

## West Coast MSAs: Who Owns the Market?

The table below lists some of the largest Metropolitan Statistical Areas (“MSA”) for the six states in the West Coast Region. These MSAs represent some of the most attractive banking markets in the West Coast Region. The MSAs are listed in order from lowest to highest in terms of deposit market share controlled by In-State Banks.

The nine MSAs in the West Coast Region are primarily dominated by Out-of-State Banks, which control at least 50% of the deposits in each market. The Los Angeles, CA MSA is the closest market to having In-State Banks controlling a deposit market share near 50%, but still falls short with a 43% deposit market share for In-State Banks.

Additionally, the nine MSAs are mainly controlled by a few large Out-of-State Banks. For each of the MSAs below, the top five Out-of-State Banks control over 50% of the deposits in the markets. Excluding Riverside and Los Angeles, the deposit market share controlled by the top five Out-of-State Banks in these MSAs is over 70%!

Deposit Market Share Breakdown: West Coast Region MSAs					
West Coast Region MSAs	In-State Banks'	Out-of-State Banks'	Top 5		
	Market Share	Market Share	In-State Banks' Market Share	Out-of-State Banks' Market Share	Top 5 Market Share
Phoenix-Mesa-Scottsdale, AZ	7.1%	92.9%	6.4%	79.1%	
Boise City, ID	9.2%	90.8%	9.2%	73.3%	
Las Vegas, NV	15.9%	84.1%	14.8%	74.3%	
Portland-Vancouver-Hillsboro, OR-WA	17.6%	82.4%	12.7%	77.2%	
Seattle, WA	18.7%	81.3%	12.0%	70.9%	
San Francisco, CA	25.0%	75.0%	18.2%	71.7%	
Riverside, CA	31.1%	68.9%	17.2%	64.4%	
San Diego, CA	37.5%	62.5%	29.6%	57.3%	
Los Angeles, CA	42.6%	57.4%	24.7%	53.5%	

*Source: SNL Financial; deposit data as of June 30, 2014*

The table below provides further information on the West Coast Region MSAs. Specifically, the table displays bank and branch counts, as well as, population statistics for each market.

Population per Bank and Branch							
Pop Rank	Metropolitan Area	2014 Population	Number of Banks	Number of Branches	Branches per Bank	Population per Bank	Population per Branch
1	Los Angeles, CA	13,204,080	130	2,498	19	101,570	5,286
2	San Francisco, CA	4,527,850	76	449	6	59,577	10,084
3	Phoenix-Mesa-Scottsdale, AZ	4,430,607	59	892	15	75,095	4,967
4	Riverside, CA	4,414,524	49	185	4	90,092	23,862
5	Seattle, WA	3,606,687	56	274	5	64,405	13,163
6	San Diego, CA	3,220,857	52	614	12	61,940	5,246
7	Portland-Vancouver-Hillsboro, OR-WA	2,321,299	37	103	3	62,738	22,537
8	Las Vegas, NV	2,034,918	38	112	3	53,550	18,169
9	Boise City, ID	652,299	20	39	2	32,615	16,726

*Source: SNL Financial; number of banks and branches as of year-end 2014*

## Increase in Small Bank Holding Company Threshold to \$1 Billion

### ***New Size of Small Bank Holding Companies***

On December 18<sup>th</sup>, President Barack Obama signed legislation directing the Federal Reserve to propose revisions to the Small Bank Holding Company (“SBHC”) Policy Statement. Currently, banks with consolidated assets under \$500 million are subject to the Policy. Under the new proposal, the SBHC Policy Statement is expected to expand to all bank holding companies with consolidated assets under \$1 billion. This is the second time in which the Federal Reserve will be increasing the defined size limit of SBHC’s, with the last increase occurring in 2006 (from \$150 million in assets to \$500 million assets).

In addition to the consolidated asset size constraint, banks seeking to take advantage of the high SBHC limit will also need to conform to the following items to benefit from the SBHC Policy Statement:

- May not be engaged in significant nonbanking activities
- May not conduct significant off-balance sheet activities
- And, may not have a material amount of debt or equity securities outstanding (excluding trust preferred) that are registered with the SEC

### ***What are the Benefits of Being an SBHC***

The primary benefit for banks under \$1 billion in consolidated assets falling under the to be revised SBHC Policy Statement is the ability of these smaller SBHCs to use more debt when financing acquisitions than is permitted to larger bank holding companies. Under the SBHC Policy Statement, SBHCs are permitted to use debt to finance up to 75% of the purchase price of an acquisition. However, the Federal Reserve is also ensuring that excess debt used by SBHCs will not pose an increased potential of default risk – resulting in SBHCs having to demonstrate the ability to service acquisition debt while not straining capital levels of their subsidiary depository institutions. In order to ensure the future reduction of debt, under the SBHC Policy Statement, a SBHC must:

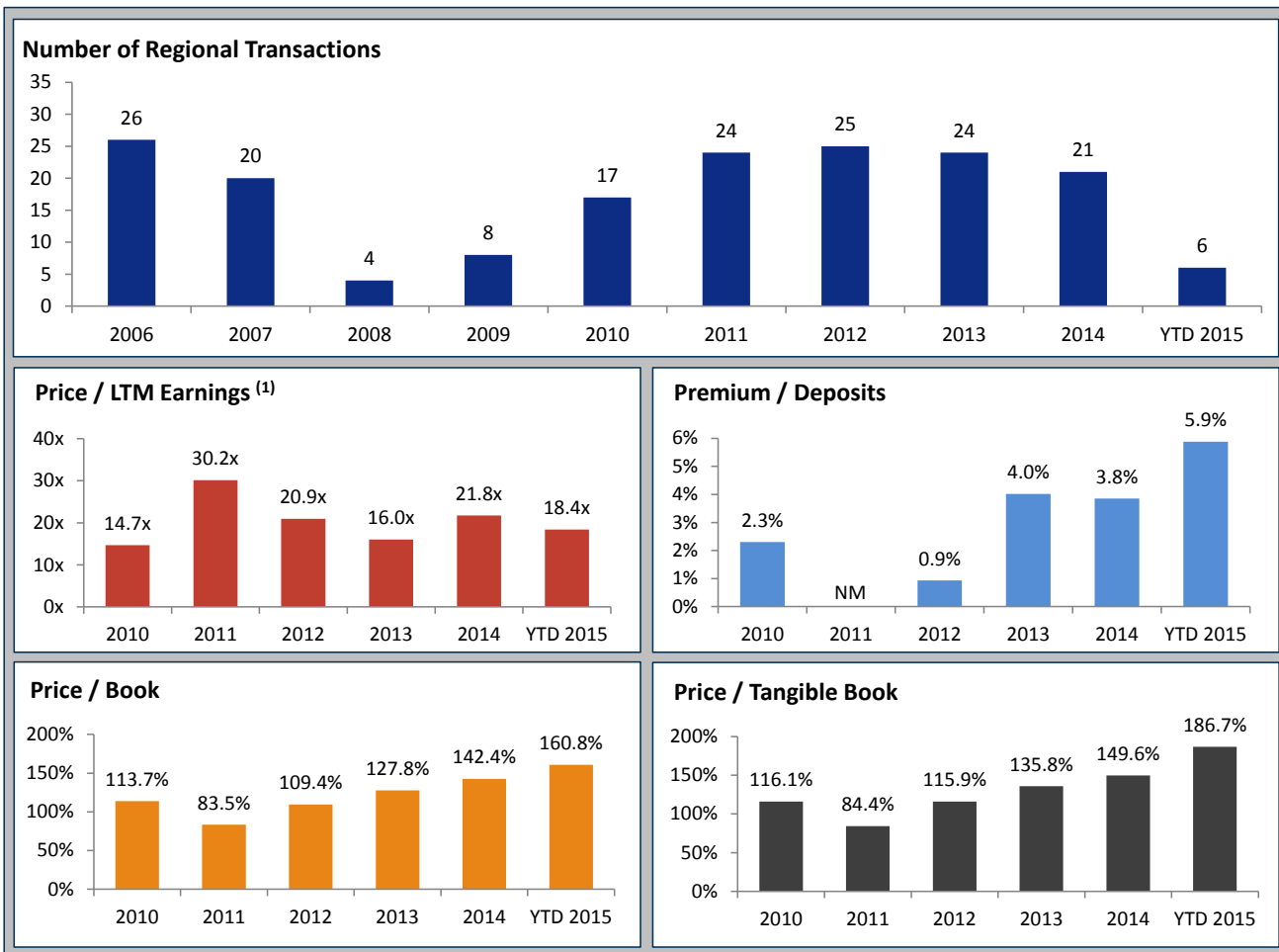
- Reduce parent company debt in such a manner that all debt is retired within 25 years of being incurred
- Reduce the debt to equity ratio to 0.30 to 1 or less within 12 years of the debt being incurred
- Ensure that each of the parent company’s insured depository institution subsidiaries is well capitalized
- Refrain from paying dividends until the debt to equity ratio is 1 to 1 or less

Trust preferred securities (“TRUPS”) are treated in two different ways when determining if an SBHC is compliant under the above leverage reduction action plans. TRUPS are counted towards the calculation of debt representing 75% of the acquisition price and also the calculation of the debt to equity ratio being 1 to 1 before paying dividends. TRUPS are not considered debt when determining adherence to the 12 year debt reduction and 25 year debt retirement plans.

### ***Potential Effects of the Change***

SBHCs, which tend to be community banks, will be able to access debt funding for acquisitions as a result of limited equity funding availability for these types of institutions. By increasing the size constraints of the SBHC policy statement, roughly 89% of all bank and savings & loan holding companies will now fall under the exemption. The increase in institutions now falling under the SBHC exemption may increase the number of acquisitions funded through bank stock loans and other debt funding in the bank M&A market.

## Regional M&A Transaction Statistics (Includes AZ, CA, ID, NV, OR, WA)



Note: Includes announced transactions in AZ, CA, ID, NV, OR, and WA, excluding failed banks

Source: SNL Financial

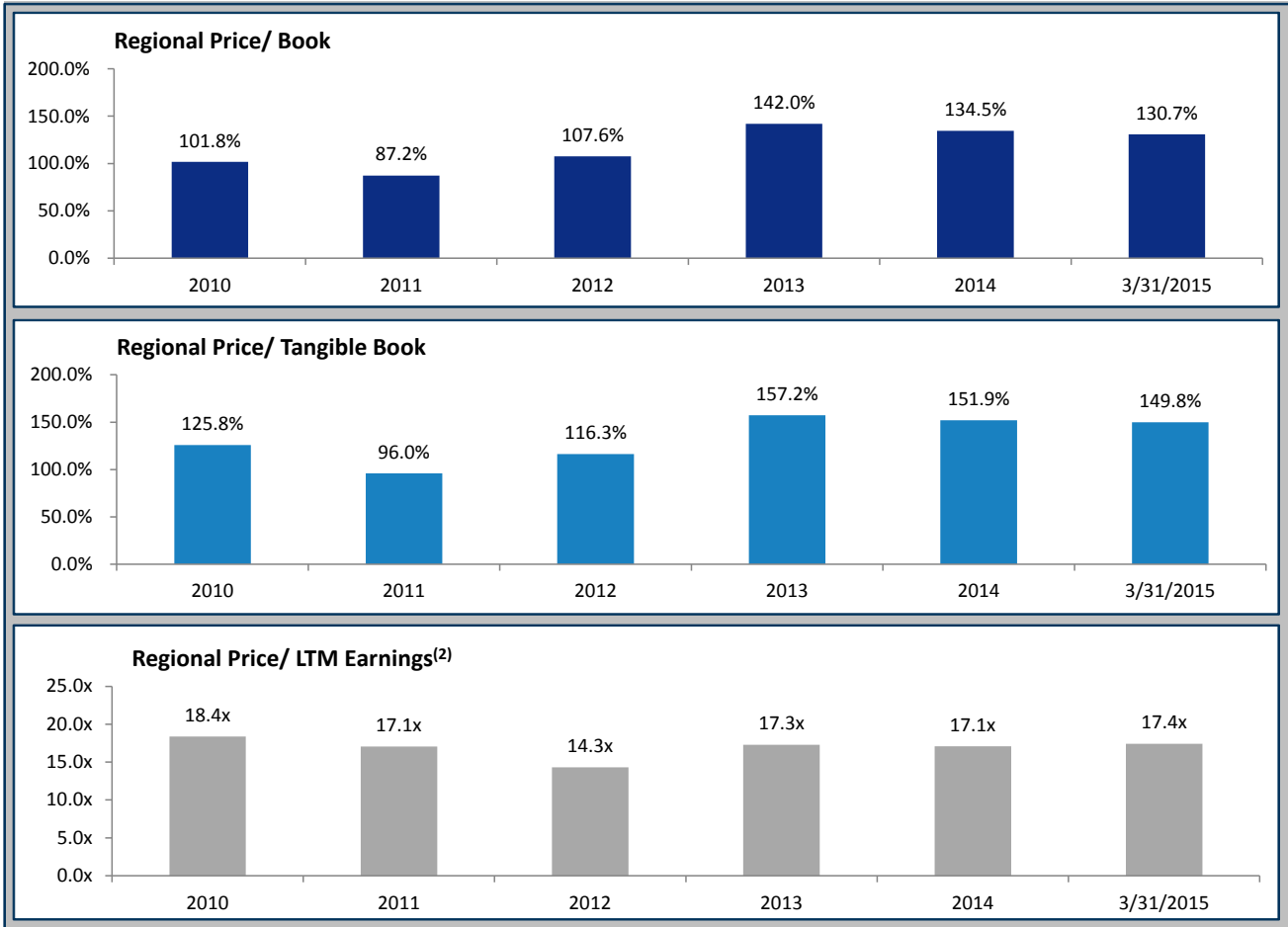
<sup>(1)</sup> Excludes multiples smaller than 8.0x and larger than 40.0x

### Noteworthy Regional M&A Transactions

On January 22<sup>nd</sup>, Toronto-based **Royal Bank of Canada** (\$856.9 billion in assets) agreed to acquire Los Angeles, California-based **City National Corp.** (\$32.6 billion in assets) for approximately \$5.4 billion representing 262% of tangible book value and 22.9x LTM earnings. Royal Bank of Canada's offer is 50% cash and 50% stock in which the number of shares issued and cash paid will both be fixed. With the acquisition, Royal Bank of Canada will enter into California's most attractive banking markets of Los Angeles and San Francisco through 64 branches and ranked 9<sup>th</sup> in the state in total deposit market share. The acquisition also gives Royal Bank of Canada entry into Nevada, New York, Georgia, and Tennessee.

On March 9<sup>th</sup>, Phoenix, Arizona-based **Western Alliance Bancorporation** (\$10.6 billion in assets) agreed to acquire San Jose, California-based **Bridge Capital Holdings** (\$1.8 billion), the parent company of **Bridge Bank NA** for approximately \$425 million representing 222% of tangible book value and 23.0x LTM earnings. The deal is 90% stock and 10% cash and is expected to be slightly accretive to earnings by 2016. Western Alliance's northern California locations will operate in a combined division under the Bridge Bank franchise following the close of the transaction.

## West Coast Bank Index (“WCBI”)<sup>(1)</sup> Historical Trading Multiples

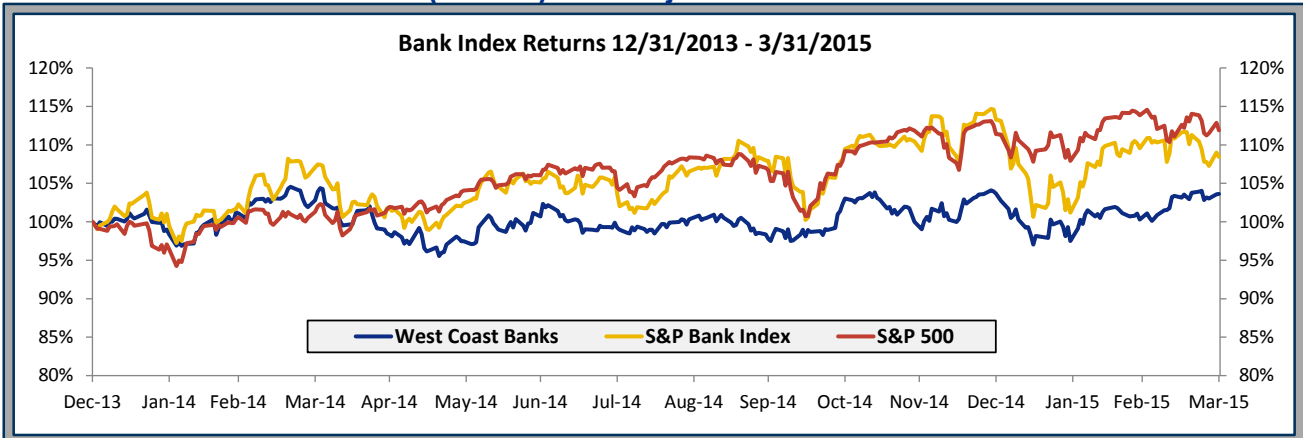


<sup>(1)</sup>West Coast Bank returns are calculated through an equally weighted mean of stock price changes from 30 regional banks in AZ, CA, ID, NV, OR, and WA

<sup>(2)</sup>Excludes Price/ LTM Earnings multiples greater than 40.0x

Note: Includes all publicly traded banks in AZ, CA, ID, NV, OR, and WA with less than \$10B in assets, greater than 5% TE/TA, and 1-year avg. daily trading volume greater than 5,000 (30 banks), and greater than \$3.00 per share  
Source: SNL Financial

## West Coast Bank Index Returns (“WCBI”)<sup>(1)</sup> vs. Major Indices



<sup>(1)</sup>West Coast Bank returns are calculated through an equally weighted mean of stock price changes from 30 regional banks in AZ, CA, ID, NV, OR, and WA

Note: Includes all publicly traded banks in AZ, CA, ID, NV, OR, and WA with less than \$10B in assets, greater than 5% TE/TA, and 1-year avg. daily trading volume greater than 5,000 (30 banks), and greater than \$3.00 per share  
Source: SNL Financial

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## West Coast Regional Bank Index (“WCBI”)<sup>(1)</sup>

Bank Name	Symbol	State	Market Cap (\$ in mil)	Stock Price 3/31/15	Stock Price Change		Price / LTM EPS	Price / Book	Price / Tang. Book	NPAs <sup>(2)</sup> / Assets	LTM ROAA
					Monthly	YTD					
1st Century Bancshares, Inc.	FCTY	CA	\$70	\$6.84	0.3%	7.76%	28.5x	112.5%	112.5%	0.11%	0.41%
American River Bankshares	AMRB	CA	\$74	\$9.47	(0.9%)	0.53%	17.5x	85.5%	104.5%	1.02%	0.72%
Banc of California, Inc.	BANC	CA	\$428	\$12.31	12.7%	7.32%	13.5x	101.1%	116.8%	0.77%	0.70%
Bank of Commerce Holdings	BOCH	CA	\$75	\$5.60	(2.1%)	(6.04%)	13.7x	89.0%	89.0%	2.22%	0.58%
Bank of Marin Bancorp	BMRC	CA	\$304	\$50.90	1.5%	(3.21%)	15.5x	151.1%	159.2%	0.55%	1.08%
Banner Corporation	BANR	WA	\$961	\$45.90	5.1%	6.69%	16.5x	153.9%	154.7%	0.43%	1.17%
Bridge Capital Holdings	BBNK	CA	\$416	\$26.11	21.4%	16.67%	23.1x	222.9%	222.9%	0.43%	1.07%
California First National Bancorp	CFNB	CA	\$144	\$13.79	(1.5%)	(2.81%)	15.9x	77.9%	77.9%	0.01%	1.55%
Cascade Bancorp	CACB	OR	\$350	\$4.80	(0.8%)	(7.51%)	NM	110.3%	152.8%	0.64%	0.19%
Central Valley Community Bancorp	CVCY	CA	\$114	\$10.98	3.1%	(0.91%)	22.9x	92.0%	120.8%	1.18%	0.46%
Columbia Banking System, Inc.	COLB	WA	\$1,688	\$28.97	2.8%	4.93%	19.1x	135.7%	204.7%	0.94%	1.09%
CommerceWest Bank	CWBK	CA	\$53	\$13.15	(3.5%)	0.77%	10.9x	96.1%	102.9%	0.00%	1.39%
Community West Bancshares	CWBC	CA	\$54	\$6.60	(1.9%)	0.61%	8.8x	90.2%	90.2%	3.21%	1.25%
CU Bancorp	CUNB	CA	\$373	\$22.75	10.2%	4.89%	30.3x	144.2%	200.1%	0.21%	0.59%
CVB Financial Corp.	CVBF	CA	\$1,702	\$15.94	1.9%	(0.50%)	16.3x	192.2%	210.8%	0.57%	1.45%
Hanmi Financial Corporation	HAFC	CA	\$672	\$21.15	7.2%	(3.03%)	13.6x	148.9%	149.5%	1.81%	1.46%
Heritage Commerce Corp	HTBK	CA	\$237	\$9.13	8.9%	3.40%	21.7x	146.8%	162.9%	0.41%	0.88%
Heritage Financial Corporation	HFWA	WA	\$518	\$17.00	5.5%	(3.13%)	20.7x	113.2%	158.5%	1.34%	0.74%
Heritage Oaks Bancorp	HEOP	CA	\$275	\$8.31	7.9%	(0.95%)	30.8x	143.1%	169.1%	0.62%	0.56%
Pacific Continental Corporation	PCBK	OR	\$253	\$13.22	(2.7%)	(6.77%)	14.9x	127.2%	145.8%	1.07%	1.09%
Pacific Mercantile Bancorp	PMBC	CA	\$143	\$7.20	3.4%	2.27%	NM	130.2%	130.2%	2.33%	0.03%
Pacific Premier Bancorp, Inc.	PPBI	CA	\$343	\$16.19	2.6%	(6.58%)	16.9x	137.1%	160.0%	0.12%	0.91%
Preferred Bank	PFBC	CA	\$384	\$27.47	1.9%	(1.51%)	15.4x	157.8%	157.8%	0.85%	1.31%
Premier Valley Bank	PVLY	CA	\$84	\$6.90	9.5%	12.20%	11.9x	122.2%	151.2%	1.29%	1.20%
Sierra Bancorp	BSRR	CA	\$228	\$16.70	3.2%	(4.90%)	15.5x	122.2%	127.6%	1.50%	1.03%
Summit State Bank	SSBI	CA	\$64	\$13.16	(5.0%)	(5.22%)	11.9x	116.6%	126.2%	1.28%	1.19%
TriCo Bancshares	TCBK	CA	\$550	\$24.13	1.0%	(2.31%)	16.5x	131.1%	157.7%	1.40%	0.87%
United Security Bancshares	UBFO	CA	\$79	\$5.32	3.3%	(0.66%)	13.4x	100.0%	105.7%	3.61%	0.93%
Westamerica Bancorporation	WABC	CA	\$1,123	\$43.21	0.3%	(11.85%)	18.6x	211.3%	284.8%	0.49%	1.22%
Wilshire Bancorp, Inc.	WIBC	CA	\$798	\$9.97	4.8%	(1.58%)	13.3x	159.6%	186.9%	1.31%	1.57%
<b>Average <sup>(1)</sup></b>			<b>\$419</b>		<b>3.3%</b>	<b>(0.0%)</b>	<b>17.4x</b>	<b>130.7%</b>	<b>149.8%</b>	<b>1.06%</b>	<b>0.96%</b>
				<i>S&amp;P Bank</i>	<i>(1.0%)</i>	<i>(4.3%)</i>					
				<i>S&amp;P 500</i>	<i>(1.7%)</i>	<i>0.4%</i>					

<sup>(1)</sup> WCBI Index is an equally weighted mean of stock price changes on a monthly and year-to-date basis derived from the 30 regional banks listed above

<sup>(2)</sup> Non-performing assets include non-accrual loans, loans 90+ days past due and OREO

Note: Includes all publicly traded banks in AZ, CA, ID, NV, OR, and WA with less than \$10B in assets, greater than 5% TE/TA, and 1-year avg. daily trading volume greater than 5,000 (30 banks), and greater than \$3.00 per share

Source: SNL Financial

cutting through complexity  Pine River Valley Bank Midwest & Northeast Bank has been acquired by an (pending) 	cutting through complexity  Horizon Community Bank completed an equity financing	cutting through complexity  Valley National Bank operates New Mexico has been acquired by 	cutting through complexity  Steele Street Bank & Trust has been acquired by 	cutting through complexity  Advantage Bank has been acquired by a Private Investor	cutting through complexity  Star Bank has been acquired by an (pending) Investor Group
cutting through complexity  First National Bank of the Rockies has been acquired by 	cutting through complexity  Platte Valley Bank has been acquired by 	cutting through complexity  1-TBANK has acquired a branch of 	cutting through complexity  Boundary Waters Bank Assisted in the sale of bank subsidiary	cutting through complexity  The Citizens State Bank of Cortez has been acquired by 	cutting through complexity  First State Bank Your First Choice in Banking. has been acquired by 
cutting through complexity  Solera National Bank has acquired a branch of 	cutting through complexity  New West Bank has been acquired by 	cutting through complexity  First National Bank of Santa Fe has been acquired by Strategic Growth Bancorp, Inc.	cutting through complexity  The Eastern Colorado Bank has acquired 	cutting through complexity  Grand Valley Bank has acquired a branch of 	cutting through complexity  PCM has been acquired by 

<sup>(1)</sup> Includes transactions completed by KPMG CF professionals while employed at another firm, substantially all of whose assets were acquired by KPMG CF

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