0.76%	1.20%
P / LTM EPS	21.8x	19.7x	18.3x	20.4x	13.8x

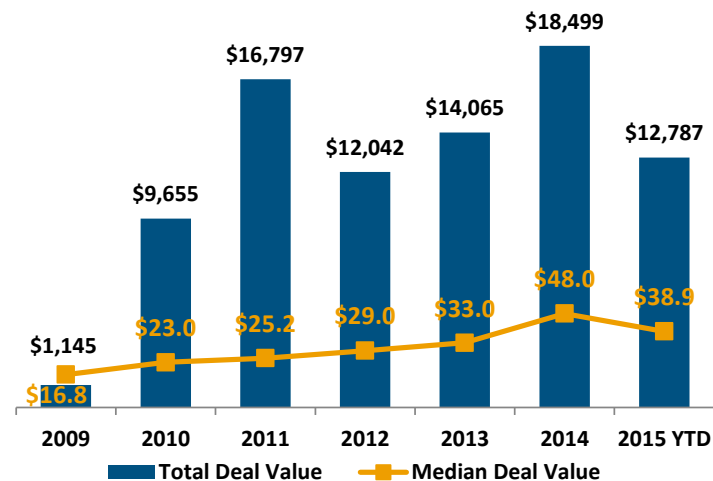
*Note: All public banks & thrifts traded on a public exchange; financial data as of June 30, 2015; market data as of August 31, 2015.
Data Source: SNL Financial.*

WHOLE BANK M&A ACTIVITY SINCE 2009

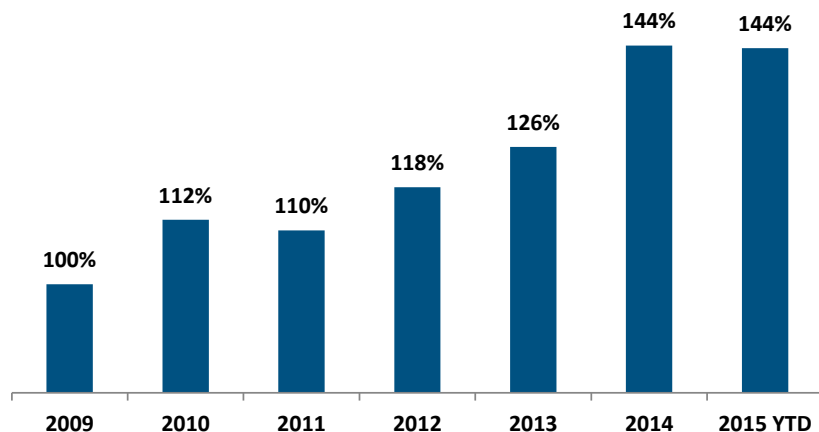
Number of Transactions



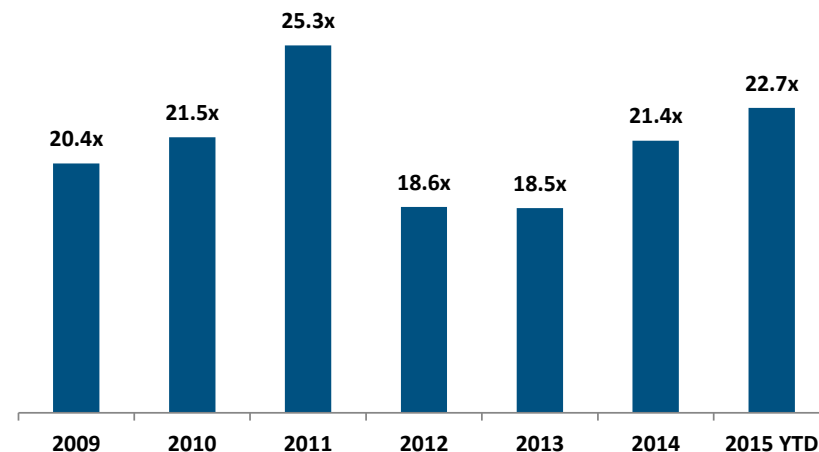
Deal Value (\$ Millions)



Price / Tangible Book Value (%)



Price / LTM Earnings (x)



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

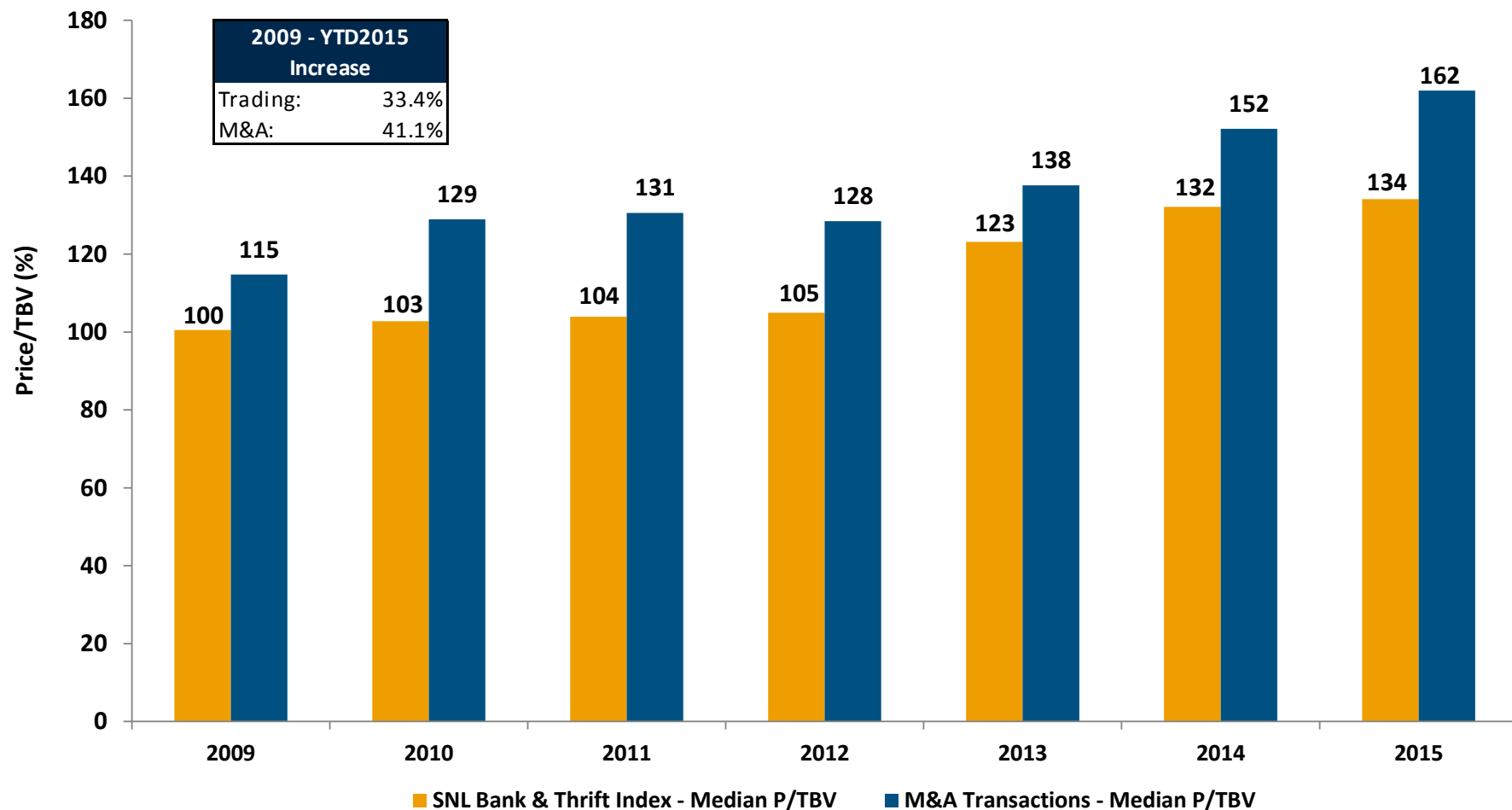
- **Increased capital requirements**

- 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



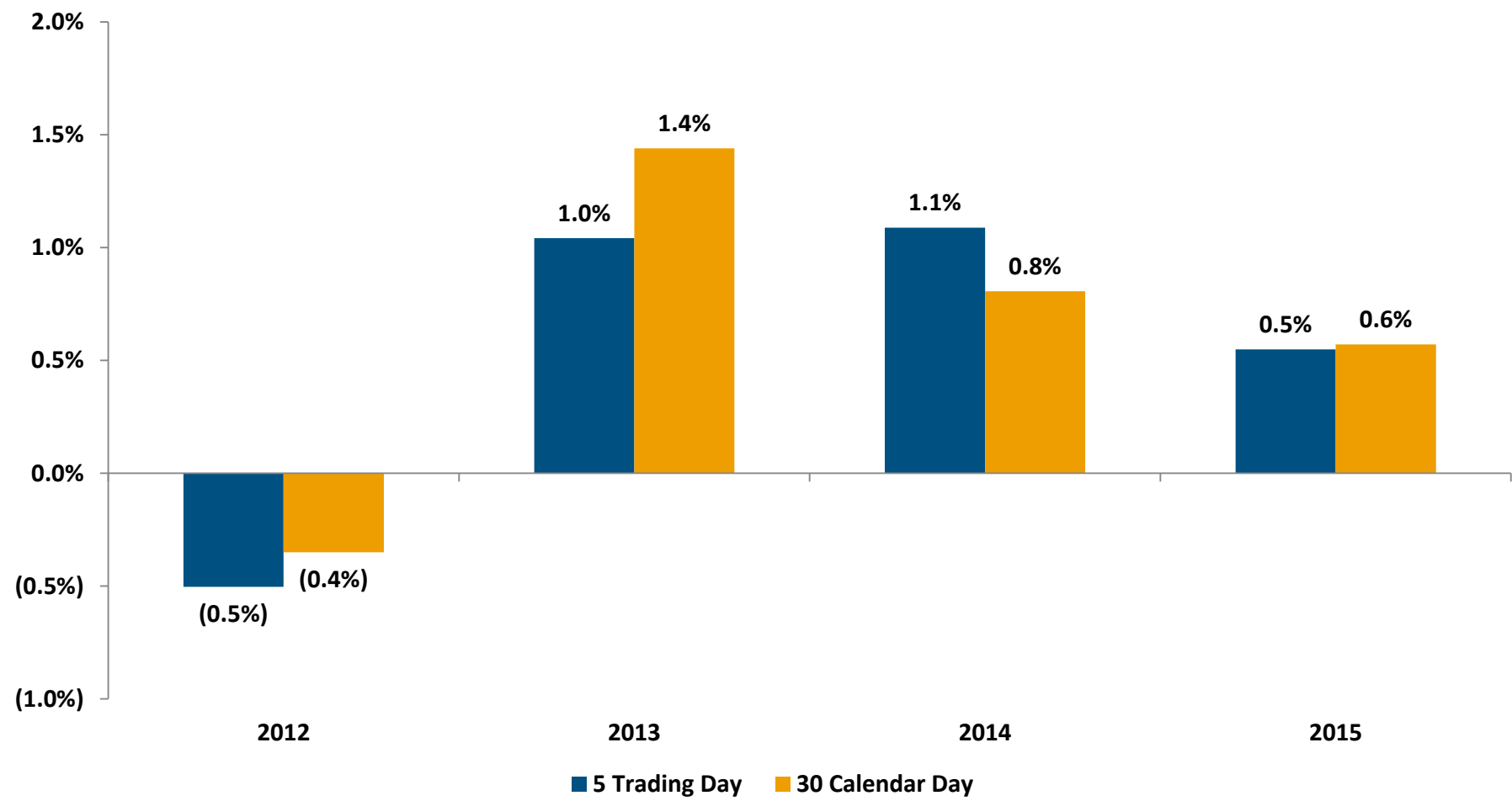
- Approximately 60% of Southeast Bank M&A transactions involve a seller trading at greater than 150% TBV

PARAMETERS FOR A “WELL RECEIVED” M&A TRANSACTION

Compelling Strategic Fit or Rationale	<ul style="list-style-type: none">■ Can be cost savings driven (in-market) or franchise enhancing (market extension or product extension)
Valuation	<ul style="list-style-type: none">■ 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	<ul style="list-style-type: none">■ Use of “reasonable and supportable” assumptions related to:<ul style="list-style-type: none">- 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	<ul style="list-style-type: none">■ 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 POST-DEAL STOCK REACTION

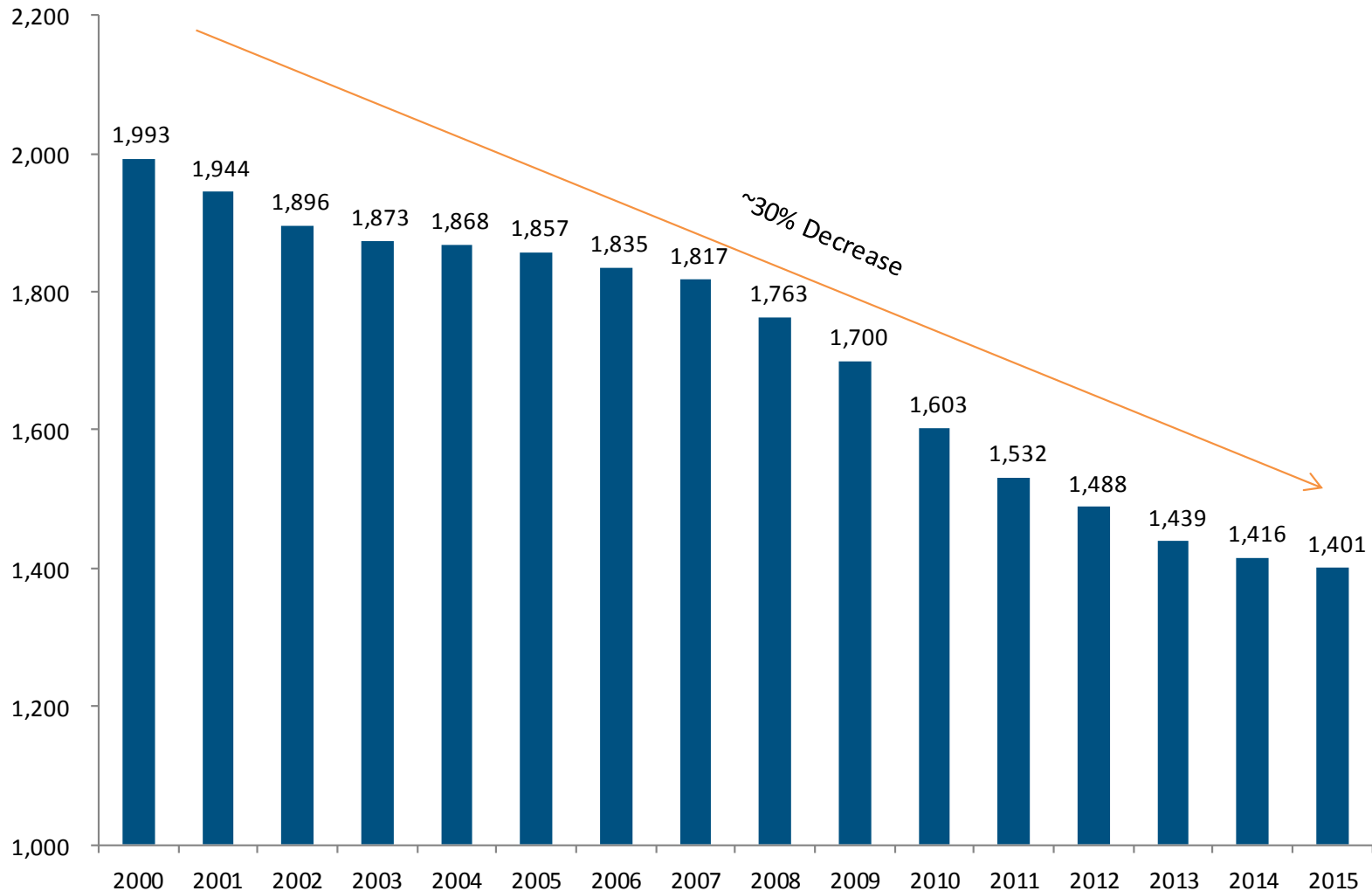
Buyer Relative Price Performance vs. NASDAQ Bank Index



*Note: All public banks & thrifts; financial data as of June 30, 2015; market data as of August 31, 2015.
Data Source: Factset.*

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.*

SOUTHEAST BANKING LANDSCAPE – GROWING MORE CONCENTRATED

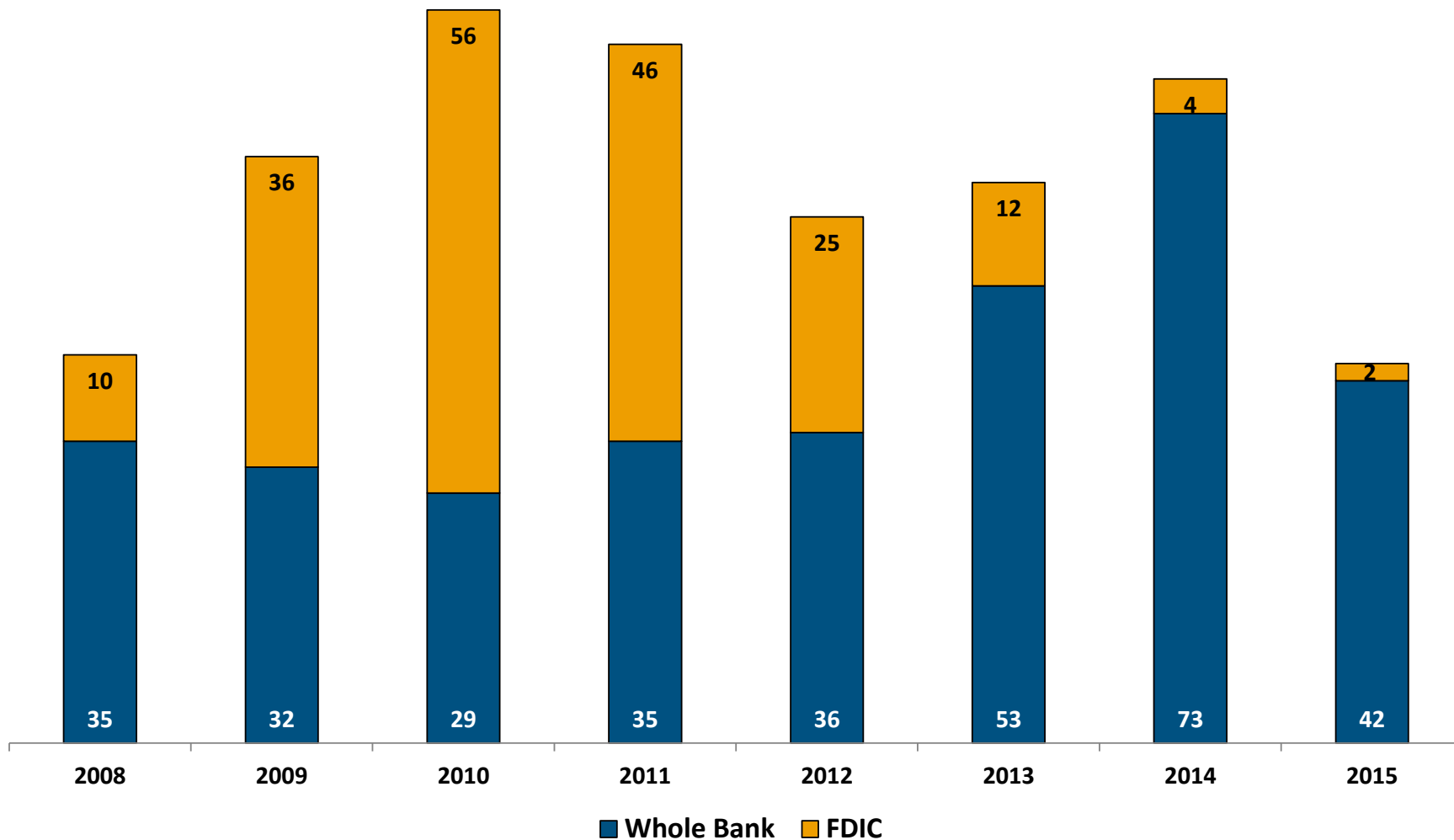
Southeastern Banks

	<u>Pre-Crisis 12/31/07</u>	<u>Current</u>	<u>% Change</u>
<u>Total Number of Banks:</u>	1,817	1,401	(22.9%)
% < \$500mm in Assets	85	81	
% < \$1B in Assets	94	91	
% > \$1B in Assets	6	9	+ 50.0%
<u>Number of Banks</u>			
\$500mm-\$1.0B	183	141	(23.0%)
\$1.0-\$2.5B	72	70	
\$2.5-\$5.0B	24	32	+ 33.3%
\$5.0-\$10.0B	10	11	
> \$10B	14	16	
<u>Banking Assets</u>			
% < \$500mm in Assets	20	16	(22.2%)
% < \$1B in Assets	28	23	(17.8%)
% \$1-\$10B in Assets	18	22	
% > \$10B in Assets	54	55	

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.

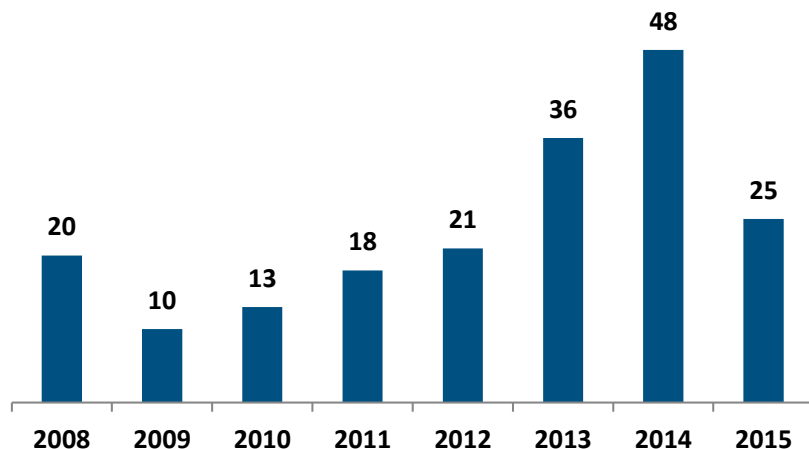
SOUTHEAST M&A – ALL WHOLE BANK AND FDIC DEALS



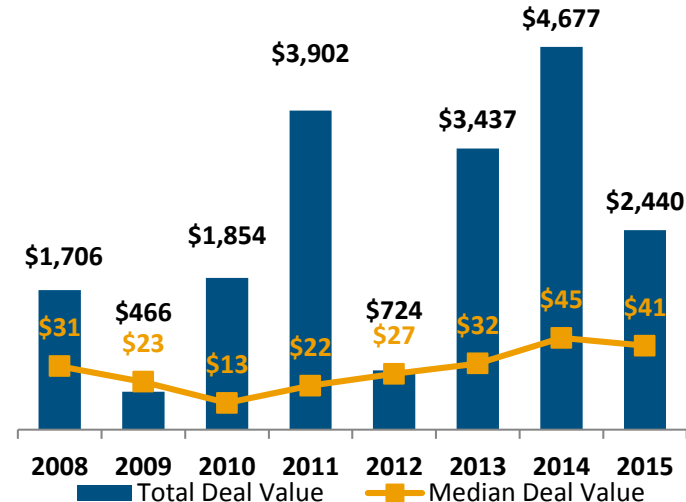
Note: Includes all bank and thrift deals in AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, VA, and WV
Data Source: SNL Financial as of August 31, 2015.

SOUTHEAST WHOLE BANK M&A SINCE 2009

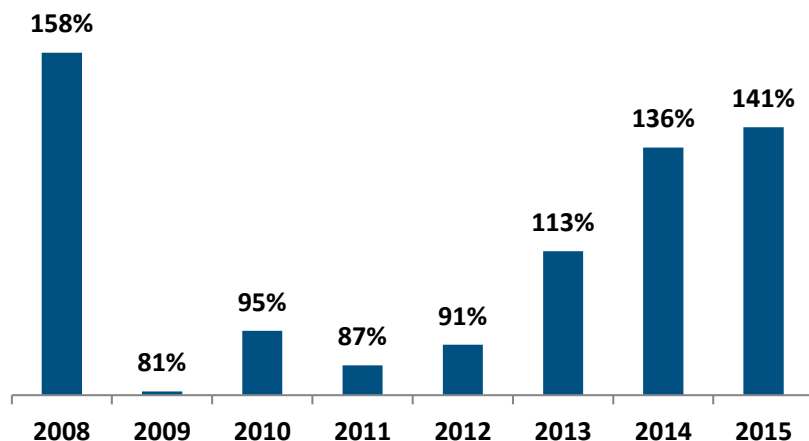
Number of Transactions



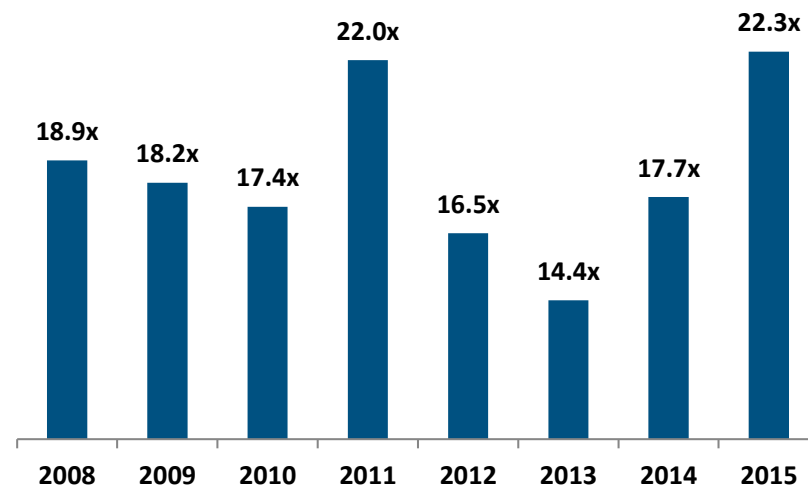
Deal Value (\$ Millions)



Price / Tangible Book Value (%)



Price / LTM Earnings (x)

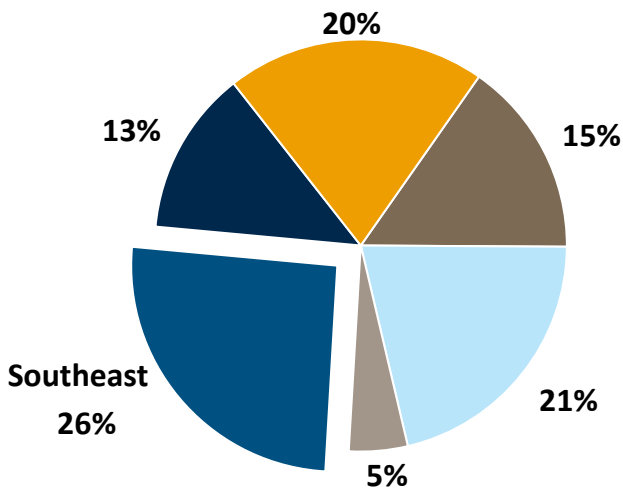


note: includes all bank and thrift deals in the southeast where the target's assets were greater than \$100 million and deal value is announced; excludes mergers of equals; Price / LTM Earnings multiples less than zero or greater than 30 not included in the median calculation

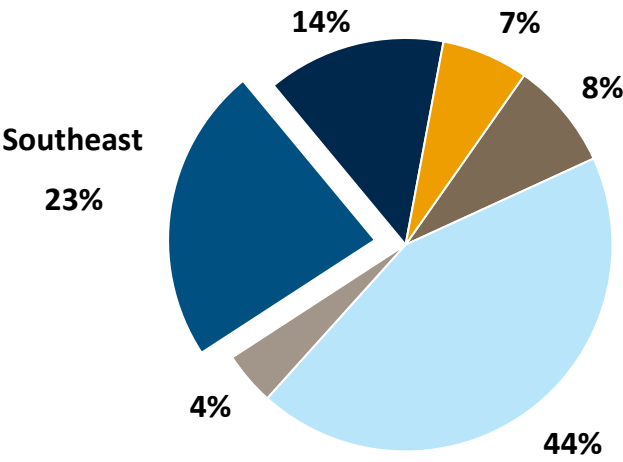
Data Source: SNL Financial as of August 31, 2015

SOUTHEAST BANKING LANDSCAPE: REGIONAL PERSPECTIVE

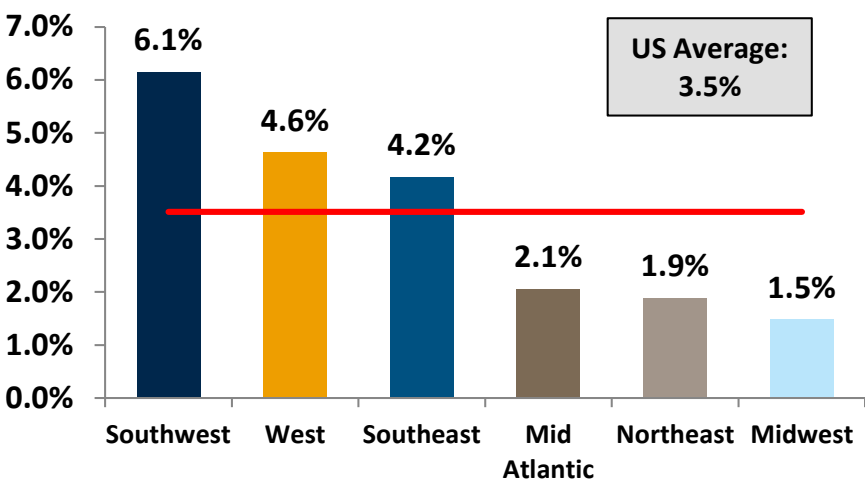
Geographic Distribution Of Population



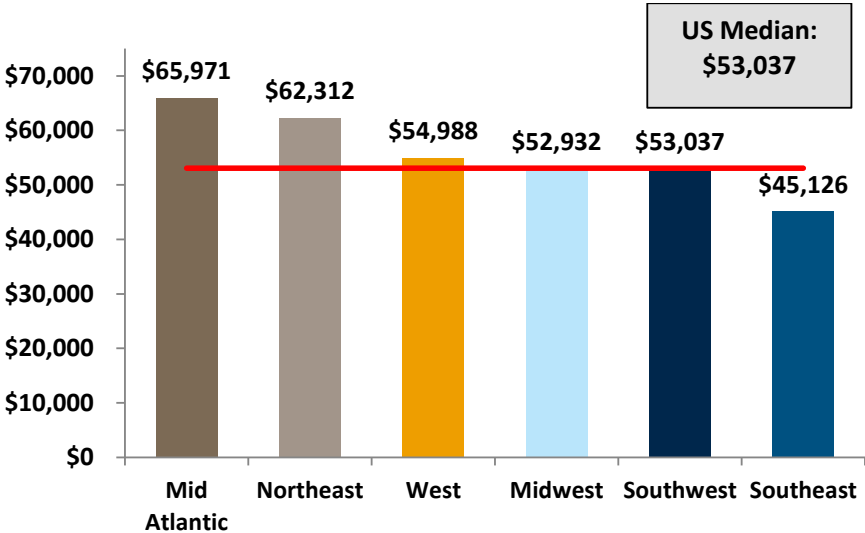
Geographic Distribution Of Banks



Projected Population Growth (2015 – 2020)

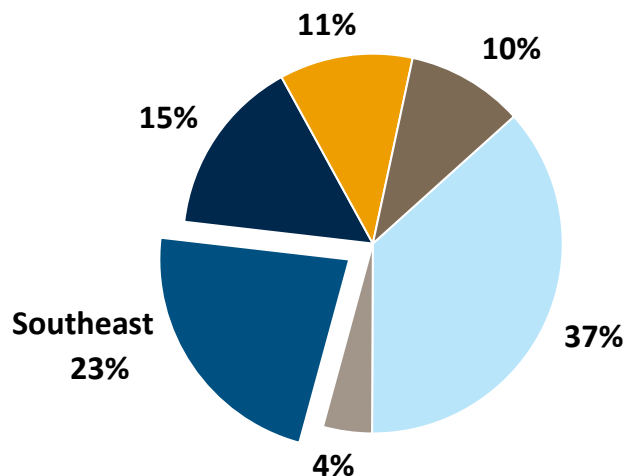


Median Household Income

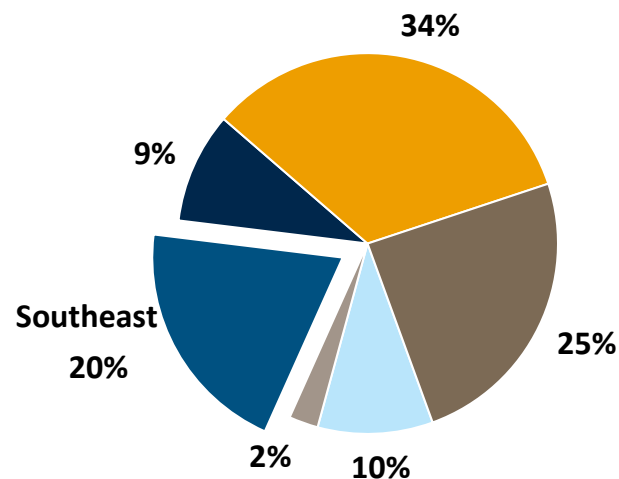


SOUTHEAST BANKING LANDSCAPE: REGIONAL PERSPECTIVE

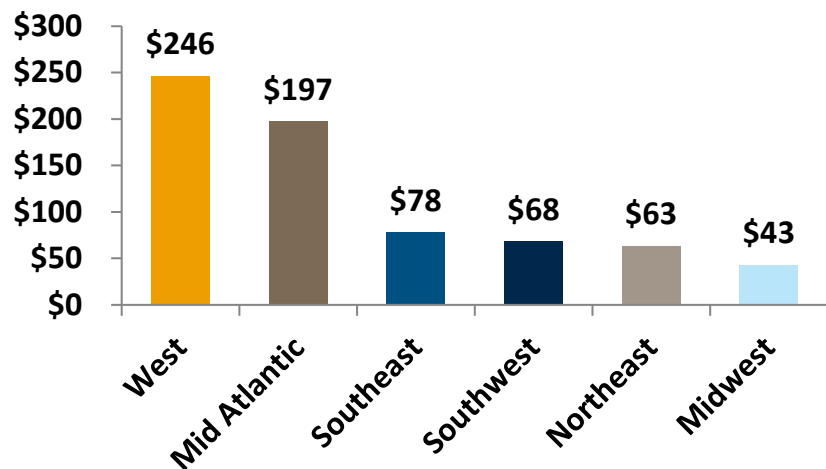
Regional M&A Activity (# Of Deals)



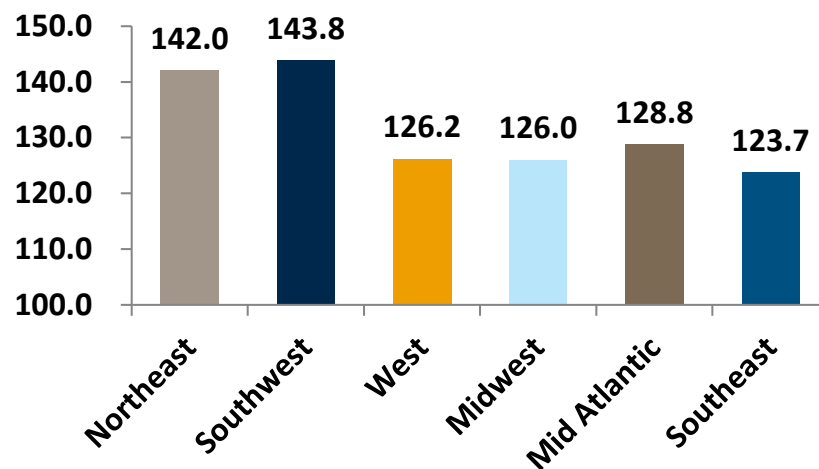
Regional M&A Activity (\$ Volume)



Average Deal Size



Price / Tangible Book Value (%)



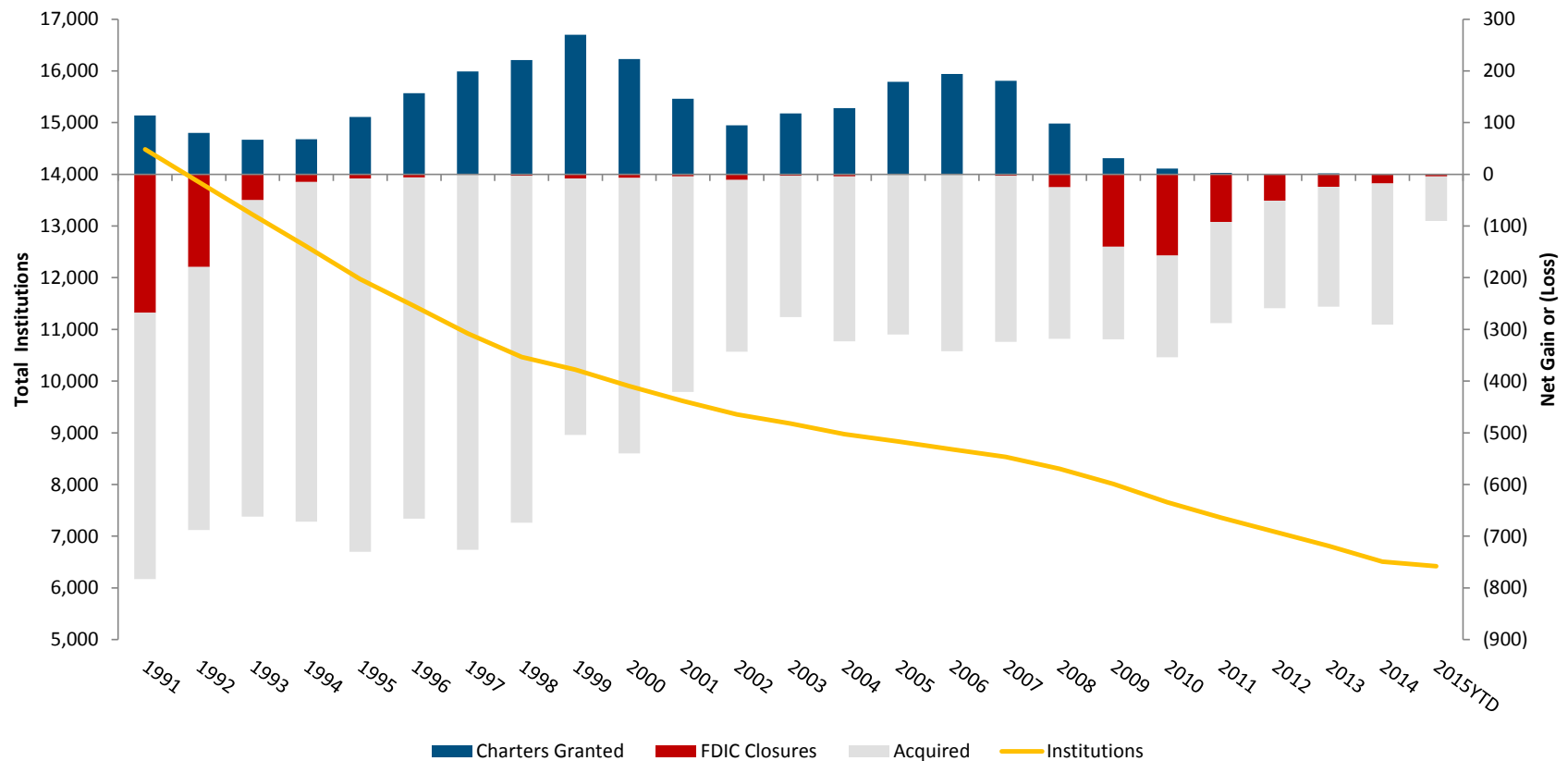
What's Next?

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

BRIAN BRANSON – MANAGING DIRECTOR

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

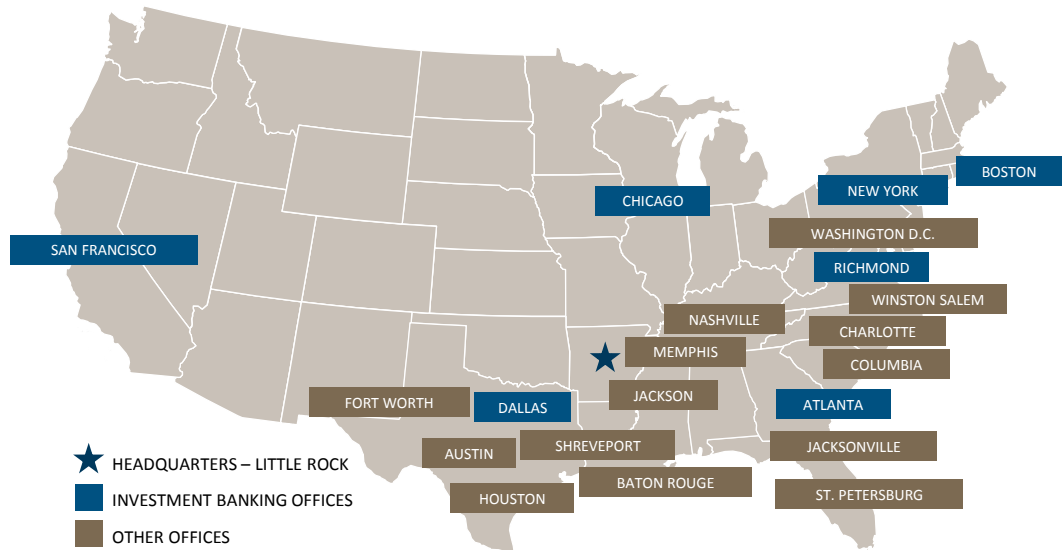
- Franklin Financial Network, Inc.’s \$55 million IPO
- Avenue Financial Holdings, Inc.’s \$32 million IPO
- Investar Holding Corporation’s \$40 million IPO
- Florida Bank Group, Inc. Private Placement of \$33.0 million of Investment Units
- First NBC Bank Holding Company’s \$115 million IPO
- United 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

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



SUBSTANTIAL COMMITMENT TO THE DEPOSITORY SPACE

The Right Team and the Right Time

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

Jeff Jones
Managing Director
Chicago
Midwest 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

Jay Brogdon*
Vice President
Little Rock
Southern Depositories

EQUITY CAPITAL MARKETS

Scott Studwell
Managing Director
New York
Nationwide Depositories

EQUITY RESEARCH

Matt Olney*
Publishing Analyst

Erik Zwick
Publishing Analyst

Terry McEvoy
Publishing Analyst

Matthew Sealy*
Associate

Tyler Stafford*
Publishing Analyst

Austin Nicholas
Associate

RECENT FIG TRANSACTION EXPERIENCE

\$80 Million *Pending*



Independent Bank Group

Has Agreed to Acquire



GRAND
BANK

Financial Advisor

\$37 Million *Pending*



RIVER
BANK & TRUST

Agreed to merge with



KEYSTONE
BANK

Financial Advisor & Fairness Opinion

\$83 Million *2015*



MAGNA BANK


Has merged with



Pinnacle
FINANCIAL PARTNERS

Financial Advisor

\$65 Million *2015*



HAPPY STATE BANK
EST. 1908

Subordinated Notes

Joint Lead Bookrunner

\$22 Million *2015*



VERITEX
HOLDINGS, INC.

Has Acquired



IBT Independent
Bank of Texas

Financial Advisor

\$187 Million *2015*



Pinnacle
FINANCIAL PARTNERS

Has Acquired



CAPITALMARK
BANK & TRUST

*Financial Advisor **

\$55 Million *2015*



FRANKLIN
FINANCIAL NETWORK

Initial Public Offering

*Co-Manager**

\$30 Million *2015*



avenuebank

Initial Public Offering

*Co-Manager**

\$53 Million *2015*



First National Bank

Has merged with



United
Community Banks

*Financial Advisor **

\$195 Million *2015*



GEORGIA
COMMERCE
BANK

Sale to



IBERIABANK
Corporation™

*Financial Advisor **

\$243 Million *2015*



First State

Sale to



Simmons First
National Corporation

*Financial Advisor **

\$350 Million *2015*



HILLTOP HOLDINGS

Has Acquired



SWS GROUP
Building what you value.®

Financial Advisor