

A Changing Landscape In Banking

Very Little Is Boring As The Industry Evolves



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3 Reasons To Like Banks:

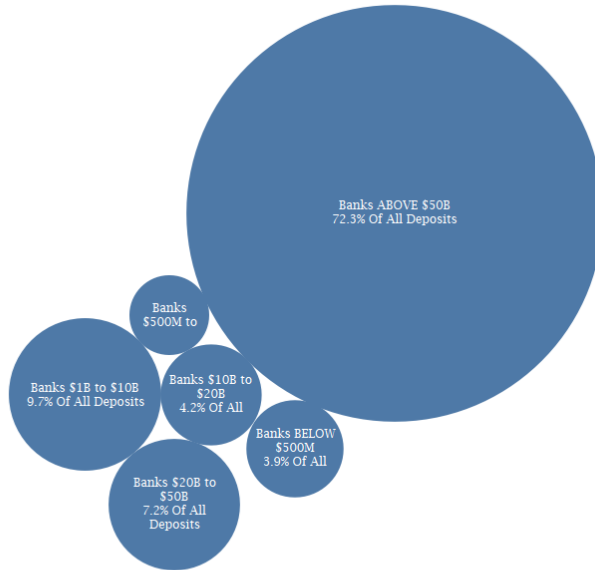
- **Solid dividend yields with growing payouts**
- **High capital, low leverage, low losses = Safety**
- **Consolidation creates “scarcity value” (M&A changes the opportunities for existing Banks)**

Bankers and Investors must remember:

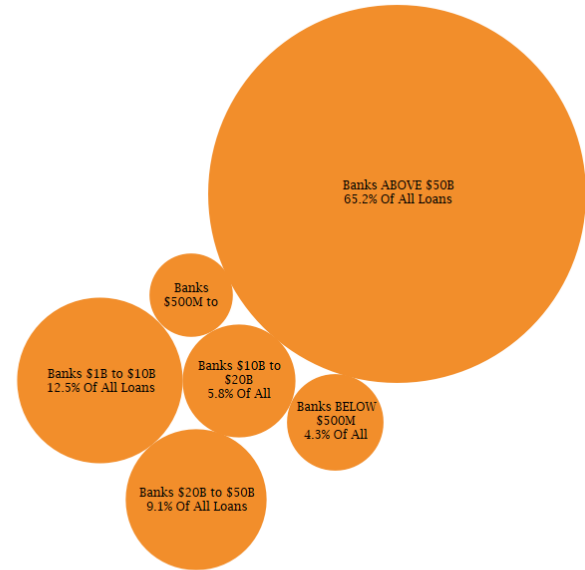
- **“Deposits Rule” in our financial system**
- **Credit is available from many outlets beyond traditional Banks (many sources untested)**
- **Innovation Everywhere: major expense impact (challenge is spending now to save later)**
- **Value still exists in a U.S. Bank charter ... expect few de novos, focus on existing players**
- **The “I” word (I-N-E-R-T-I-A) *a blessing & curse***

Large Banks Dominate ...

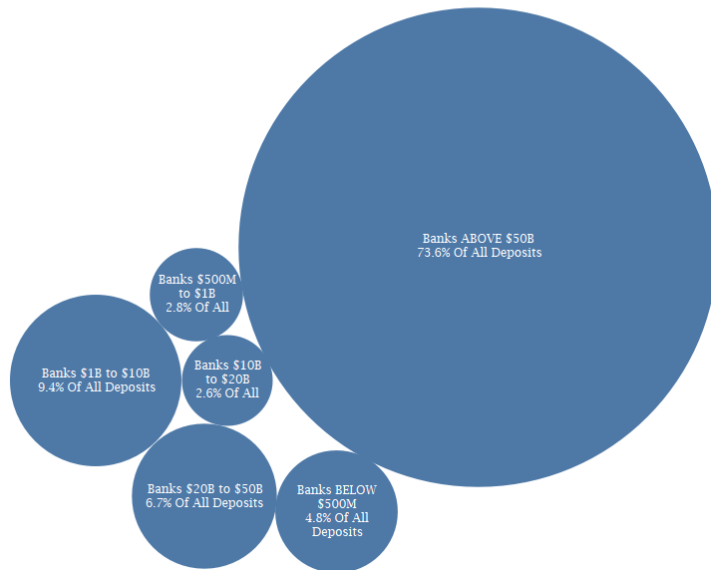
Deposit Distribution By Total Assets In 2019



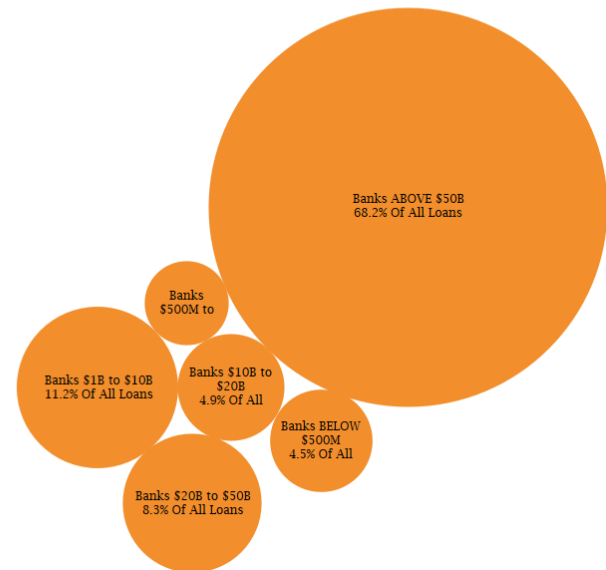
Loan Distribution By Total Assets In 2019



Deposit Distribution By Total Assets In 2015

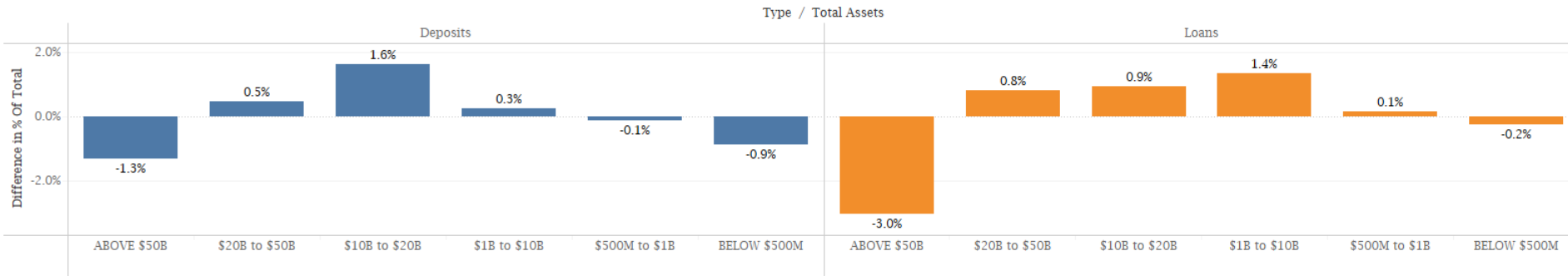


Loan Distribution By Total Assets In 2015



Watch The Emerging Mid-Sized Banks

Difference Between 2015 and 2019



Source: Janney Research (FIG Group), S&P Global MI, FDIC Call Report Data

Relative Size - TOTAL Deposits

	12/31/2019	12/31/2015
ABOVE \$50B	72.3%	73.6%
\$20B to \$50B	7.2%	6.7%
\$10B to \$20B	4.2%	2.6%
\$1B to \$10B	9.7%	9.4%
\$500M to \$1B	2.7%	2.8%
BELOW \$500M	3.9%	4.8%

Relative Size - Core Deposits

	12/31/2019	12/31/2015
ABOVE \$50B	75.4%	77.0%
\$20B to \$50B	6.8%	6.4%
\$10B to \$20B	4.0%	2.3%
\$1B to \$10B	8.5%	8.3%
\$500M to \$1B	2.2%	2.2%
BELOW \$500M	3.1%	3.7%

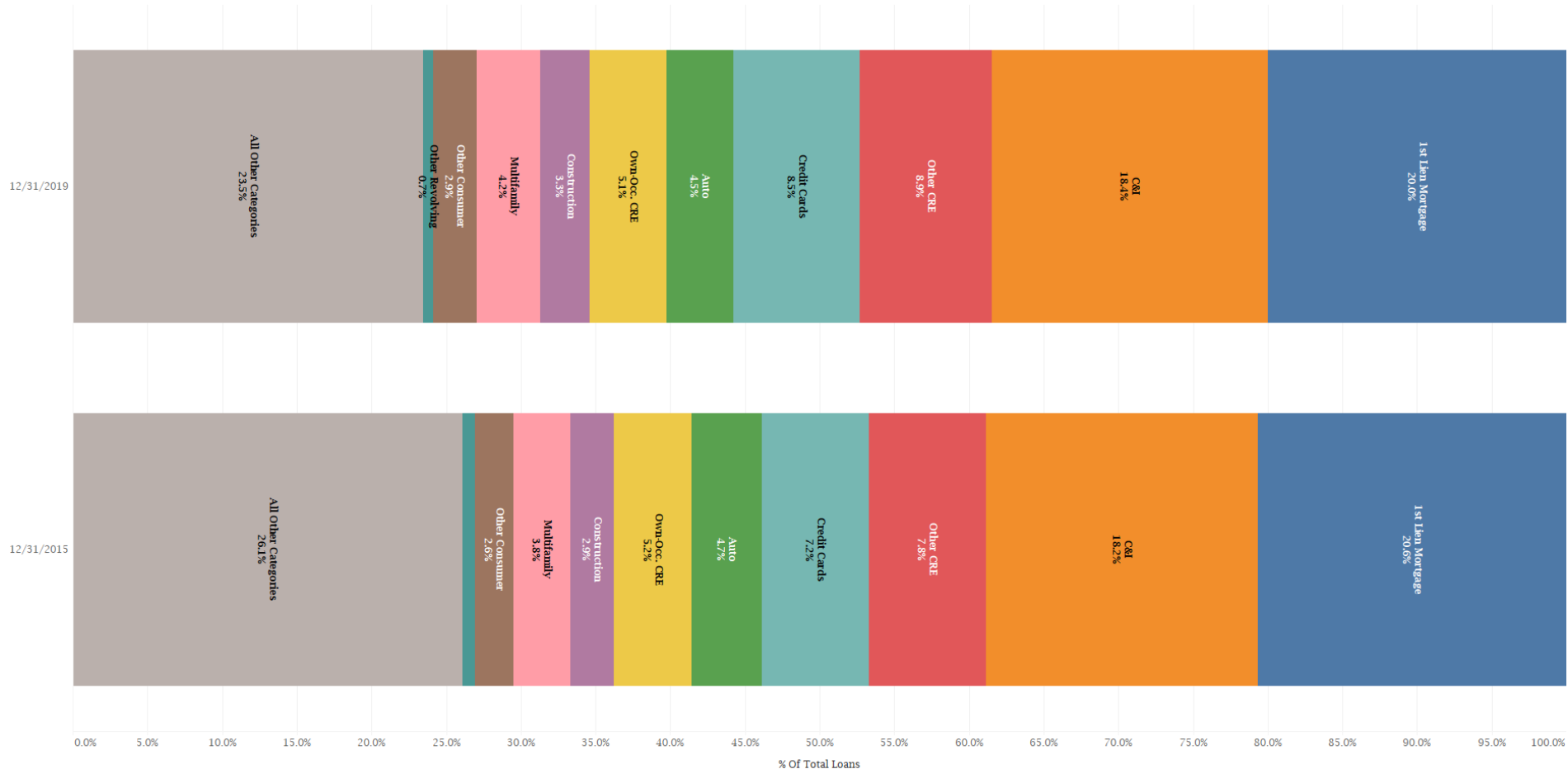
Relative Size - TOTAL LOANS

	12/31/2019	12/31/2015
ABOVE \$50B	65.2%	68.2%
\$20B to \$50B	9.1%	8.3%
\$10B to \$20B	5.8%	4.9%
\$1B to \$10B	12.5%	11.2%
\$500M to \$1B	3.2%	3.0%
BELOW \$500M	4.3%	4.5%

The winners the past 4 years are mid-sized Banks as small as \$1B and as large as \$50B. Note how the industry's mid-section shifted.

Total Bank Loans Split 2019 vs 2015

Shifts In The 10 Main Loan Portfolios
All Banks 2019 vs. 2015



Source: Janney Research (FIG Group), S&P Global MI, FDIC Call Report Data

Total Loans are split into 10 major Loan types ... only modest shifts occurred in the past 4 years

Study Bank Lending: 2019 vs 2015

Relative Size - C&I

	12/31/2019	12/31/2015
ABOVE \$50B	72.1%	74.7%
\$20B to \$50B	9.1%	8.8%
\$10B to \$20B	3.9%	3.0%
\$1B to \$10B	10.0%	8.6%
\$500M to \$1B	2.2%	2.1%
BELOW \$500M	2.7%	2.8%

Relative Size - Other CRE

	12/31/2019	12/31/2015
ABOVE \$50B	38.5%	46.3%
\$20B to \$50B	13.8%	12.1%
\$10B to \$20B	10.4%	7.7%
\$1B to \$10B	25.0%	21.8%
\$500M to \$1B	6.2%	5.8%
BELOW \$500M	6.1%	6.2%

Relative Size - Own.Occ. CRE

	12/31/2019	12/31/2015
ABOVE \$50B	33.7%	41.1%
\$20B to \$50B	12.8%	11.7%
\$10B to \$20B	10.0%	7.7%
\$1B to \$10B	24.8%	21.2%
\$500M to \$1B	8.1%	7.7%
BELOW \$500M	10.6%	10.6%

Relative Size - Multifamily

	12/31/2019	12/31/2015
ABOVE \$50B	52.7%	59.3%
\$20B to \$50B	11.8%	9.9%
\$10B to \$20B	6.9%	5.6%
\$1B to \$10B	21.6%	18.4%
\$500M to \$1B	3.5%	3.3%
BELOW \$500M	3.5%	3.5%

Relative Size - Construction

	12/31/2019	12/31/2015
ABOVE \$50B	34.7%	43.8%
\$20B to \$50B	14.3%	11.4%
\$10B to \$20B	10.2%	7.6%
\$1B to \$10B	25.2%	22.0%
\$500M to \$1B	7.4%	7.0%
BELOW \$500M	8.1%	8.1%

Relative Size - 1st Lien Mortgage

	12/31/2019	12/31/2015
ABOVE \$50B	63.8%	66.3%
\$20B to \$50B	8.1%	6.8%
\$10B to \$20B	6.3%	5.3%
\$1B to \$10B	12.4%	11.8%
\$500M to \$1B	3.7%	3.7%
BELOW \$500M	5.7%	6.1%

Source: Janney Research (FIG Group), S&P Global MI, FDIC call report filings

Aggregate Loan \$dollars for each major category are split by Asset bucket in 2015 vs 2019 to illustrate the relative changes.

In many cases, mid-sized Banks have gained influence.

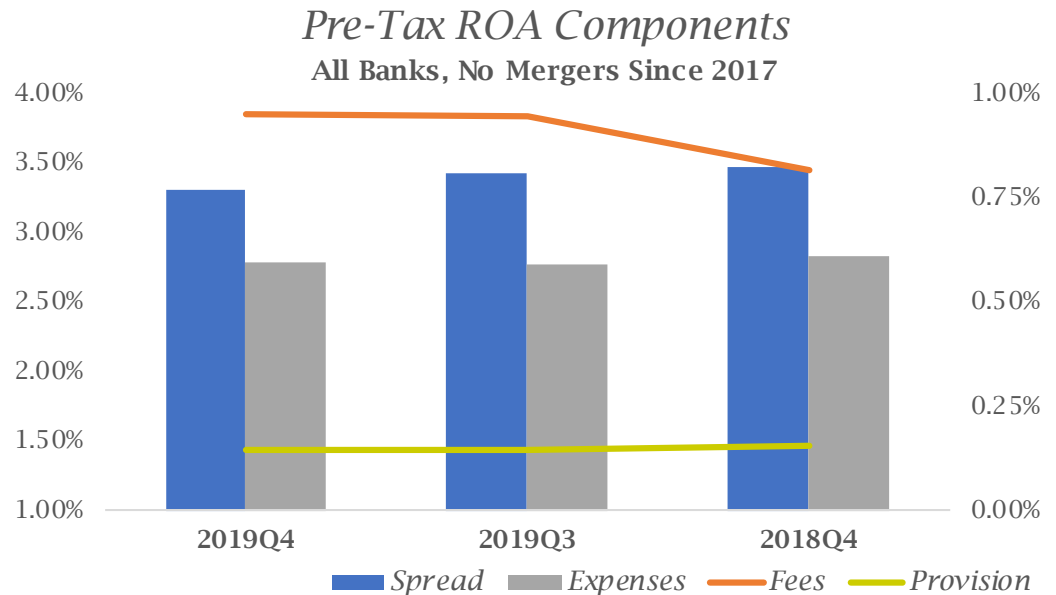
The Components Of Pre-Tax ROA

All Banks, No M&A

Pre-Tax ROA Components

	2019Q4	2019Q3	2018Q4
Spread	3.30%	3.42%	3.47%
Fees	0.95%	0.95%	0.81%
Expenses	2.78%	2.77%	2.82%
Provision	0.14%	0.14%	0.15%

Source: Janney Research (FIG Group), S&P Global MI



Source: Janney Research, S&P Global MI

These averages for all Banks with zero M&A deals illustrate how spread earnings declined in the past quarter and last 12 months.

Fees improved (via Mortgage activity, but also steady Deposit, Debit, and Loan items) and Expenses are steady (often higher on incentive compensation via Mortgage) and provision had a minor uptick from very low levels.

Pre-Tax ROA By Asset Size

>\$50B

Pre-Tax ROA Components

	2019Q4	2019Q3	2018Q4
Spread	2.67%	2.73%	2.85%
Fees	1.73%	1.69%	1.58%
Expenses	2.59%	2.56%	2.65%
Provision	0.29%	0.29%	0.27%

\$10B - \$50B

Pre-Tax ROA Components

	2019Q4	2019Q3	2018Q4
Spread	3.22%	3.32%	3.48%
Fees	0.97%	0.99%	0.90%
Expenses	2.39%	2.40%	2.44%
Provision	0.23%	0.19%	0.21%

\$1B - \$10B

Pre-Tax ROA Components

	2019Q4	2019Q3	2018Q4
Spread	3.21%	3.30%	3.35%
Fees	0.89%	0.91%	0.78%
Expenses	2.61%	2.61%	2.62%
Provision	0.14%	0.13%	0.14%

AVERAGES:

Pre-Tax ROA (%)

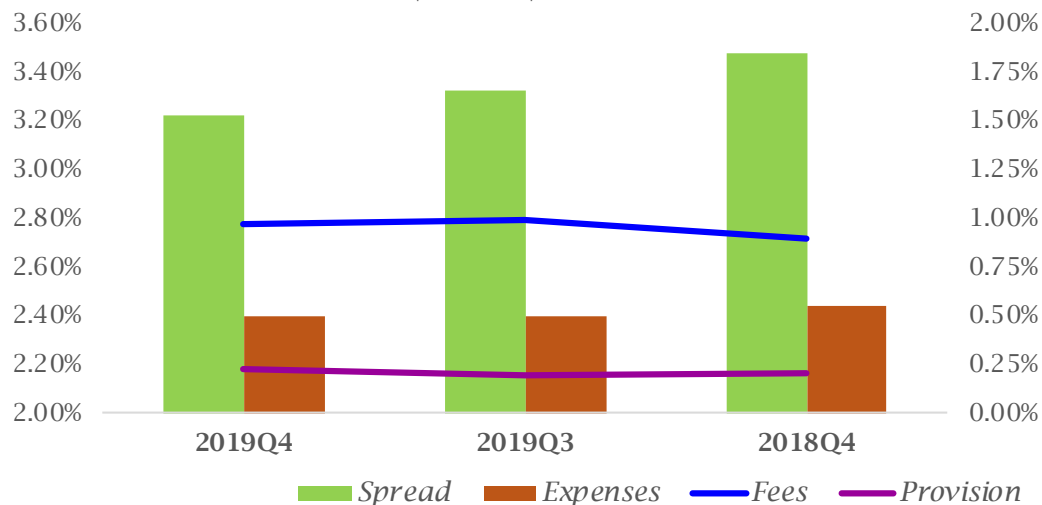
	2019Q4	2019Q3	2018Q4
>\$50B	1.51%	1.56%	1.50%
\$10B - \$50B	1.57%	1.72%	1.73%
\$1B - \$10B	1.34%	1.47%	1.36%
\$500M - \$1B	1.33%	1.37%	1.31%
>\$500M	1.13%	1.38%	1.04%

Pre-Tax ROA (%) - Median

	2019Q4	2019Q3	2018Q4
	1.27%	1.45%	1.34%

Pre-Tax ROA Components

Banks \$10B to \$50B In Assets

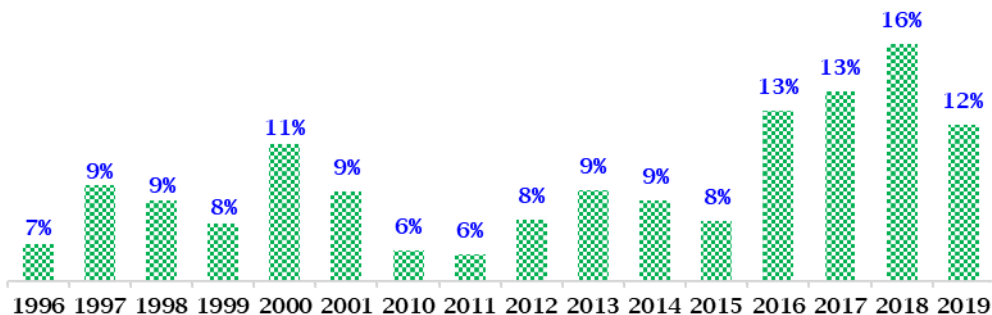


Source: Janney Research, S&P Global MI

Largest change in Pre-Tax ROA was in \$10B to \$50B Banks thanks to weaker spread income in 4Q-2019

M&A Theme #1: Small Deals (Faster)

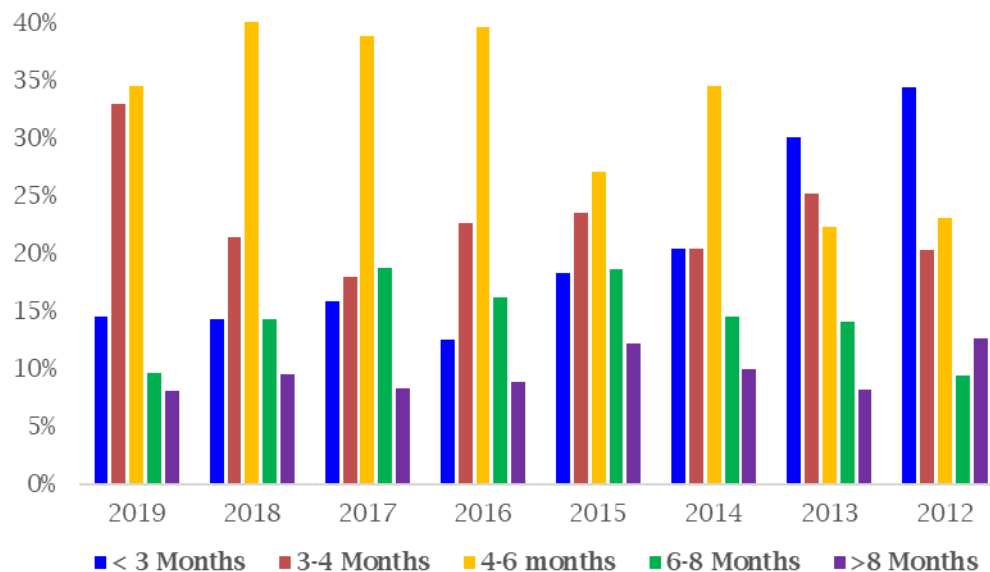
% Bank M&A Deals Above \$1 Billion In Assets



Banks above \$1B+ in Assets are still a small percentage of merger activity.

More deals close faster too!

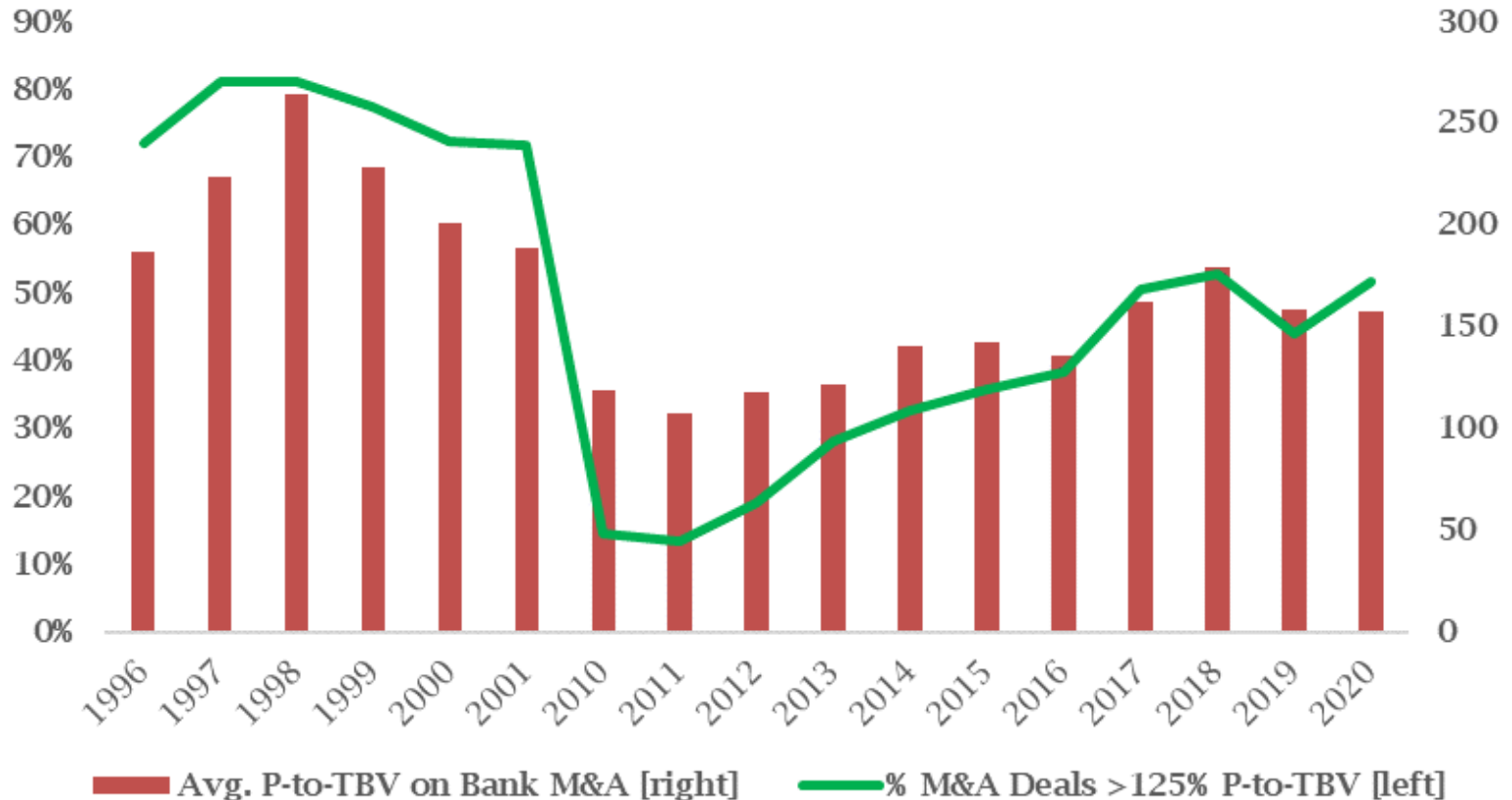
Time to Close M&A Deals
Data Reflects Year of Deal Closing



M&A Theme #2: Solid Pricing

Reviewing Bank M&A Pricing:

Late 1990s/Early 2000s vs. Recent Years



Source (all M&A data): Janney Research (FIG Group), S&P Global MI

Pricing is not at a peak – we see little reason to complain

MOE Deals = 7% Of M&A

Announce Date	Buyer	Ticker	Target	Ticker	State	Deal Value (\$M)	Price-to-Tangible Book (%)	ASSETS: Buyer vs. Seller
01/27/2020	South State Corporation	SSB	CenterState Bank Corporation	CSFL	FL	3,224.6	208.0	91%
11/04/2019	First Horizon National Corporation	FHN	IBERIABANK Corporation	IBKC	LA	3,953.7	141.9	138%
09/09/2019	First Defiance Financial Corp.	FDEF	United Community Financial Corp.	UCFC	OH	474.9	160.0	114%
08/20/2019	Community First Bancshares, Inc. (MHC)	CFBI	ABB Financial Group, Inc.		GA	40.3	158.1	99%
08/12/2019	Professional Holding Corp.	PFHD	Marquis Bancorp, Inc.		FL	NA	NA	107%
03/25/2019	ChoiceOne Financial Services, Inc.	COFS	County Bank Corp	CBNC	MI	89.0	150.5	109%
02/07/2019	BB&T Corporation	BBT	SunTrust Banks, Inc.	STI	GA	28,282.6	178.9	105%
01/28/2019	TCF Financial Corporation	TCF	Chemical Financial Corporation	CHFC	MI	3,551.9	NA	110%
11/06/2018	North Easton Savings Bank		Mutual Bank		MA	NA	NA	107%
08/29/2018	BV Financial, Inc. (MHC)	BVFL	Kopernik Bank		MD	NA	NA	106%
08/08/2018	WSFS Financial Corporation	WSFS	Beneficial Bancorp, Inc.	BNCL	PA	1,507.4	172.7	123%
02/09/2018	Bosshard Financial Group, Inc.		Oregon Bancorp, Inc.		WI	NA	NA	94%
08/15/2017	Howard Bancorp, Inc.	HBMD	1st Mariner Bank		MD	163.3	116.0	113%
04/20/2017	Riverview Financial Corporation	RIVE	CBT Financial Corporation	CBTC	PA	49.2	126.7	111%
03/07/2017	Sterling Bancorp	STL	Astoria Financial Corporation	AF	NY	2,229.7	158.6	97%
12/13/2016	Southern National Bancorp of Virginia, Inc.	SONA	Eastern Virginia Bankshares, Inc.	EVBS	VA	180.9	154.6	86%
10/24/2016	Access National Corporation	ANCX	Middleburg Financial Corporation	MBRG	VA	263.9	200.7	102%
08/29/2016	Standard Financial Corp.	STND	Allegheny Valley Bancorp, Inc.	AVLY	PA	53.6	123.2	111%
01/26/2016	Chemical Financial Corporation	CHFC	Talmer Bancorp, Inc.	TLMR	MI	1,117.8	145.9	139%
10/14/2015	NCAL Bancorp	NCAL	Commercial Bank of California		CA	NA	NA	113%
11/05/2014	Banner Corporation	BANR	Starbuck Bancshares, Inc.		WA	701.6	147.9	116%
01/21/2014	Center Bancorp, Inc.	CNBC	ConnectOne Bancorp, Inc.	CNOB	NJ	239.7	179.3	135%
06/10/2013	Union First Market Bankshares Corporation	UBSH	StellarOne Corporation	STEL	VA	444.5	141.7	134%
04/04/2013	Provident New York Bancorp	PBNY	Sterling Bancorp	STL	NY	343.1	167.9	138%
11/23/2010	Banner County Ban Corporation		First State Bank		NE	NA	NA	115%
01/27/2014	Yadkin Financial Corporation	YDKN	VantageSouth Bancshares, Inc.	VSB	NC	298.9	158.6	85%

	City	State	TOTAL ASSETS	Interest Paid: %of Deposits
			2019Q4	
Millyard Bank	Nashua	NH	19,968	na
Loyal Trust Bank	Johns Creek	GA	25,679	na
Tandem Bank	Tucker	GA	35,356	0.99%
Gulf Capital Bank	Houston	TX	37,981	na
American Bank of the Carolinas	Monroe	NC	44,062	1.27%
Piermont Bank	New York	NY	45,298	1.35%
Generations Commercial Bank	Seneca Falls	NY	46,105	2.50%
Lexicon Bank	Las Vegas	NV	49,870	0.65%
New Valley Bank & Trust	Springfield	MA	63,358	1.82%
Mi Bank	Bloomfield Hills	MI	68,188	1.04%
Gulfside Bank	Sarasota	FL	77,978	0.92%
Watermark Bank	Oklahoma City	OK	90,742	1.65%
Grasshopper Bank, NA	New York	NY	100,221	1.51%
Ohio State Bank	Bexley	OH	109,994	1.08%
Trustar Bank	Great Falls	VA	132,029	1.06%
Studio Bank	Nashville	TN	225,276	1.70%
CommerceOne Bank	Birmingham	AL	241,256	1.21%
Gateway First Bank	Jenks	OK	1,498,327	0.81%

New and open Banks have been limited (with one re-positioned in OK)

Source: Janney Research (FIG Group), S&P Global MI, FDIC call report filings

Today's financial and technology ecosystem:

- **INNOVATION** via open regulatory sandboxes in Europe, Latin America, India, & Australia
- Compliance still matters, U.S. leads with high regulatory standards (not feet-dragging)
- Who wins the Deposits?
- Bank charters are valuable - *ask Varo & Radius*
- Lower costs offset lower spreads (*'19 fee benefit*)

De novos since 2018 include a mortgage bank buying an OK-based community Bank for cheap funds.

Gateway First Bank is now \$1.5B Assets.

Mortgage**rb.**

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Industry Insight ▾

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Residential Mortgage

Gateway Mortgage Group to Merge with Farmers Exchange Bank

By **Patrick Barnard** - February 9, 2019

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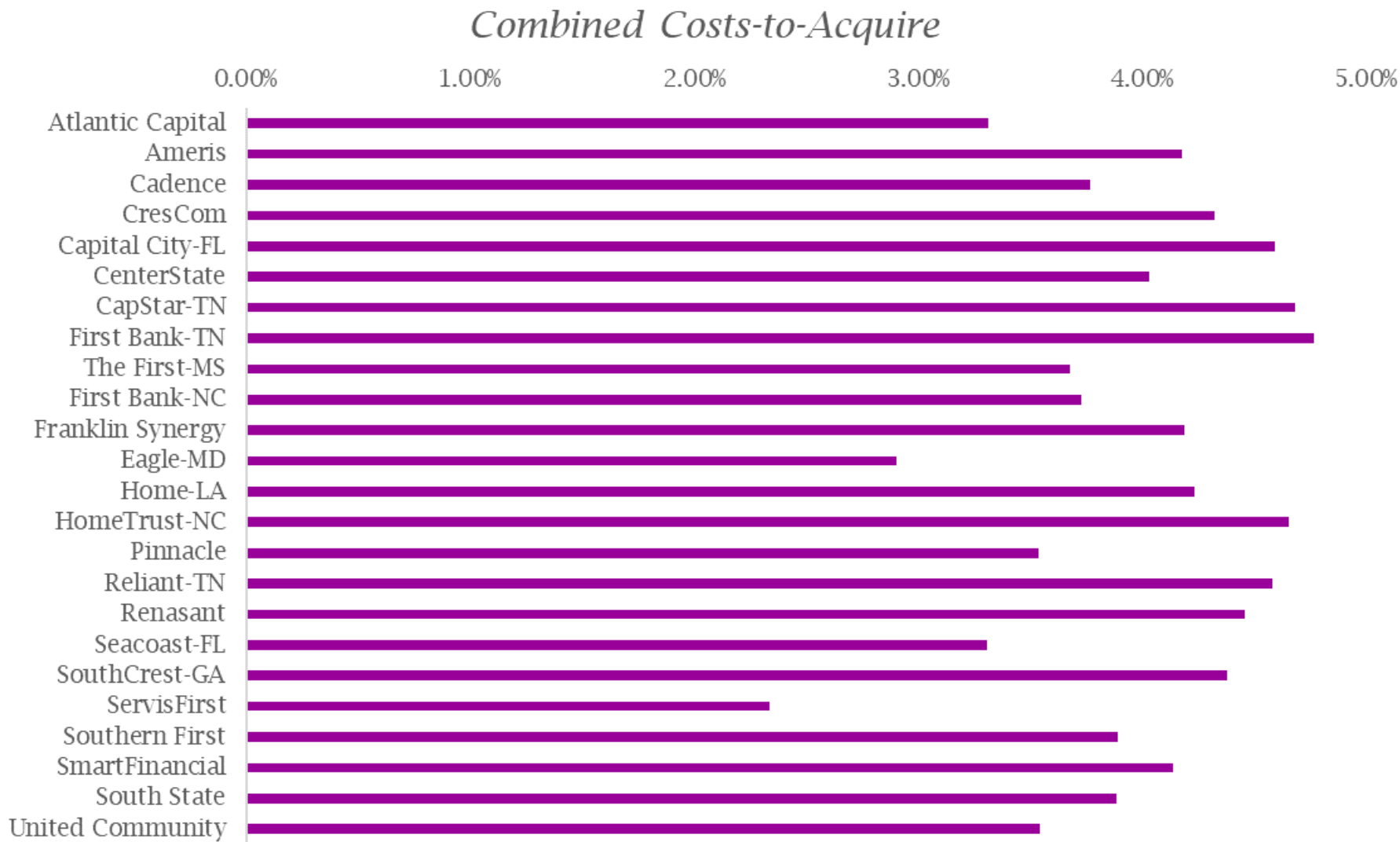
More



[Gateway Mortgage Group](#), a full-service mortgage company licensed in 40 states and the District of Columbia, recently received approval from the Federal Deposit Insurance Corporation (FDIC) to merge with [Farmers Exchange Bank](#) in Cherokee, Okla.

The new entity, Gateway First Bank, will be a diversified financial institution with a strong capital base, size and scale, the lender says in [tearh.com](#)

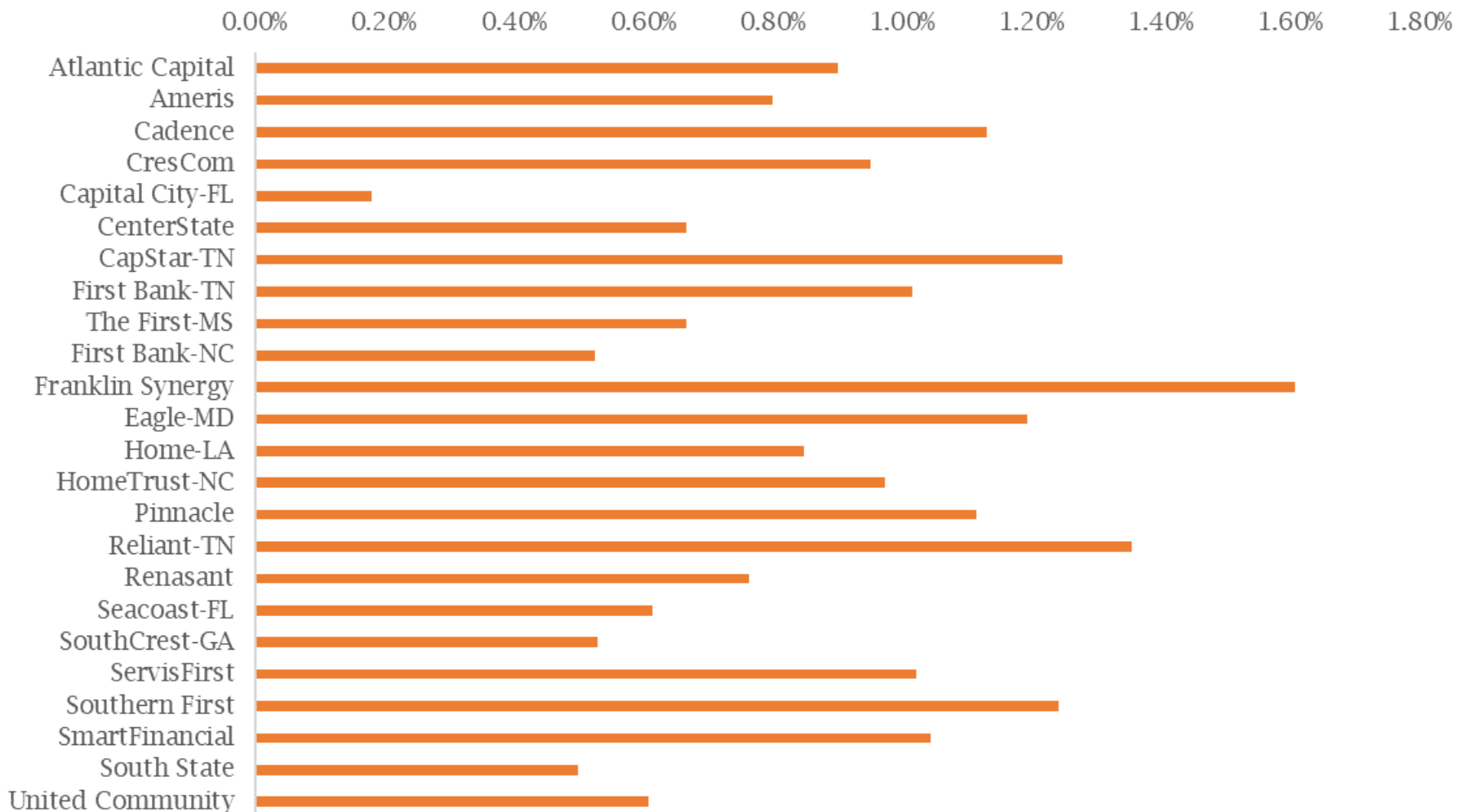
Key Is Deposit Acquisition Costs



We combine interest and overhead for true cost of Avg. Deposits

Interest Cost Is Not The Only Factor

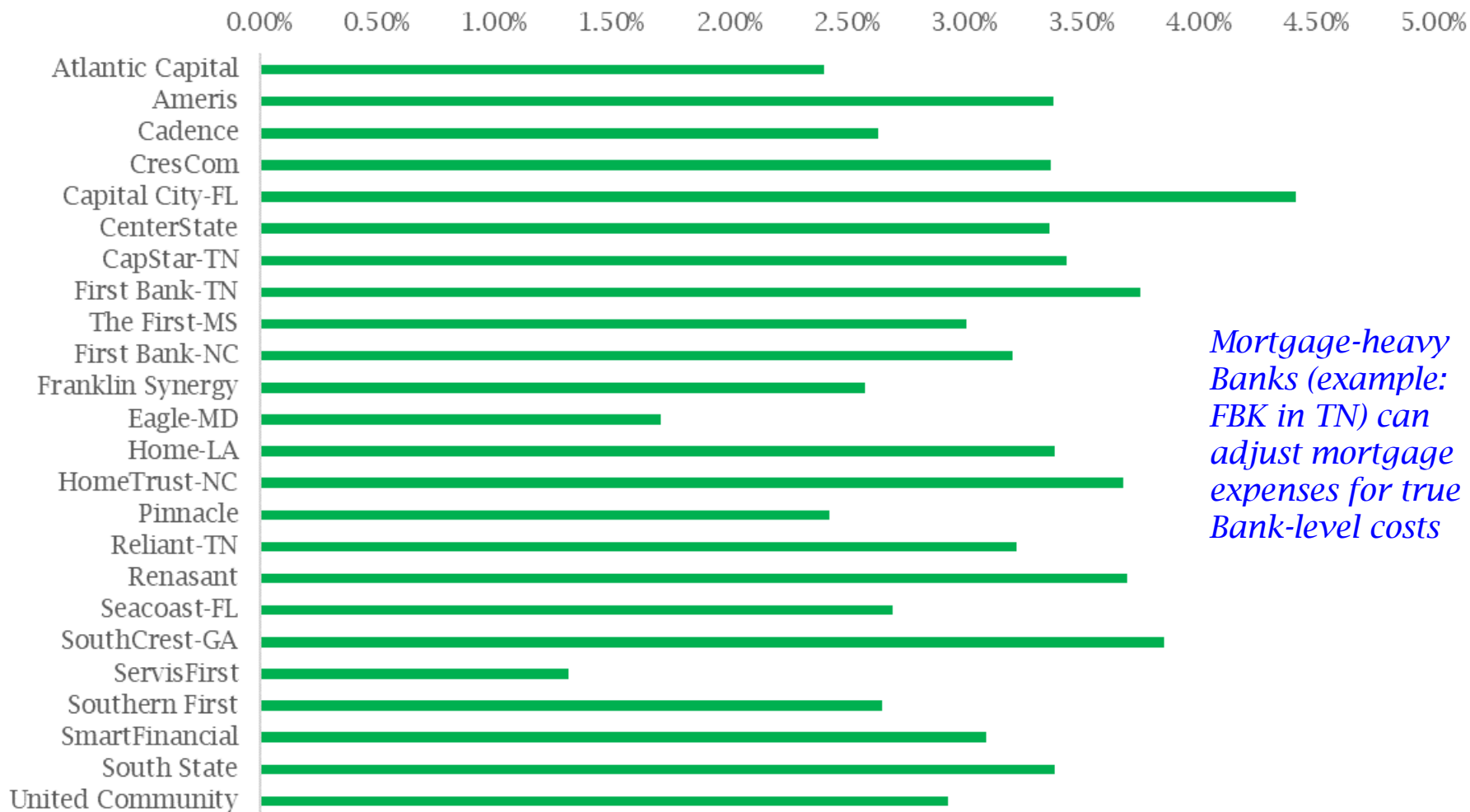
Interest Costs (% of Avg. Deposits)



Most recent FDIC disclosures for Deposit expense-to-Avg. Deposits

Overhead-to-Avg. Deposits Ratio

Expenses-to-Average Deposits

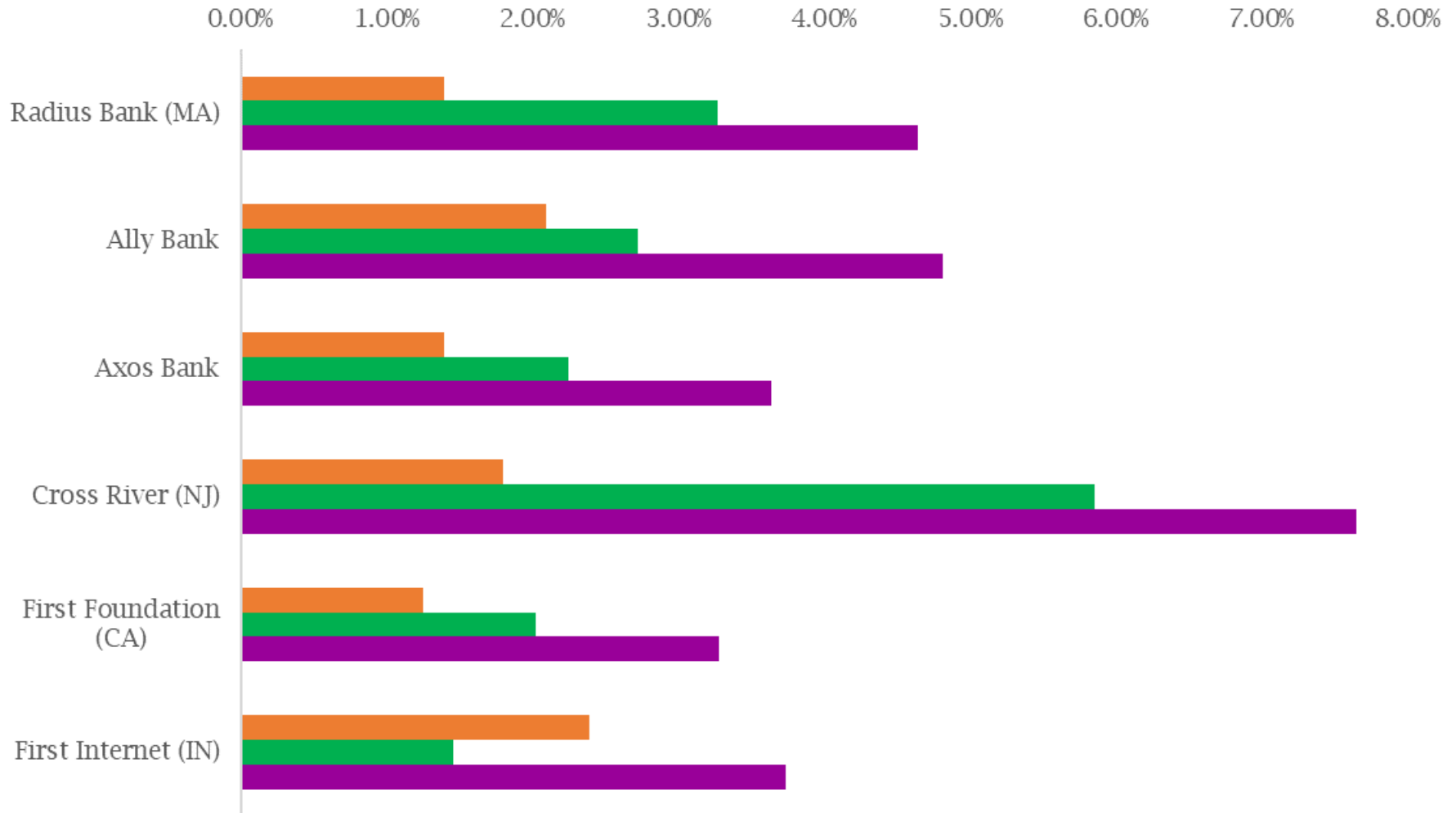


Mortgage-heavy Banks (example: FBK in TN) can adjust mortgage expenses for true Bank-level costs

Non-interest expenses as percentage of Avg. Deposits in 4Q-2019

Branch-Lite/Branch-less Banks

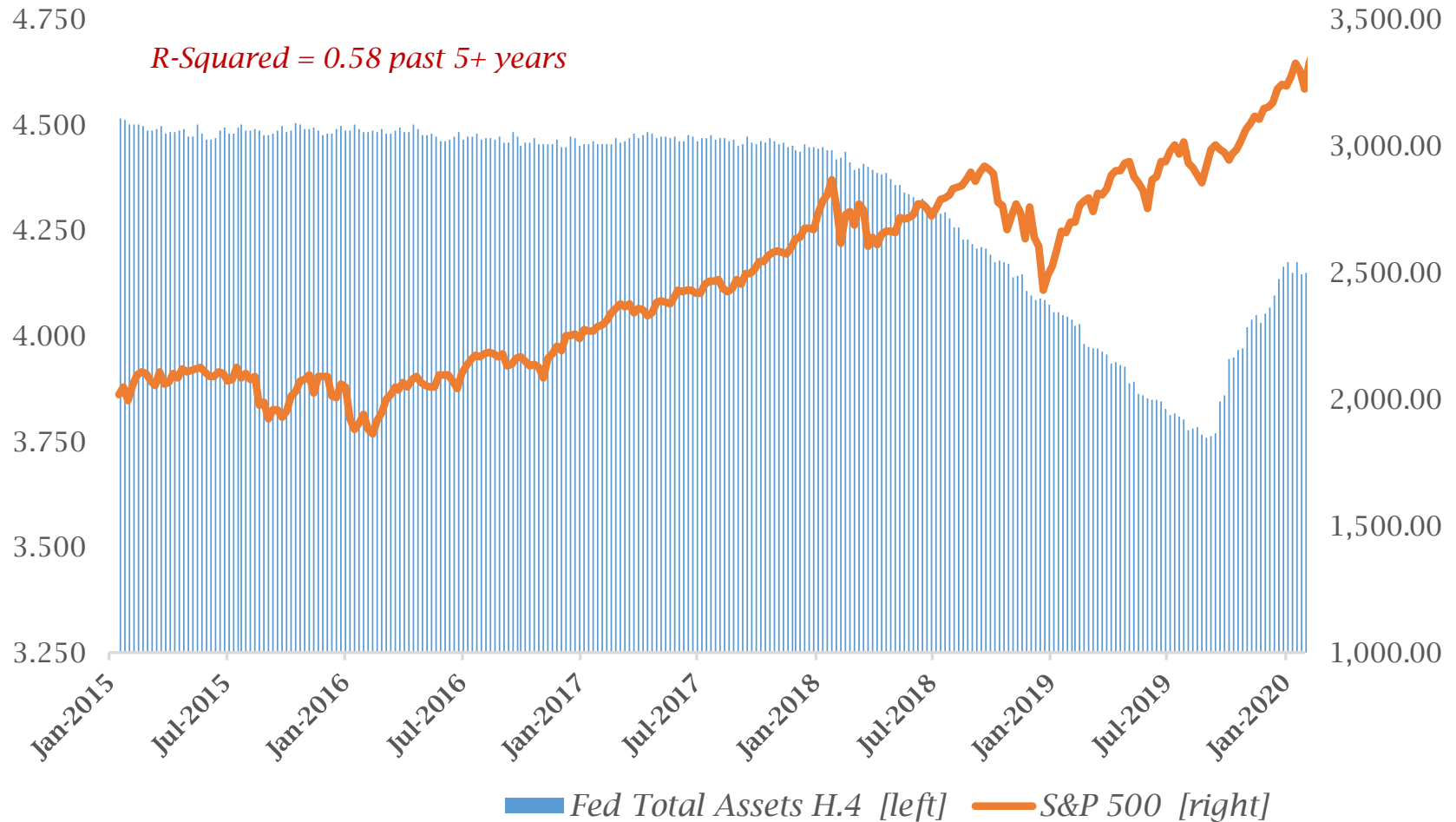
Total Acquisition Costs: (Interest + Expenses % of Avg. Deposits)



Fintech examples in the FDIC charter network (private and public)

Equity Market Loves The Fed!

Marrying The Fed's Balance Sheet With The S&P 500

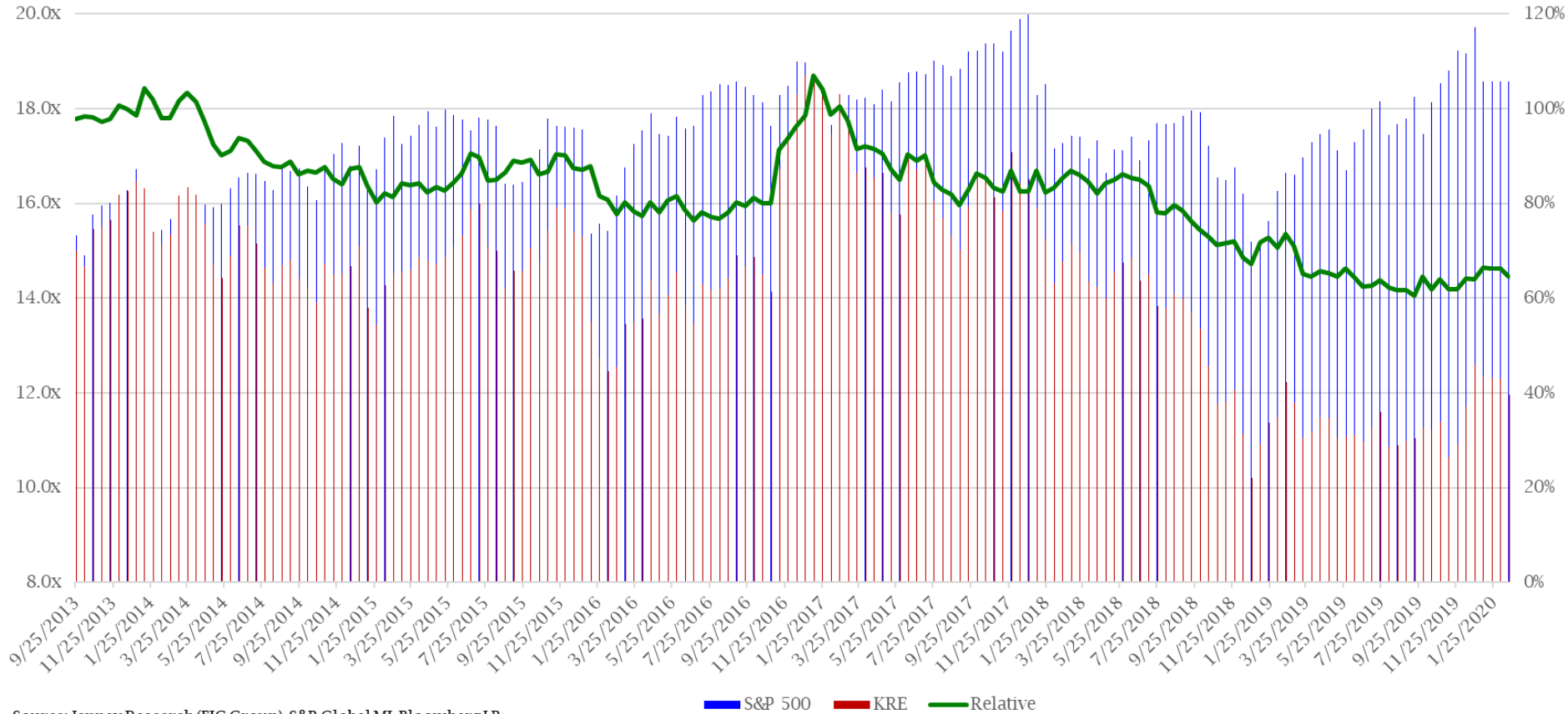


Source: Janney Research, Bloomberg LP

Positive relationship between Fed's Total Assets and S&P 500 index

Bank P/Es: Still Cheap vs. S&P 500

Banks' Relative P/E: KRE-S&P Bank ETF vs. S&P 500
14-Day Intervals, August 2013 to February 2020



Source: Janney Research (FIG Group), S&P Global MI, Bloomberg LP

■ S&P 500 ■ KRE — Relative

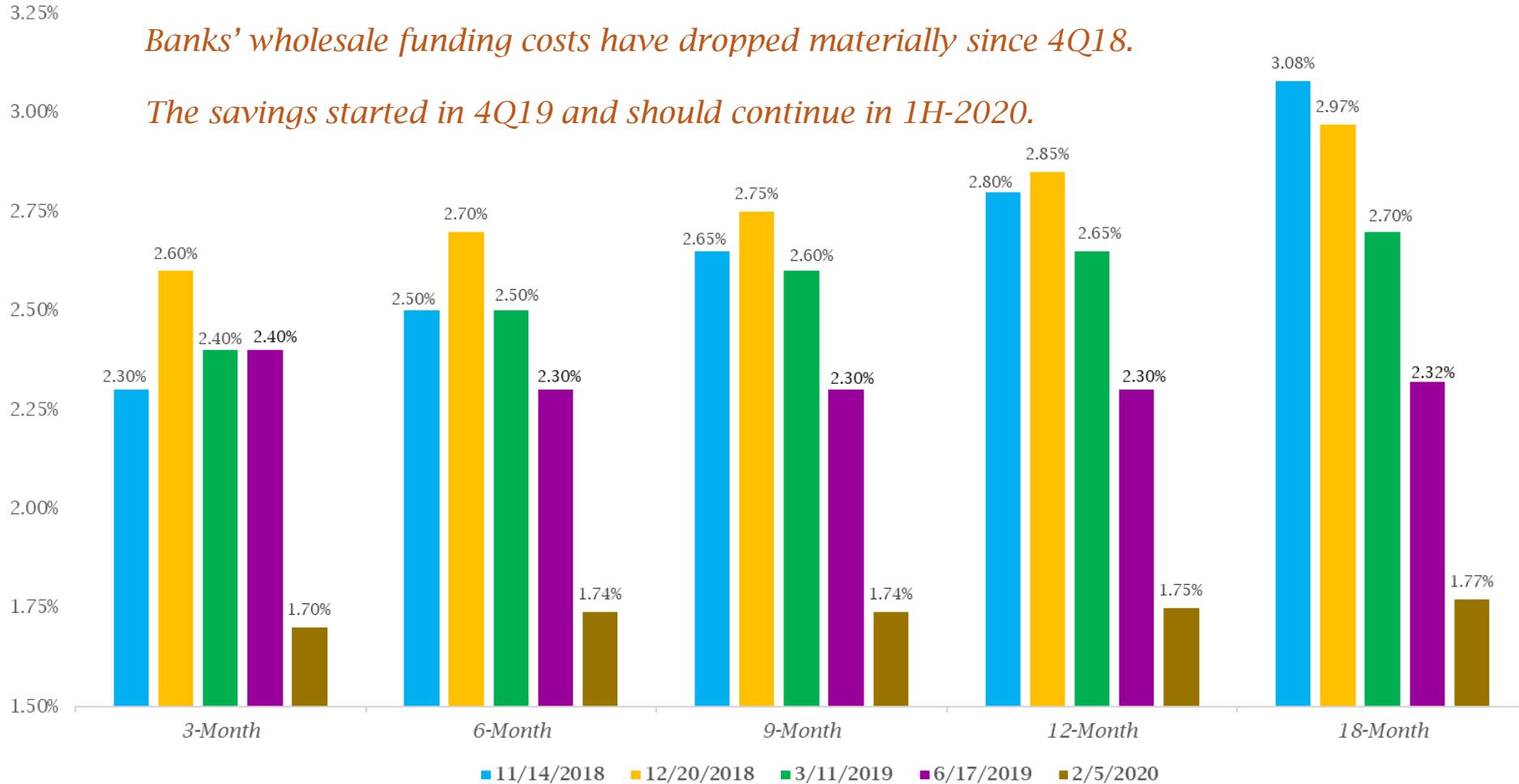
Banks in the KRE sector benchmark trades at 63% of the S&P 500, below the December 2018 price trough. This low relative P/E how Banks still have value.

CD Prices Signal Lower Funding Costs

Bullet CD Pricing Is Significantly Lower: *Nov-2018 vs Feb-2020*

Banks' wholesale funding costs have dropped materially since 4Q18.

The savings started in 4Q19 and should continue in 1H-2020.



Janney Research (FIG Group) / Janney Capital Markets' best-efforts funding price data (\$2M to \$5M)

Get real-time Janney's funding bids: James Belden 949-383-4080 jbelden@janney.com / Brandon Holton 404-926-2025 bholton@janney.com

Most Impact From “CD Turnover”

\$10B or Higher CD Balances - Sorted By % Maturing Of Total Deposits

	Parent Ticker	TOTAL DEPOSITS (\$000)	Cost of Int. Deposits
Synchrony Bank	SYF	68,598,000	2.34
New York Community Bank	NYCB	31,840,090	1.75
Ally Bank	ALLY	122,959,000	2.10
OneWest Bank, NA	CIT	35,823,085	1.91
Goldman Sachs Bank USA	GS	168,119,000	2.01
Capital One Financial Corporation	COF	338,835,347	1.77

Maturities In 2020Y

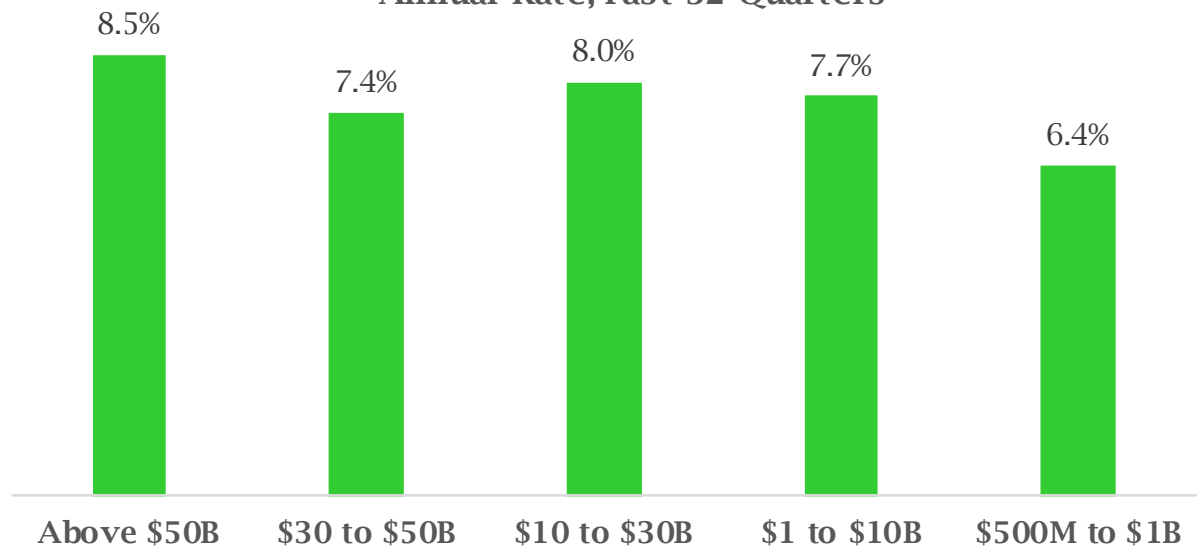
CDs Maturing In 2020	% of CDs	% of Deposits	CDs % Total Deposits	Total CDs
28,981,000	69.1%	42.2%	61.1%	41,935,000
13,310,426	93.6%	41.8%	44.6%	14,214,858
41,418,000	71.2%	33.7%	47.3%	58,145,000
7,677,637	68.8%	21.4%	31.1%	11,157,783
33,046,000	51.8%	19.7%	37.9%	63,801,000
62,686,067	58.3%	18.5%	31.7%	72,138,640

\$10 - \$3B CD Balances - Sorted By % Maturing Of Total Deposits

Luther Burbank Savings	LBC	5,278,900	2.01	3,092,762	87.7%	58.6%	66.8%	3,526,688
Cathay Bank	CATY	14,725,654	1.58	6,550,768	90.4%	44.5%	49.2%	7,243,721
BBCN Bank	HOPE	12,565,901	1.95	5,105,643	96.5%	40.6%	42.1%	5,291,033
Bank of the Ozarks	OZK	18,474,259	1.57	7,045,273	95.6%	38.1%	39.9%	7,371,400
Valley National Bank	VLY	29,305,050	1.54	8,646,056	89.1%	29.5%	33.1%	9,703,079
Comenity Bank	ADS	5,146,311	2.42	1,508,421	39.8%	29.3%	73.6%	3,786,071
BankUnited, NA	BKU	24,626,574	1.77	7,196,988	98.0%	29.2%	29.8%	7,347,247
Washington Federal, NA	WAFD	12,036,855	1.22	3,378,048	73.4%	28.1%	38.2%	4,603,221
Berkshire Bank	BHLB	10,416,759	1.36	2,734,870	76.2%	26.3%	34.5%	3,589,368
East West Bank	EWBC	37,526,284	1.37	8,489,604	94.3%	22.6%	24.0%	9,000,964
First Midwest Bank	FMBI	13,502,645	0.83	2,800,526	92.3%	20.7%	22.5%	3,033,454
Synovus Bank	SNV	38,780,094	1.17	7,758,727	85.5%	20.0%	23.4%	9,074,309
Investors Bank	ISBC	18,199,099	1.58	3,628,597	90.5%	19.9%	22.0%	4,008,173
TCF National Bank	TCF	34,662,223	1.14	6,708,295	90.0%	19.4%	21.5%	7,451,591
People's United Bank, NA	PBCT	44,049,715	1.08	8,129,751	88.3%	18.5%	20.9%	9,205,547

- *Patient investors in Banks are rewarded by 7%+ annual growth in TBV per share.*
- *Retained earnings less Cash dividends build TBV each quarter. Lower interest rates further enhance TBV via mark-to-market rules.*
- *We assert P-to-TBV ratio can remain-the-same with 2% to 3% dividends to generate 9% to 10% annual returns before considering valuation.*
- *Valuation levels are low today and offer further upside.*

Median TBV Growth: 2013 to 2019
Annual Rate, Past 32 Quarters



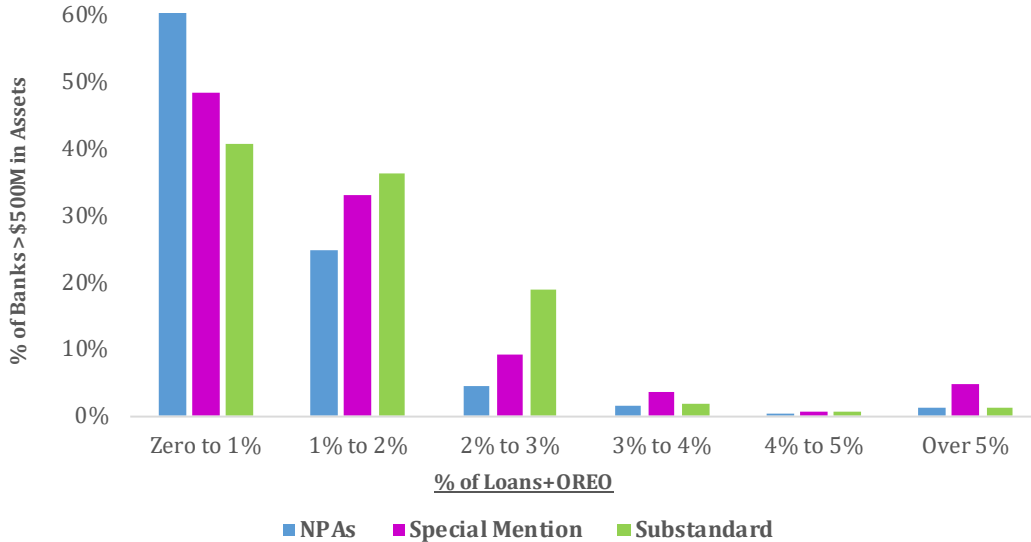
Source: Janney Research (FIG Group), S&P Global MI

[Median dividend yield is 2.5% as of 2-20-20](#)

NPAs Are The 1st Layer, Peel Further

Breakdown Of Public Banks' Credit Risk Ratios:

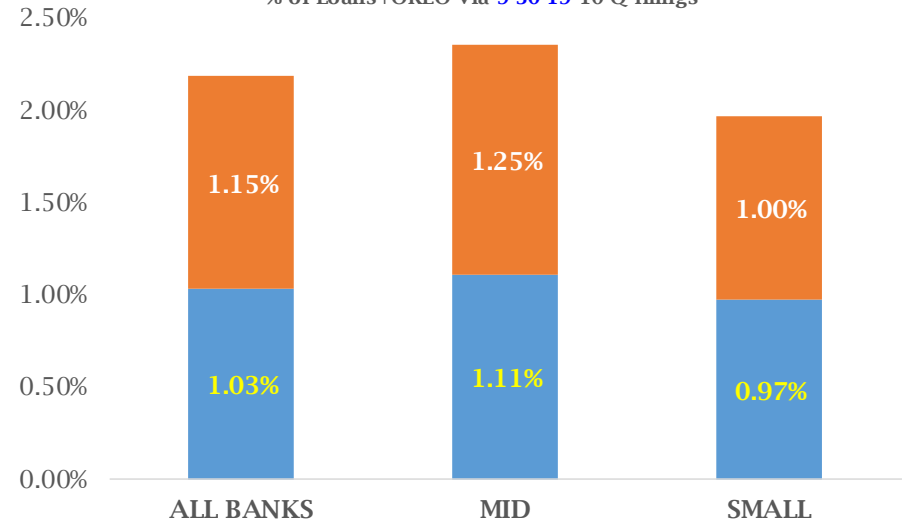
(% Loans+OREO at 9-30-19)



We assert credit issues this cycle are far more likely found in the non-regulated "shadows" (learn more via Janney's BDC industry [BDC signals](#))

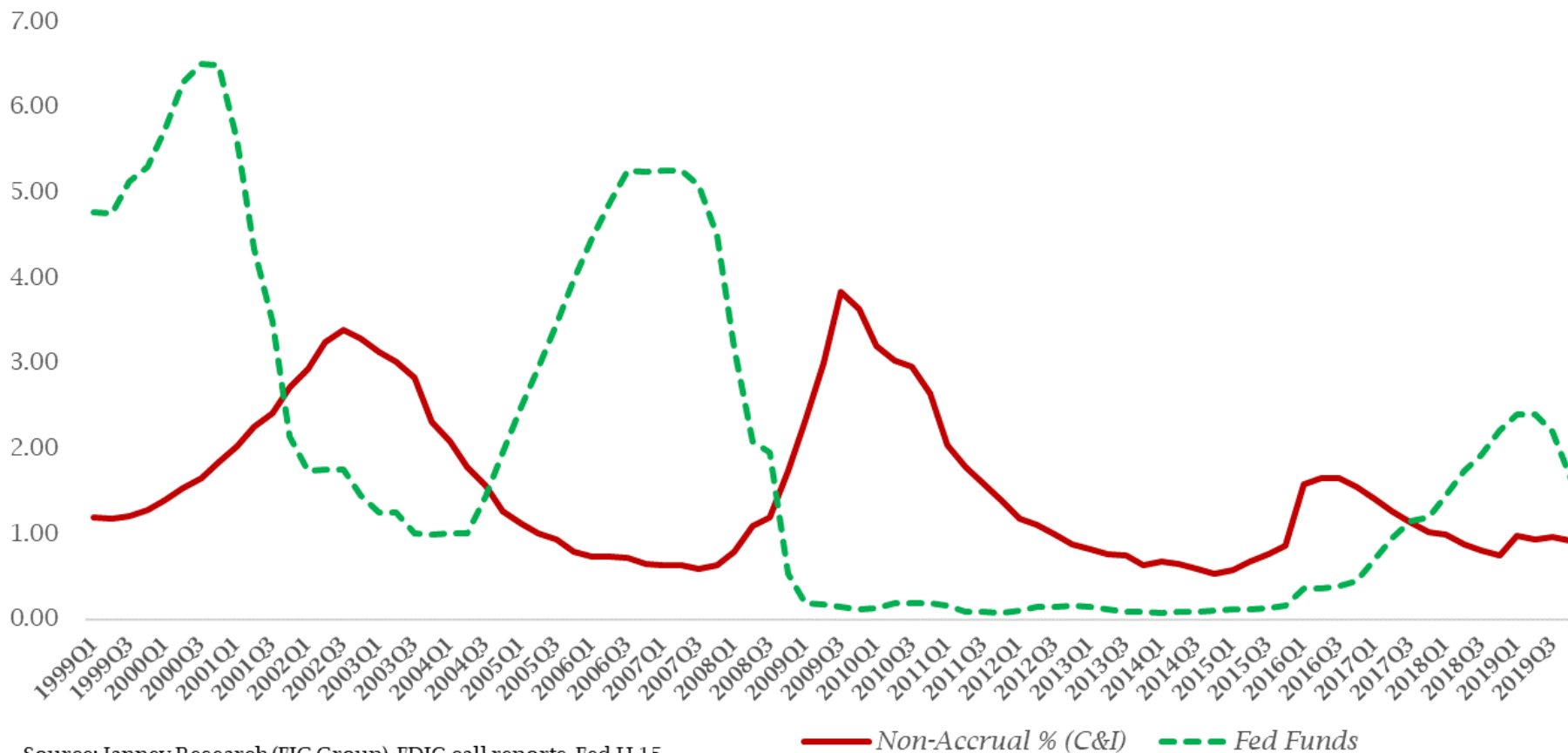
Criticized & Classified Credit Ratio Components

% of Loans+OREO via 9-30-19 10-Q filings



C&I Issues Remain Low, Stay Focused

C&I Non Accruals vs. Fed Funds, 1999 to 2019



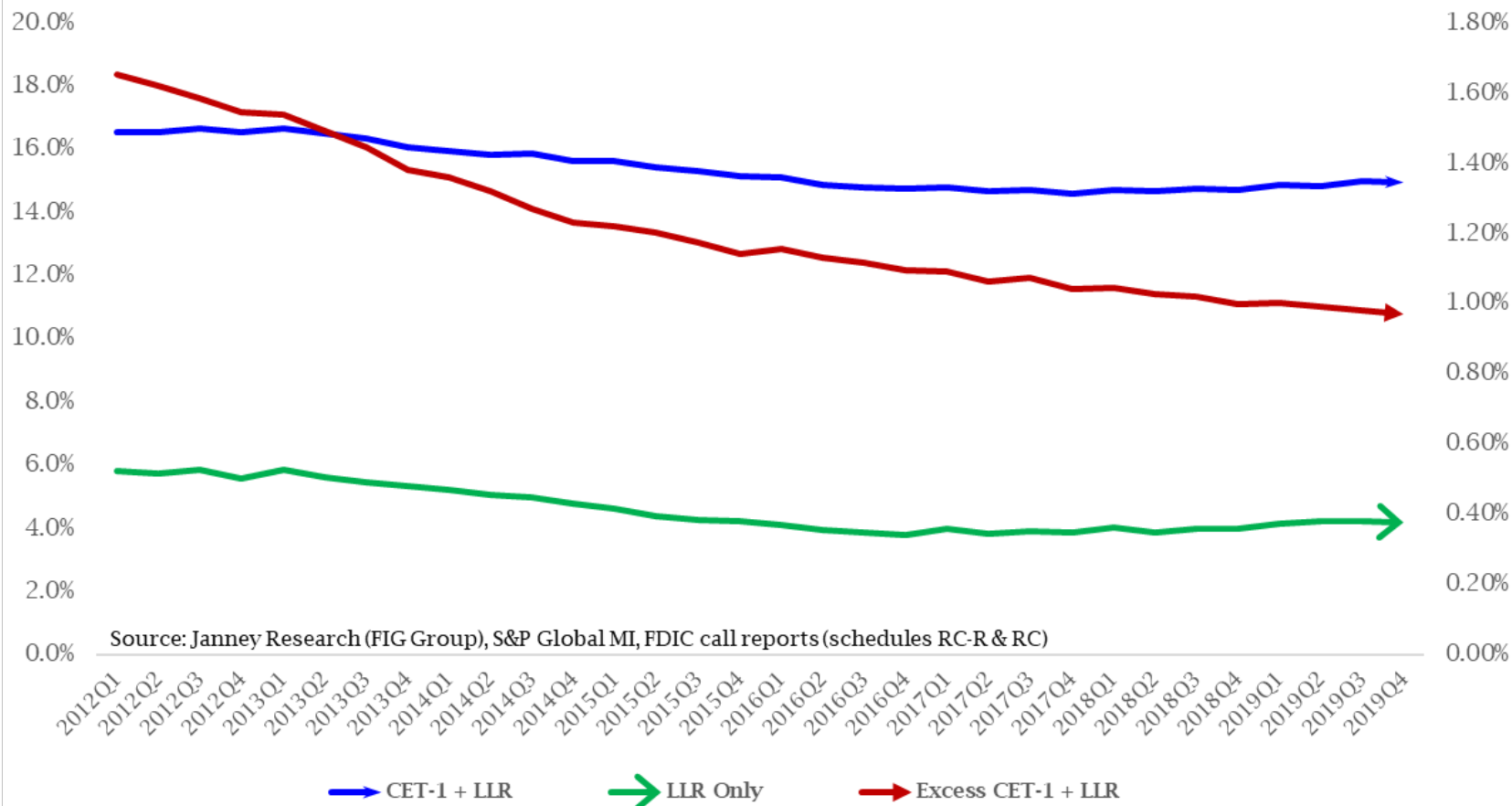
Source: Janney Research (FIG Group), FDIC call reports, Fed H.15

C&I is an important barometer with lower problem ratios in 2019 – still keep an eye open for the impact of higher C&I efforts at more community banks (while Construction and CRE concentration are lower than pre-Crisis levels, C&I is often a greater focus).

CECL: Focus On Capital + Reserves

Reserves & Capital As Percentage of Total Loans

Median, FDIC Banks Above \$1B In Assets 2012 to 2019



Regulators look at both Capital and Reserves in Banks. CECL is just moving funds from one pocket (capital) to another (reserves) on Banks' balance sheets. No real change occurs from CECL, hence this is a non-event in our opinion.

Bank Performance Post-CECL

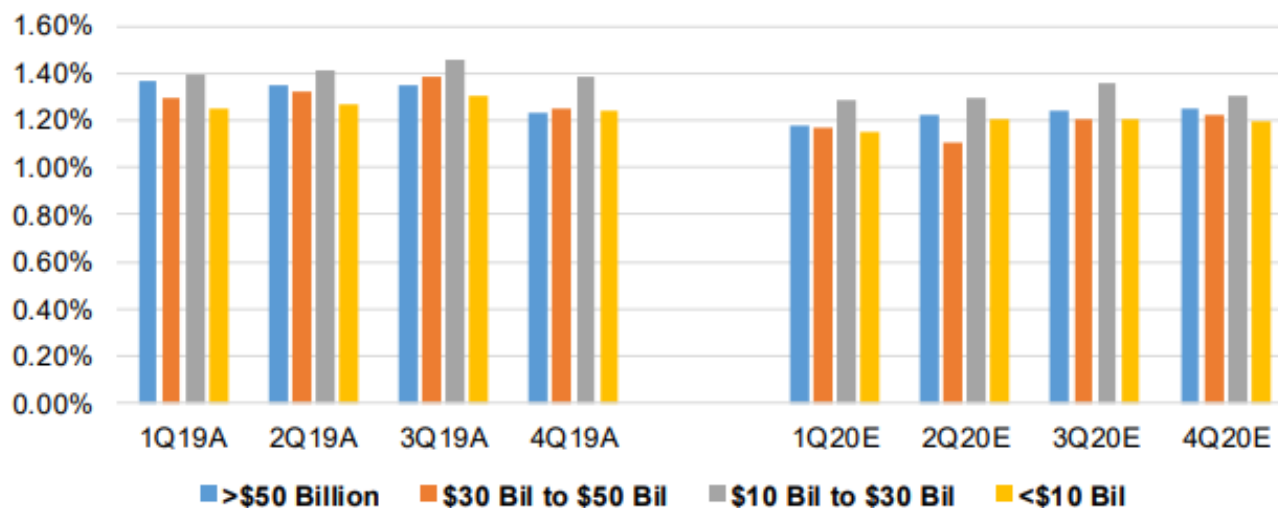
We Propose: Pre-Provision Net Revenue ROAA (Return on Avg. Assets)

(NII + Fee Income - Non-Interest Expense - Net Charge-Offs) * (1-Tax Rate)

Provisions under CECL get muddy.

Instead, focus on PPNR less Charge-Offs

Credit Adjusted Pre-Provision Net Revenue ROAA



Credit Adjusted Pre-Provision Net Revenue ROAA

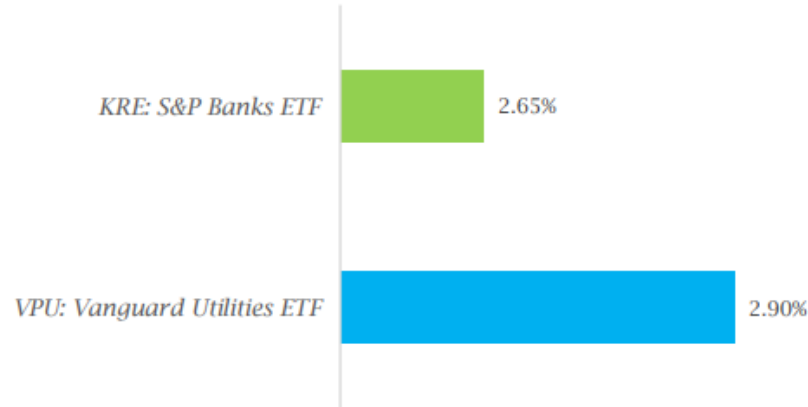
Asset Range	Actual Results				Mean Consensus Estimates			
	1Q19A	2Q19A	3Q19A	4Q19A	1Q20E	2Q20E	3Q20E	4Q20E
>\$50 Billion	1.37%	1.35%	1.35%	1.23%	1.18%	1.22%	1.24%	1.25%
\$30 Bil to \$50 Bil	1.29%	1.32%	1.38%	1.25%	1.17%	1.11%	1.20%	1.22%
\$10 Bil to \$30 Bil	1.39%	1.41%	1.46%	1.39%	1.29%	1.29%	1.36%	1.31%
<\$10 Bil	1.25%	1.27%	1.30%	1.24%	1.15%	1.20%	1.20%	1.19%

Source: Janney Research (FIG Group), S&P Global MI

Dividends: Growing, Utility-Like?

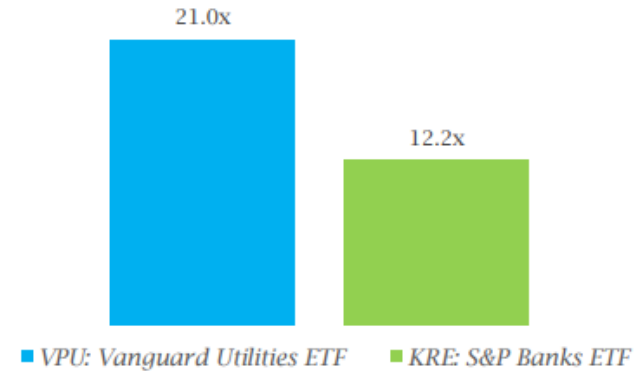
THEME #1: *Could Banks Behave More Like Utilities In 2020?*

Median Yield Favors Utilities vs Banks



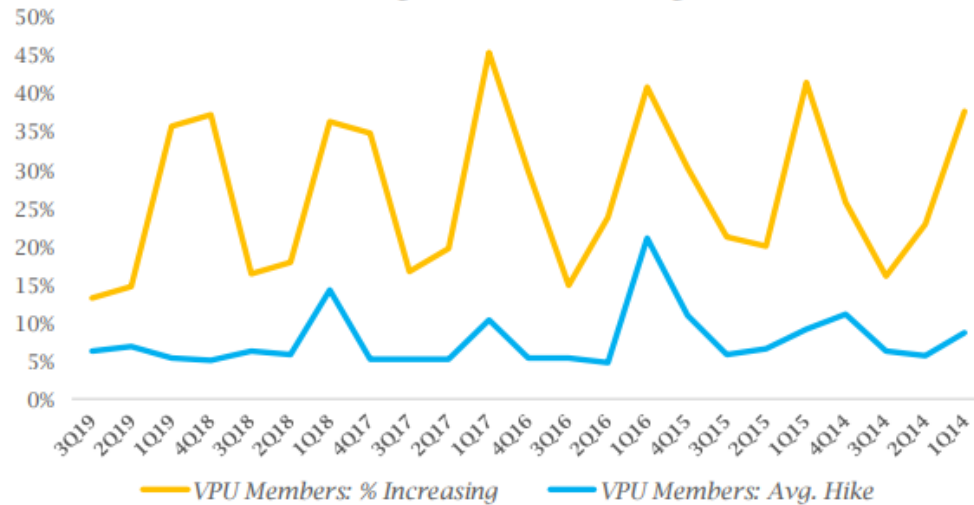
Source: Janney Research (FIG Group), Bloomberg LP, S&P Global MI

Utilities Have Far Greater P/Es vs Banks



Source: Janney Research (FIG Group), Bloomberg LP, S&P Global MI

% Utilities Raising Dividends vs Avg. Div. Hike

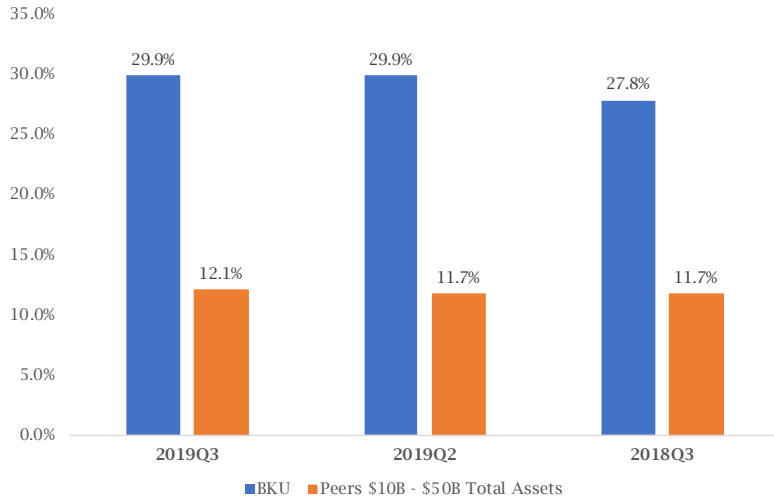


Source: Janney Research (FIG Group), Bloomberg LP, S&P Global MI

Our Dividend Analysis:

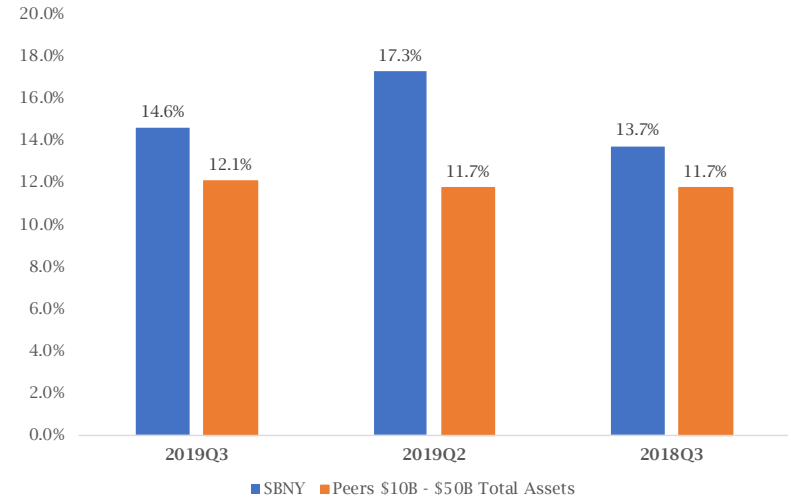
- The “VPU” Vanguard Utilities ETF has nearly \$6B in AUM and compares with the “KRE” S&P Regional Banks ETF (about \$3B AUM).
- We examined the 77 member companies in the VPU alongside the 120 Banks in the KRE.
- Quarterly dividend history and earnings were studied via Bloomberg LP data.
- P/E analysis as of November 27th

Wholesale Funding Reliance vs. Peers
Lower is Better



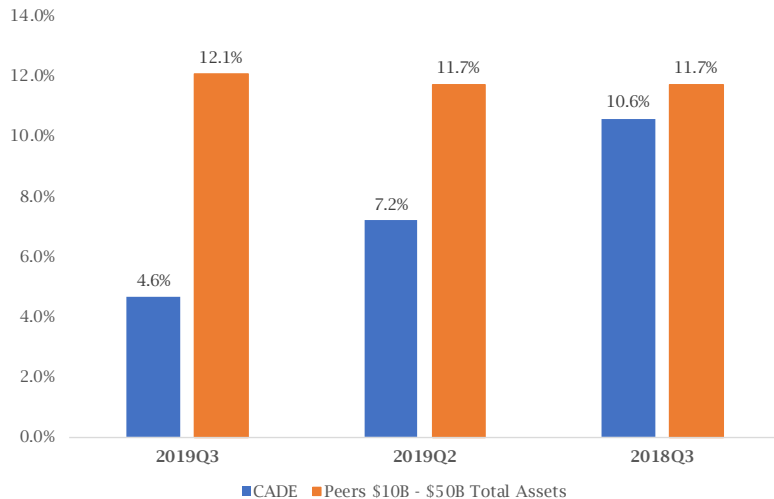
Source: Janney Research (FIG Group), S&P Global MI

Wholesale Funding Reliance vs. Peers
Lower is Better



Source: Janney Research (FIG Group), S&P Global MI

Wholesale Funding Reliance vs. Peers
Lower is Better



Source: Janney Research (FIG Group), S&P Global MI

total funding via wholesale sources

Worst quartile data vs. our graphs' medians

Quartiles - Maximum

- \$50B or Greater
- \$10B - \$50B
- \$3B - \$10B
- \$1B to \$3B
- Less Than \$1B

Total

Reliance On Wholesale Funding

	2019Q3	2019Q2	2018Q3
\$50B or Greater	17%	19%	20%
\$10B - \$50B	40%	38%	42%
\$3B - \$10B	78%	79%	71%
\$1B to \$3B	85%	84%	94%
Less Than \$1B	41%	44%	42%
<u>Total</u>	<u>85%</u>	<u>84%</u>	<u>94%</u>

Risks We Monitor

Investors fear a Recession, Credit Quality issues, and a Financial Crisis repeat:

- **Inverted Yield Curve is back** - low spreads still a headwind.
- **Two “C words”:** **Corona** (*virus*), **Climate** (*E-S-G focus*)
- **Credit Quality is #1 Threat To Bank Earnings, Dividends, Buybacks** (we do not see a real decline - mean reversion is not an issue).
- **The Fed could cut rates again from “plumbing issues” in repo market.** *We see NO case for “negative interest rates” in the U.S. with GDP +1.0% to 1.5% ([read latest GDPNow data](#)). This risk could restrain Banks’ valuations.*
- **When is the “Mean Reversion” on credit problems and losses, and will investors overreact?** We expect moderately higher NPAs, Classified, Criticized data with modest hikes in charge-offs (NCOs). *Volatility is likely via small statistical base.*
- **2020 Election: White House may be unchanged, uncertainty is routine.** Expect tweets, military maneuvers, Fed-bashing to continue.
- **CECL impact to provision (modest change to Street estimates), Expense growth already embedded in Bloomberg consensus** (*possible Banks beat slightly - read our 2020 Outlook [view report](#)*)

Overall Trends

- **2020 Outlook In Banks** [view report](#)
- **Our Best Bank Ideas – Jan. '20 report**
- **Long-Range Data To Explain Current Issues** [view report](#)
- **Survey On Credit & CECL** [view report](#)

Credit

- **Credit Trends: Late 2019** [view report](#)
- **Bank Director Magazine – editorial on credit**
- **Commercial C&I Loans' Limited Problems** [view report](#)

M&A

- **Nationwide M&A Map '18 to '19** [view report](#)
- **Bank M&A Market Reaction** [view report](#)

Capital & Valuation

- **Dividend Trends Across Public Banks** [view report](#)
- **Bank Pricing vs Past Fed Easings** [view report](#)
- **Balance Sheet Mix & Yield Curve** [view report](#)

Other Valuable Information

- **Yield Curves In Prior Recessions** [view report](#)
- **LIQUIDITY in Banking (*It Still Matters*)** [view report](#)
- **Bank Franchises Across The U.S.**
 - [Sunbelt](#) [Northeast](#)
 - [Midwest](#) [South Central](#) [Mountain](#)

Research Analyst Certification

I, Christopher Marinac, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

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Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Janney Montgomery Scott Ratings Distribution as of 09/30/2019

Rating	IB Serv./Past 12 Mos.*			
	Count	Percent	Count	Percent
BUY [B]	171	52.78	37	21.64
NEUTRAL [N]	151	46.60	20	13.25
SELL [S]	2	0.62	0	0.00

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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