



Federal Financial Analytics, Inc.

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Contact: Matthew Shaw
mshaw@fedfin.com
202.589.0880

2017 BANK M&A FORECAST: CHARTING A POST-ELECTION PATH TO PROFIT

The Wells Fargo scandal comes in concert with a broader and deeper policy and political change in the U. S. banking framework. As deals premised on cost reductions run out of gas, M&A that takes up-front account of new challenges promises the best combination of customer service and investor return.

WASHINGTON, DC, September 22, 2016 – In [remarks](#) tomorrow morning, the managing partner of Federal Financial Analytics (FedFin), Karen Shaw Petrou tells bankers that traditional merger-and-acquisition strategies are increasingly unlikely to meet long-term investor goals. Laying out a way to innovate without undue risk, Petrou argues that best-in-class banks recognize that policy and political forces are now the defining ones dictating success in so heavily-regulated an industry. Given the combination of political uncertainty during this most-unusual election season and growing pressure to re-regulate banks in profit-critical areas, these policy-focused analytics are particularly critical, Petrou says.

“Most bank CEOs and their boards don’t like thinking about policy drivers and investment bankers generally only focus on the rules as they are, not as they may become,” Petrou said. “However, as with equity-price forecasts, M&A valuations should be forward-looking

indicators. To achieve this in a regulated sector such as banking, forward profit analyses require forecasts of transaction constraints to come as well as emerging opportunities created by the confluence of policy and market realities,” she continued.

Specific predictions on policy drivers provided in the speech focus on possible liberalizations for mid-size regional banks, the impact of new cross-selling restrictions, how a Democratic Administration would impose new community-investment standards, and the chances for innovative “fintech” charters.

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Federal Financial Analytics, Inc. is a proprietary think tank providing analytical and advisory services on legislative, regulatory, and public-policy issues affecting global financial-services companies. Since 1985, the firm's practice has been a unique blend of strategic advice and policy analysis, serving as a thought leadership resource for boards of directors and senior management seeking a forward looking assessment of risks, opportunities, governance, and other matters critical to success. Clients also include senior regulators and policy-makers around the globe, who rely on the firm's objectivity for confidential forecasts of the market impact of actions under consideration.