

Bank M&A:

Market Update, Key Trends, and Best Practices

June 2024

Presented by:



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**VIRGINIA BANKERS
ASSOCIATION**

OLSEN || PALMER

I. Introduction: *Firm Overview & Credentials*

Who We Are

Model	Independent investment banking firm
Focus	Exclusively advising community banks across Mergers & Acquisitions
Credentials	FINRA-Member, SEC-Registered Broker / Dealer
Locations	<ul style="list-style-type: none"> Headquartered in Washington, DC Regional offices in Birmingham, Chicago, Dallas, Denver, and Kansas City

How We Are Different

Expertise	<ul style="list-style-type: none"> Professionals have collectively advised on more than 150 M&A transactions, representing aggregate deal value exceeding \$10 billion
Specialization	<ul style="list-style-type: none"> Exclusively focused on community banks Specialization + proprietary intel allow us to maximize value, minimize risk
Approach	<ul style="list-style-type: none"> Relentless dedication to achieving client objectives We are defined by aggressive, nimble, innovative, and responsive approach
Independence	<ul style="list-style-type: none"> Unlike conventional firms, we do not sell products or trade securities Fully independent: no investing, trading, underwriting, or lending conflicts

Selected Advisory Assignments

Sell-Side	
Clayton.bank \$330.1mm Sale to: <i>FirstBank</i>	
\$146.3mm Sale to: <i>Simmons First National Corporation</i>	
\$78.7mm Sale to: <i>Fidelity D & D Bancorp, Inc.</i>	
\$52.1mm Sale to: <i>United Community Banks, Inc.</i>	
\$196.9mm Sale to: <i>Pinnacle Financial Partners, Inc.</i>	

Buy-Side	
\$49.0mm Acquisition of: <i>Traders & Farmers Bank</i>	
\$25.0mm Acquisition of: <i>Carroll Bancorp Inc.</i>	
Section 363 Bankruptcy Acquisition of: <i>Independent Bankers Bank of Florida</i>	
\$32.2mm Acquisition of: <i>Southern Heritage Bank</i>	
\$10.8mm Acquisition of: <i>DeSoto County Bank</i>	

Branch Transactions, Merger-of-Equals	
NORTHSIDE BANK	Merger-of-Equals With: <i>First National Community Bank</i>
DOOLIN SECURITY SAVINGS BANK F.S.B.	Merger of Mutuals: <i>First Mutual Holding Co.</i>
FIRST FREEDOM Bank	Acquisition of 3 Branches from: <i>Atlantic Capital Bank, N.A.</i>
FIRST CITIZENS NATIONAL BANK	Acquisition of 1 Branch from: <i>Community First Bank</i>
22ND STATE BANK	Acquisition of 1 Branch from: <i>Bank OZK</i>

Achievements



Top Firm

Olsen Palmer is Top-3 ranked community bank M&A advisory firm nationwide¹



#1 Advisor

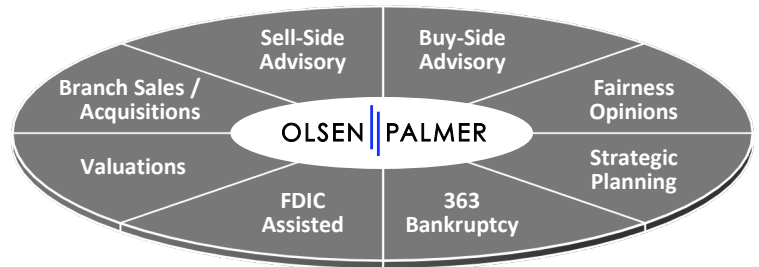
Managing Partner Christopher Olsen is the #1 individual bank M&A advisor nationwide²



\$3.0 Billion

Olsen Palmer has advised on bank M&A transactions with value approaching \$3.0Bn

Advisory Capabilities



*Includes transactions executed by Olsen Palmer professionals while at other firms. 1 – Based on total no. of whole-bank M&A transactions since 2020. 2 – Based on total no. of whole-bank M&A transactions in 2019, 2020, 2021, 2022, and 2023. Source: S&P Global.

Bank M&A Advisor Rankings

#1 Sell-Side Bank M&A Advisor

Ranked by Total # of Whole-Bank Sell-Side Transactions

Rank	Advisor
1	Olsen Palmer LLC
2	Keefe, Bruyette & Woods
3	Piper Sandler & Co.
4	D.A. Davidson & Co.
5	Janney Montgomery Scott LLC
6	The Capital Corporation, LLC
7	Burke Stelling Group, Inc.
7	Raymond James & Associates, Inc.
7	Performance Trust Capital Partners, LLC
7	Hillworth, LLC
7	Commerce Street Capital, LLC
12	Morgan Stanley
12	J.P. Morgan Securities, LLC
14	Bank of America Securities, Inc.
14	Feldman Financial Advisors, Inc.
14	Hovde Group, LLC
14	Bancorp 1, INC.
14	Donnelly Penman & Partners Inc.
14	Gerrish Smith Tuck, LLC

Individual Bank M&A Advisors

Ranked by Total # of Whole-Bank Transactions

US - Rank	Advisor	Firm
1	Christopher Olsen	Olsen Palmer LLC
2	Frank Berndt	Olsen Palmer LLC
3	Alex Bondroff	Piper Sandler & Co.
4	Brian Palmer	Olsen Palmer LLC
4	Scott M.A. Clark	Piper Sandler & Co.
6	Eugene B. Katz	D.A. Davidson & Co.
6	Stephen E. Nelson	D.A. Davidson & Co.
8	Roger Hernandez	Olsen Palmer LLC
8	Kirk Steven Hovde	Hovde Group LLC
10	Nick Barbarine	Hovde Group LLC
10	Sean Enright	Hovde Group LLC
10	John Plantemoli	Piper Sandler & Co.
13	Jonathan Jay Doyle	Piper Sandler & Co.
13	Frank S. Sorrentino IV	Stephens Inc.
15	Michael Rediker	Olsen Palmer LLC
15	Reid Brewer	Piper Sandler & Co.
15	Kade N. Machen	Stephens Inc.

Note: Firm rankings reflect all whole-bank sell-side transactions advised upon during the last twelve months. Advisor rankings reflect all whole-bank M&A transactions advised upon from January 1, 2020 to December 31, 2023 in which advisor information was disclosed. Source: S&P Global.

Contact Information



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Expertise + Achievements



#1 individual bank M&A advisor in entire U.S. as ranked by number of bank M&A transactions –
5th consecutive year as #1 advisor



Advisor on over **150 M&A** transactions across 3 decades



More than **\$10 Billion** in aggregate M&A transaction value

Education



MBA:
Columbia University



BBA:
The George Washington University



Additional Professional Studies:
Columbia Law School –
The Law of M&A Transactions



American Bankers Association –
Institute of Banking

Prior Experience

- Morgan Stanley / Investment Banking Division
- The Hovde Group
- Houlihan Lokey / Milestone Advisors
- Norwest Bank (now Wells Fargo)
- Began career as teller for a community bank

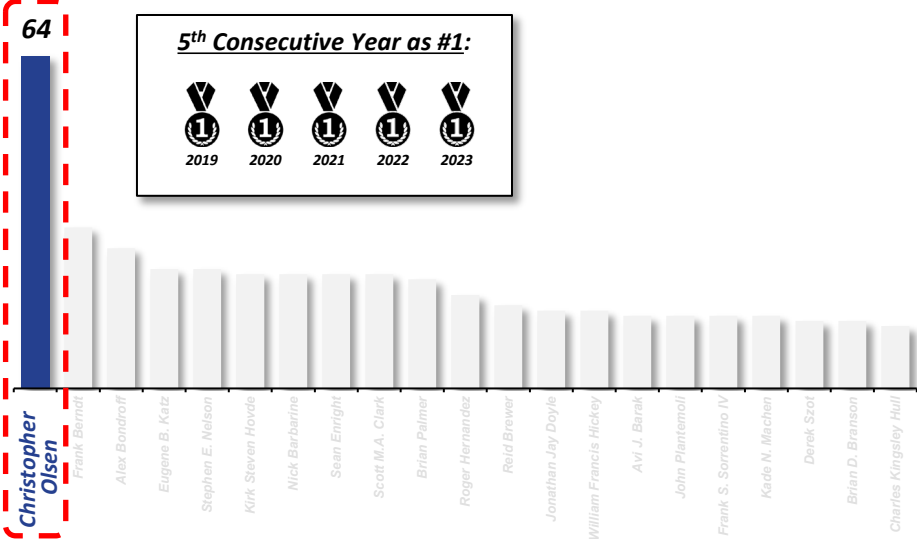


Professional Licensing

- General Securities Principal (*series 24*)
- Investment Banking Representative (*series 79*)
- Uniform Securities Agent (*series 63*)
- General Securities Representative (*series 7*)
- Limited Representative - Private Securities Offering (*series 82*)



#1 Bank M&A Advisor – By # of Transactions



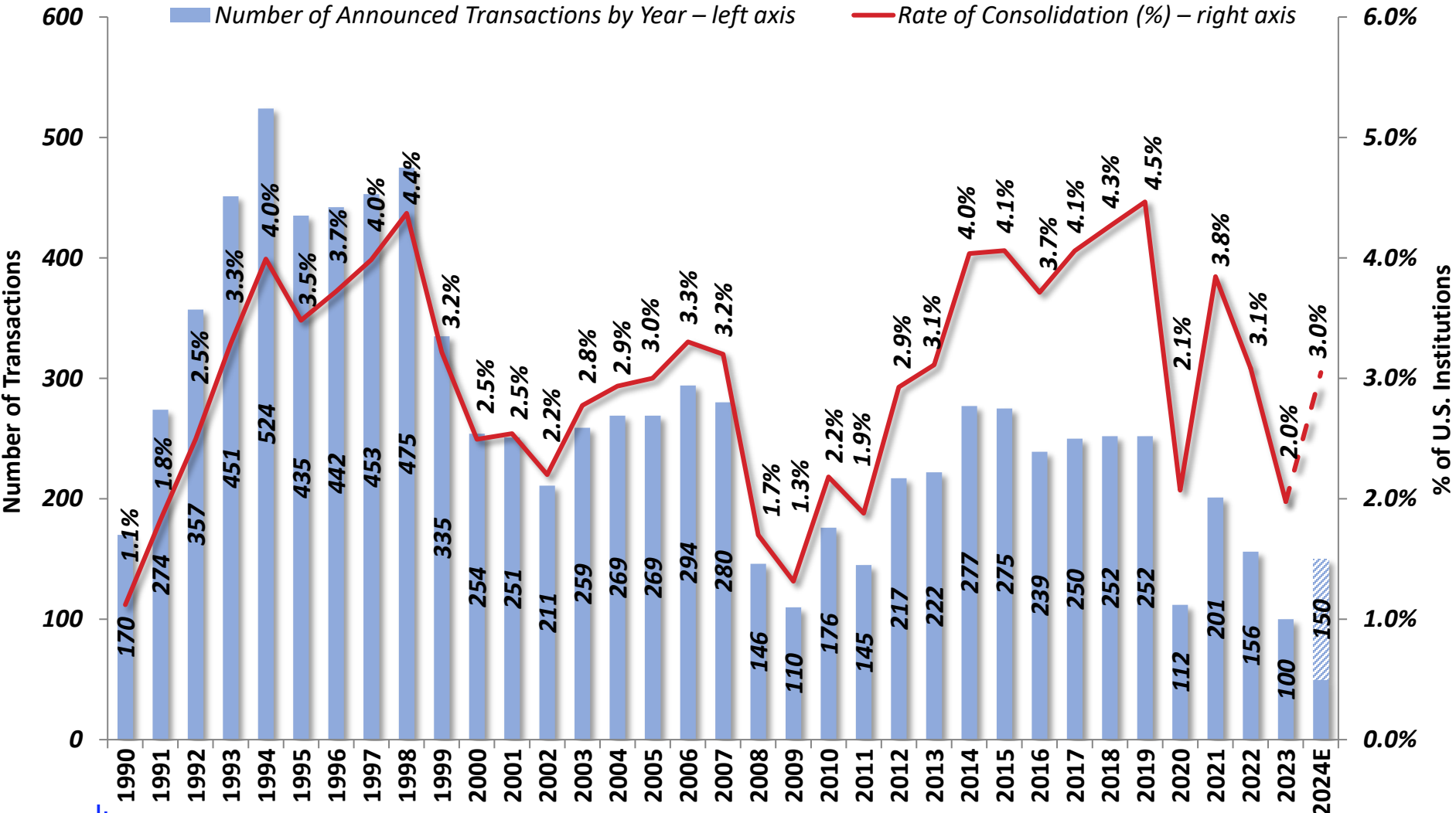
Note: #1 bank M&A individual advisor ranking reflects all whole-bank M&A transactions advised upon since 2020 in which advisor information was disclosed. Source: S&P Global.

II. Bank M&A Landscape: *The State of Affairs*

Bank M&A Activity

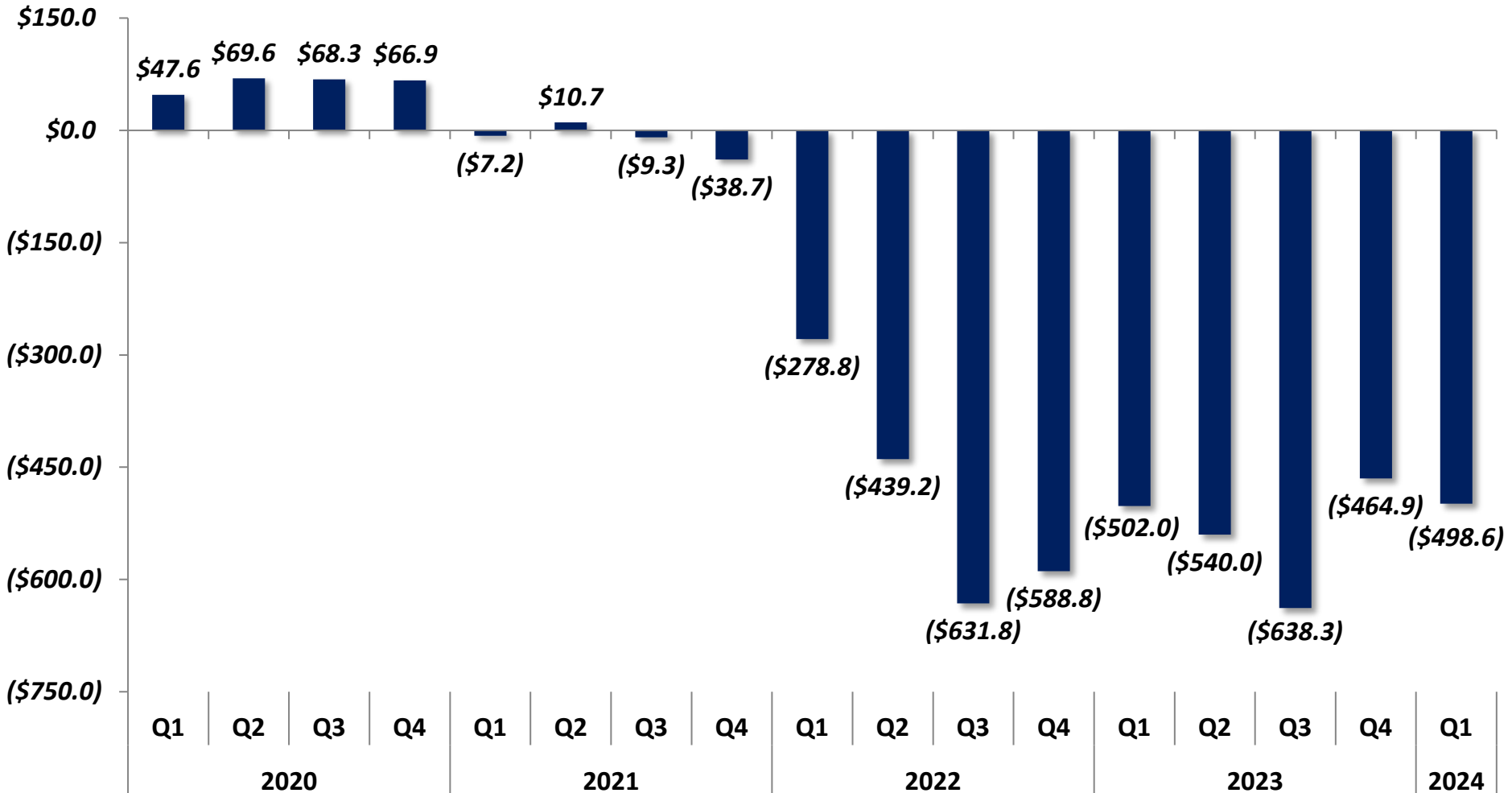
Bank M&A Volume

No. of Announced Transactions & Percentage of Institutions Acquired Since 1990



Aggregate Accumulated Other Comprehensive Income (“AOCI”)^{1,2}

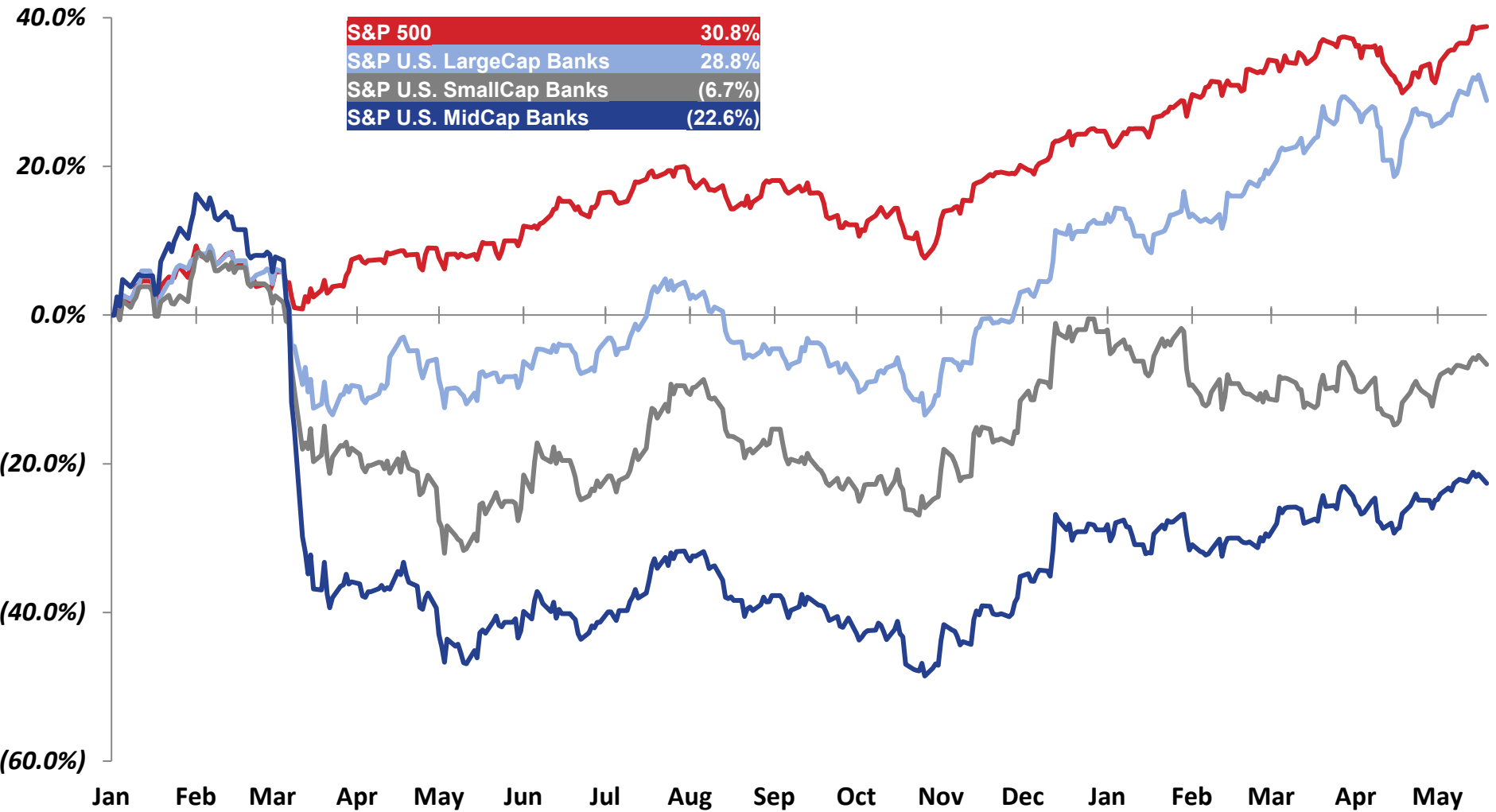
In \$Billions



1 – AOCI is a measure of tax-affected unrealized losses on securities portfolios. 2 – AOCI is adjusted to include unrealized losses on held to maturity (“HTM”) securities.
 Note: Data as of March 31, 2024. AOCI is tax-adjusted to reflect s-corporation elections. Source: S&P Global.

Bank Stock Performance

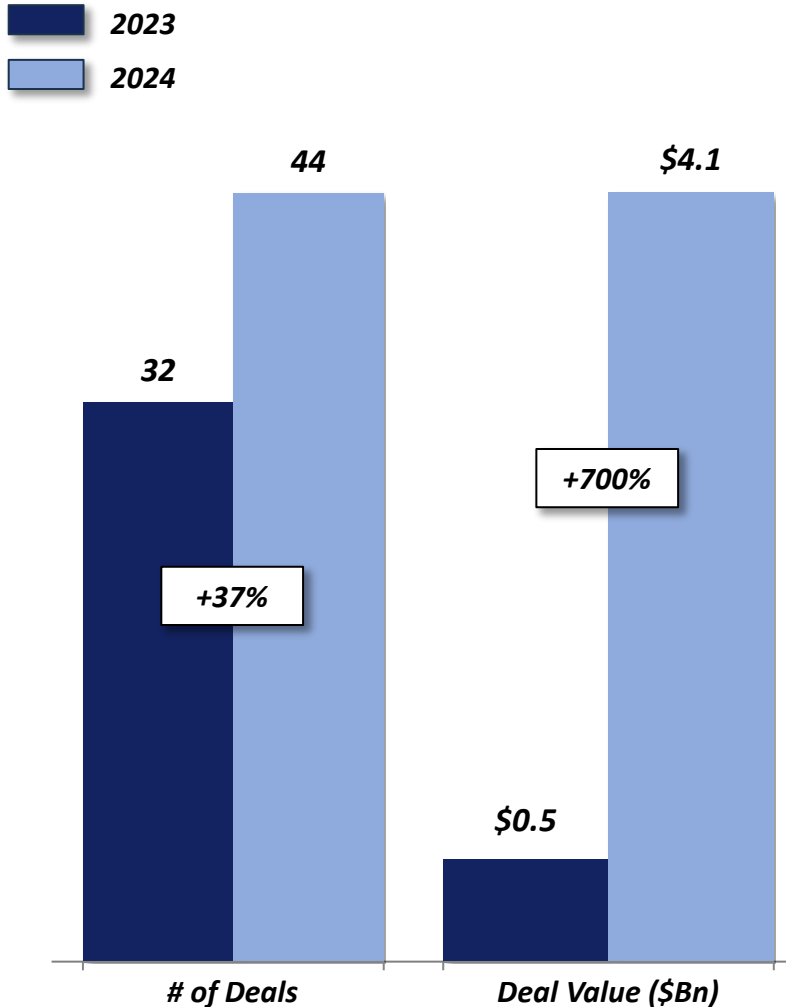
Various Indexes by Market Capitalization; since 2023



Deal Activity Picking Up

Deal Volume and Value

2024 YTD vs 2023 YTD



Select Recent Noteworthy Transactions

Sorted by Announcement Date

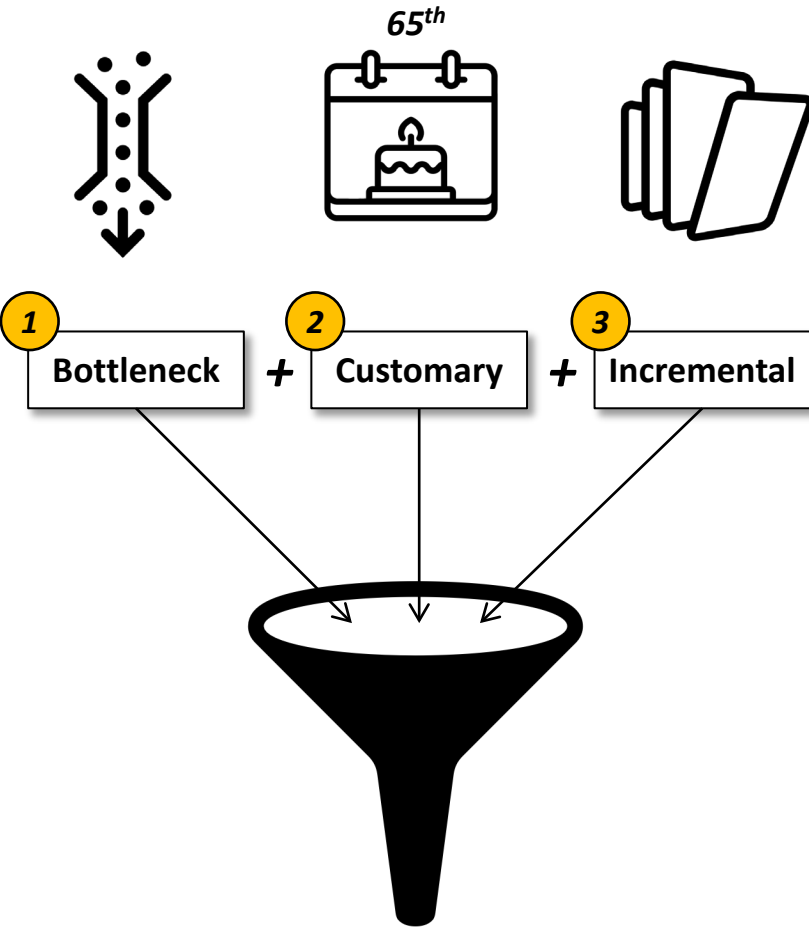
Announcement Date	Buyer	Seller	Deal Value
5/20/2024	SouthState (Winter Haven, FL)	INDEPENDENT FINANCIAL™ (McKinney, TX)	\$2,021.5
5/16/2024	Pima federal CREDIT UNION (Tucson, AZ)	Republic Bank of Arizona (Phoenix, AZ)	NA
5/15/2024	ALERUS FINANCIAL CORPORATION (Grand Forks, ND)	HOME FEDERAL (Rochester, MN)	\$115.5
5/10/2024	UNITED BANK (Charleston, WV)	THE PIEDMONT BANK (Peachtree Corners, GA)	\$270.1
4/29/2024	UMB (Kansas City, MO)	HTLF Strength. Insight. Growth. (Denver, CO)	\$1,988.4
4/17/2024	Skyline National Bank ALWAYS OUR BEST (Floyd, VA)	jcb Johnson County Bank (Mountain City, TN)	\$25.0
4/15/2024	WINTRUST (Rosemont, IL)	MACATAWA BANK* (Holland, MI)	\$512.4
3/25/2024	FirstBank (Strasburg, VA)	TouchstoneBank (Prince George, VA)	\$47.0

 Transactions in which Olsen Palmer LLC served as advisor

Note: 'YTD' reflect data as of May 15 of the specified year. Source: S&P Global.

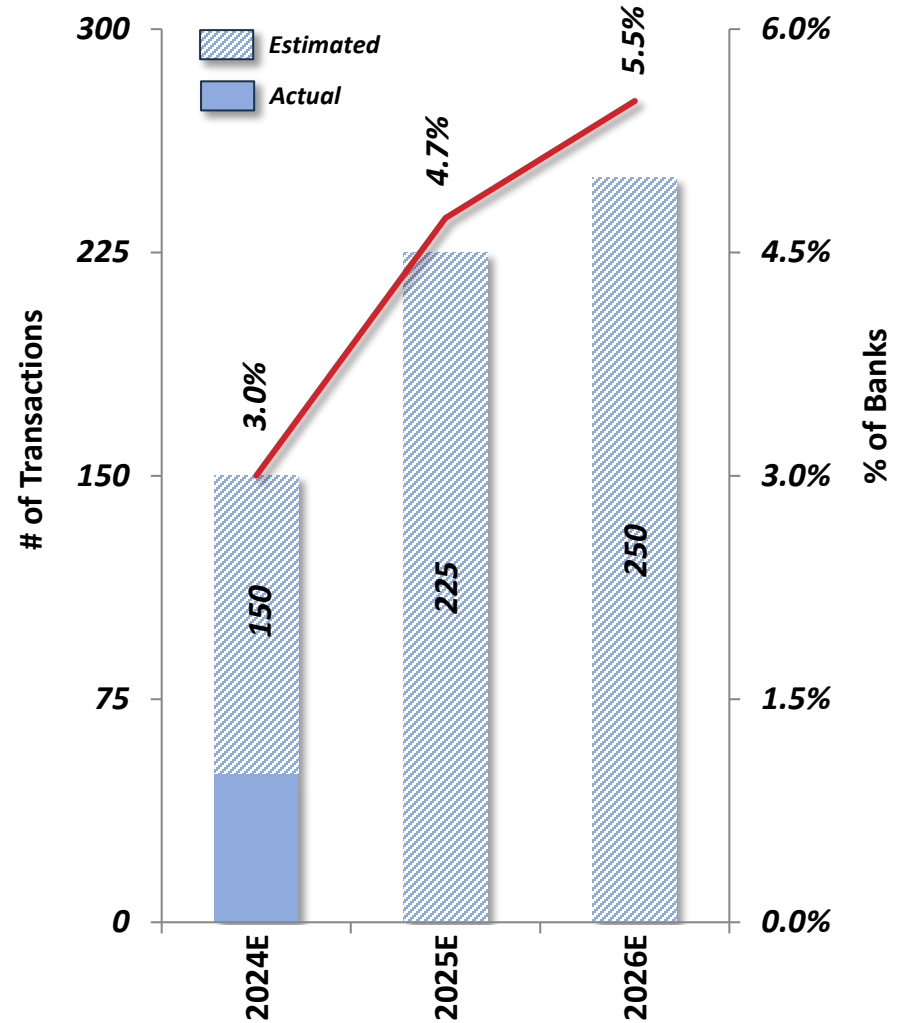
Anticipated Sellers Landscape

By Category



Anticipated Transactions

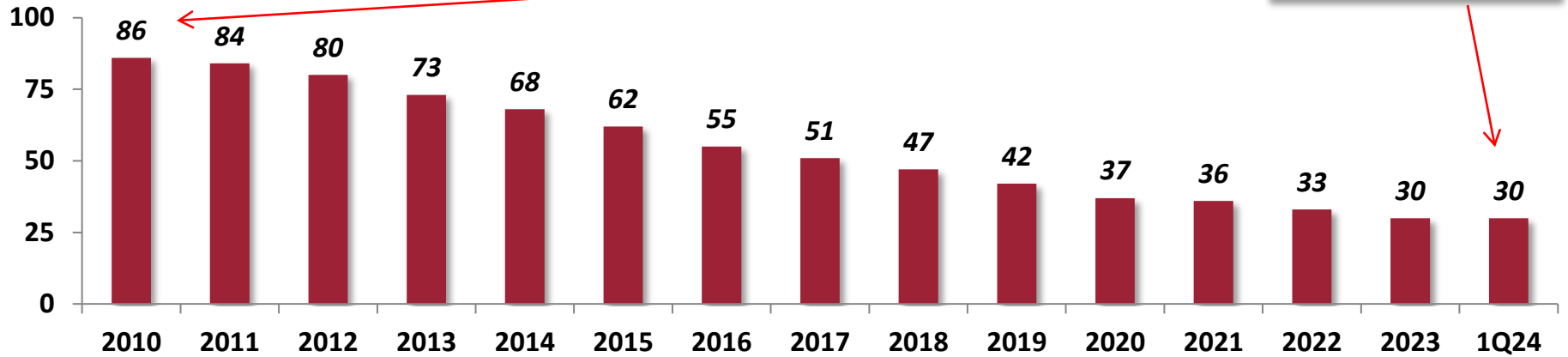
Number of Whole-Bank Acquisitions By Year



Consolidation in Maryland & Virginia

Maryland Institutions

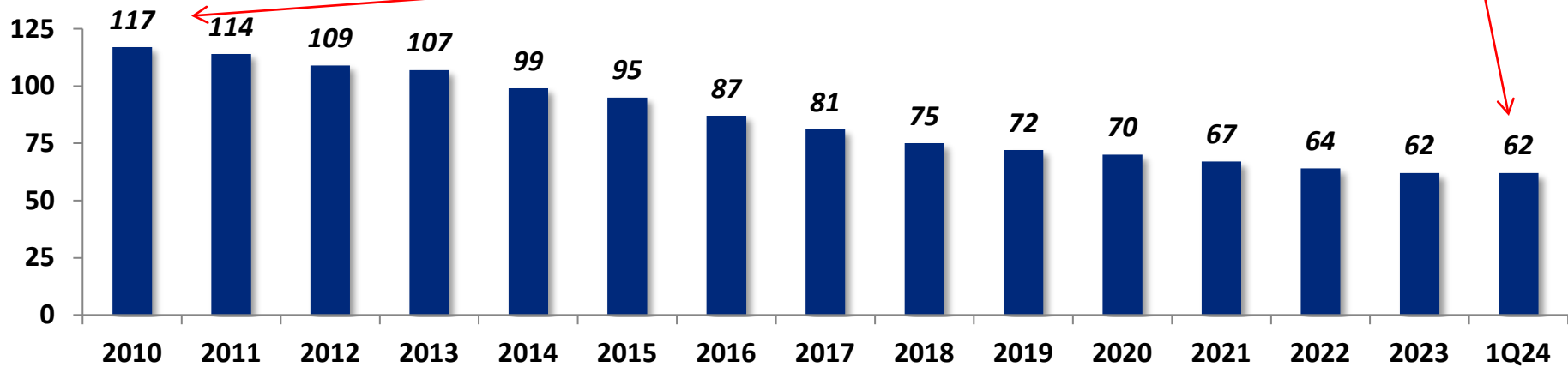
Commercial Banks and Thrifts



Current vs. 2010
- 65%

Virginia Institutions

Commercial Banks and Thrifts

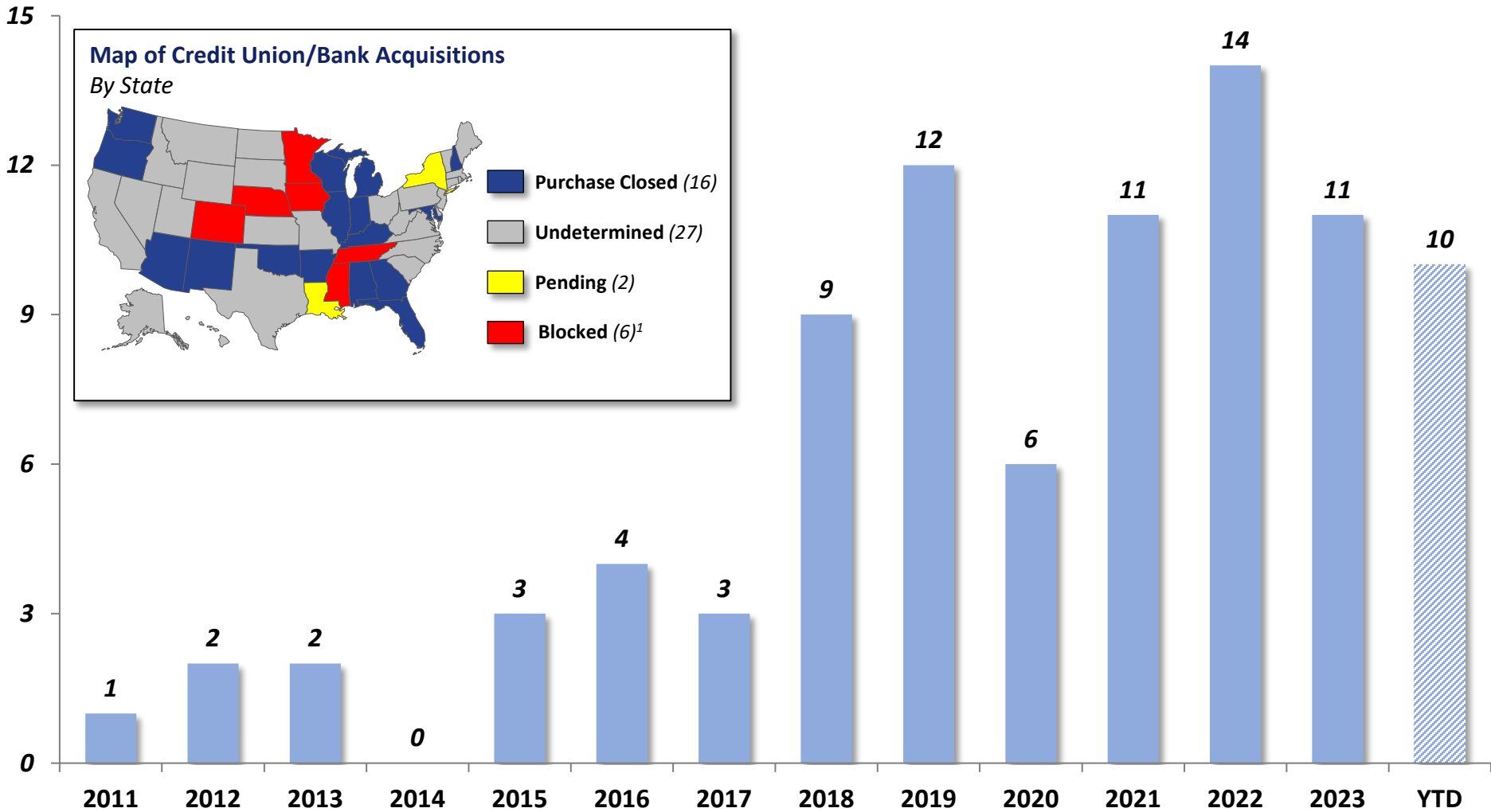


Current vs. 2010
- 47%

Credit Unions as Acquirers

Number of Banks Acquired by Credit Unions

Number of Whole-Bank Acquisitions By Year



¹ - States in which legislation or regulatory order has restricted the permissibility of credit union acquisitions of state-chartered banks. Note: 'Undetermined' indicates that a credit union-bank acquisition has not been attempted. Data as of May 24, 2024. Source: S&P Global.

Primary Bank Regulatory Bodies



Proposed Revisions to the Statement of Policy on Bank Merger Transactions

March 21, 2024

Notice of Proposed Rule Making + Policy Statement re Bank Merger Act

January 29, 2024

???

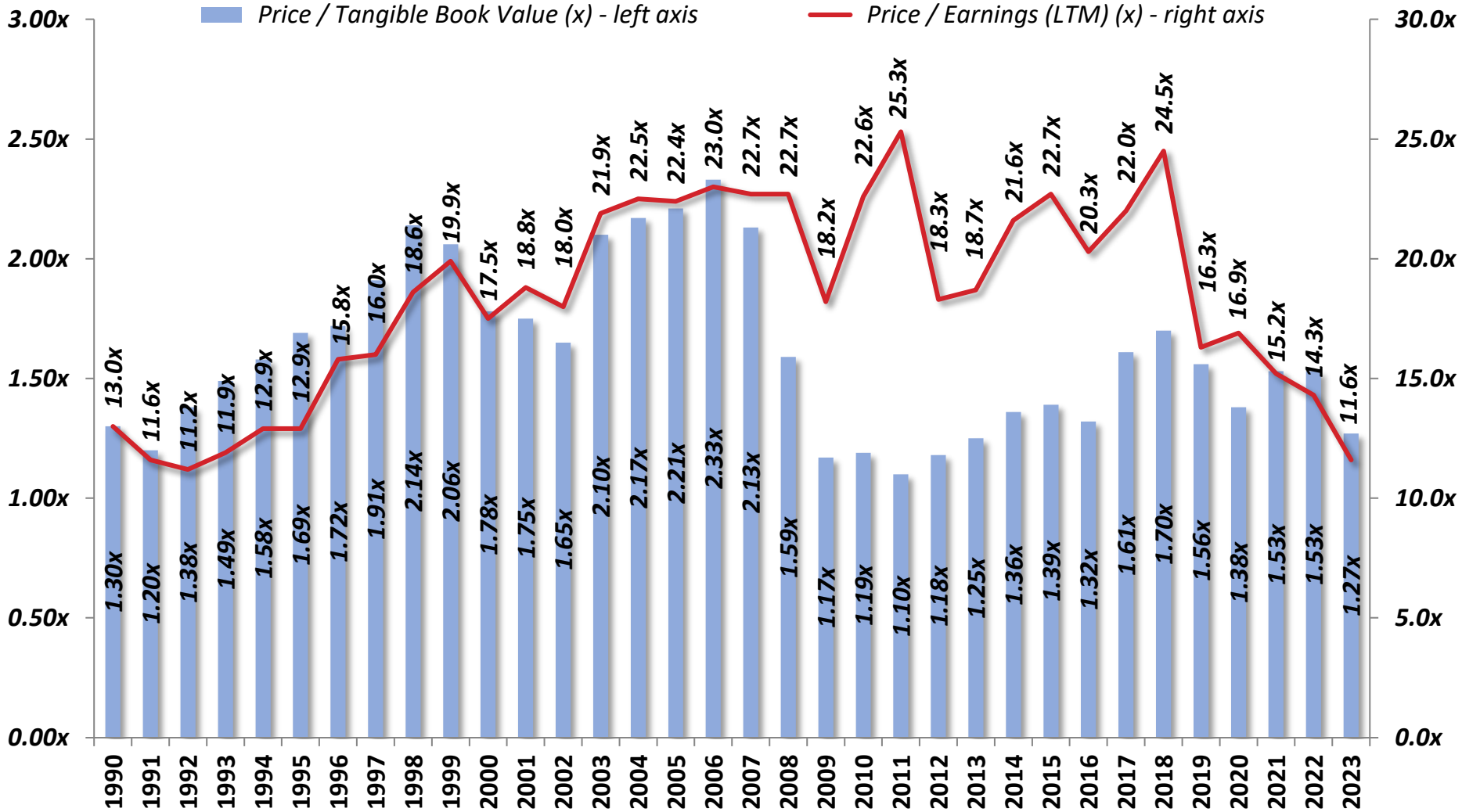
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Additional Regulatory Players



Bank M&A Valuation Multiples

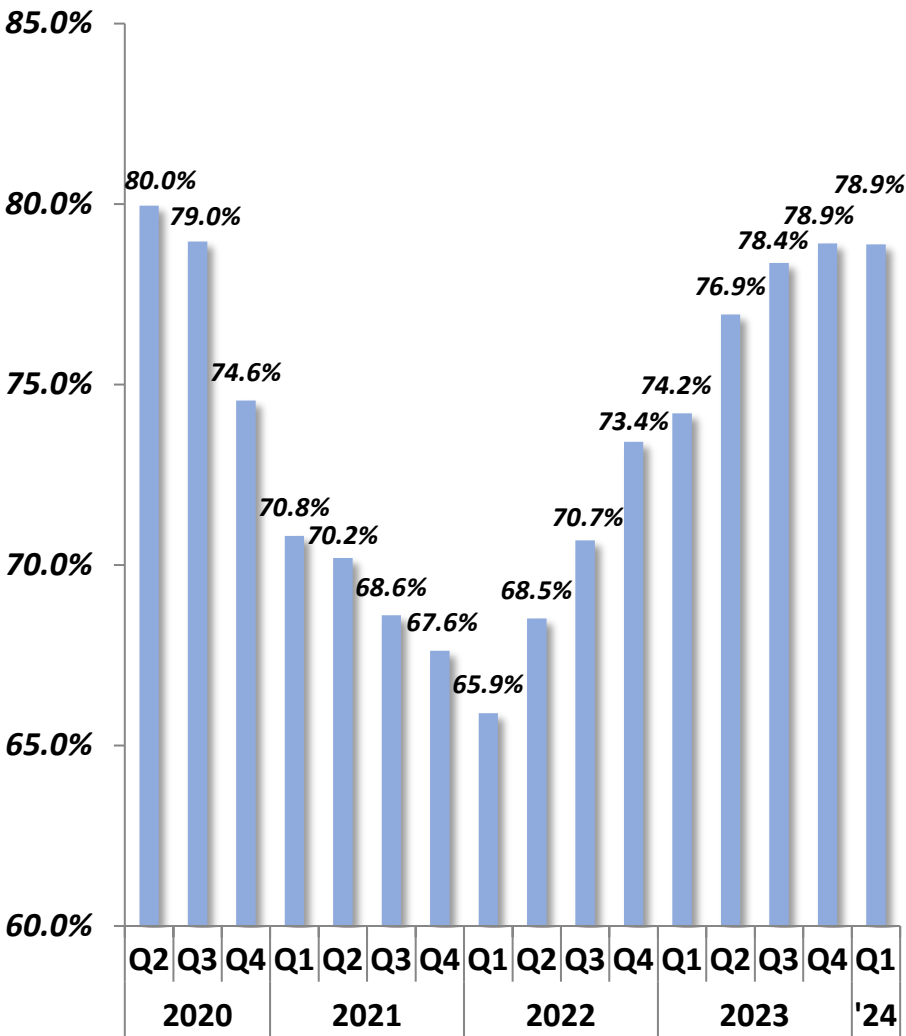
Median M&A Transaction Valuation Multiples By Year Since 1990



IV. Deal Drivers: *Catalysts of M&A*

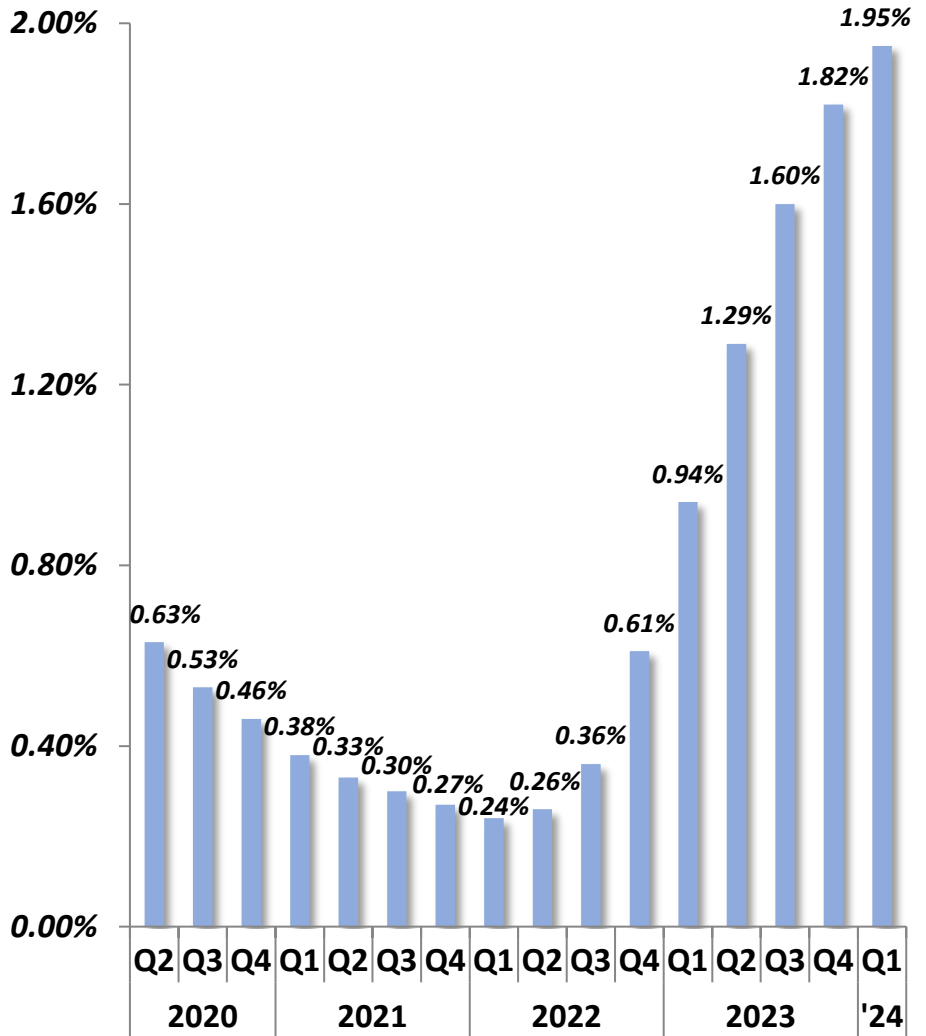
Loan-to-Deposit Ratio

Median of All U.S. Institutions with Assets < \$10Bn



Cost of Funds

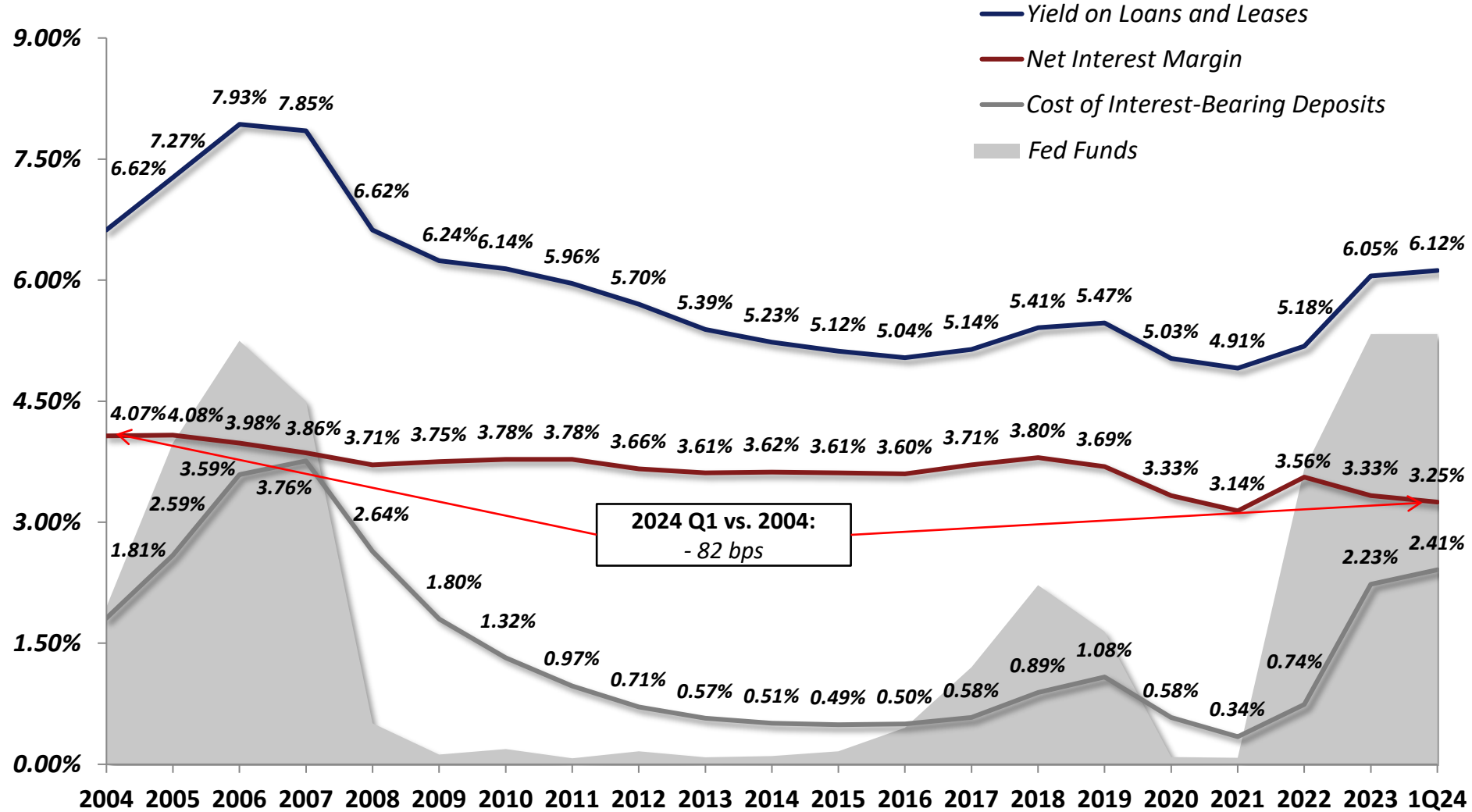
Median of All U.S. Institutions with Assets < \$10Bn



Margin Compression

Margin Components and Federal Funds Rate

Median of All U.S. Institutions with Assets < \$10Bn

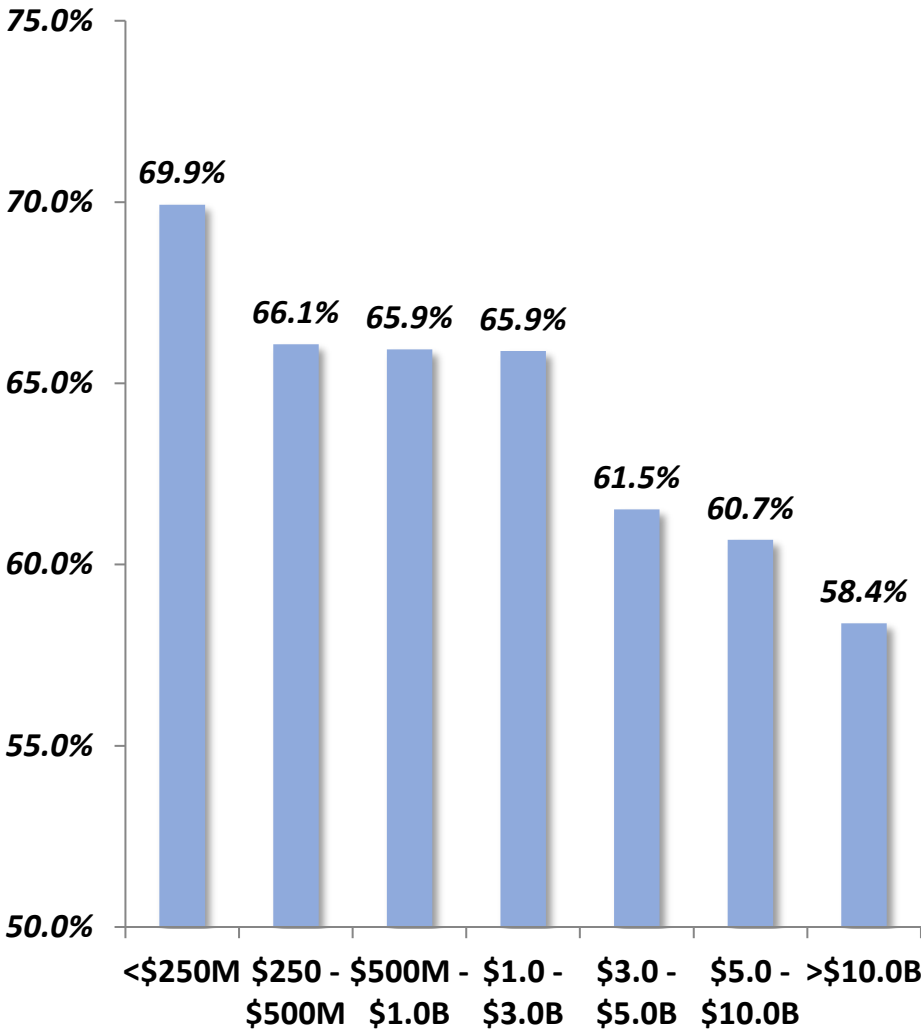


2024 Q1 vs. 2004:
- 82 bps

Economies of Scale

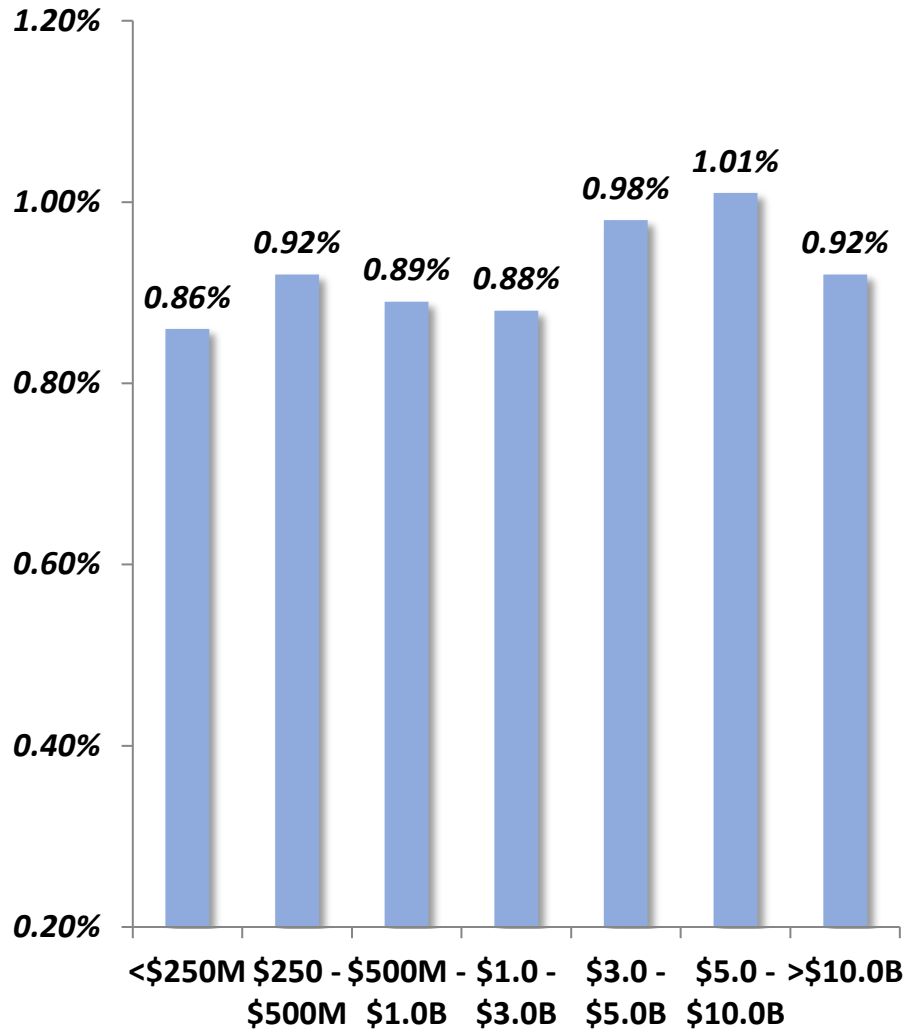
Efficiency Ratio (LTM)

Median of All U.S. Institutions by Asset Size



ROAA (LTM)

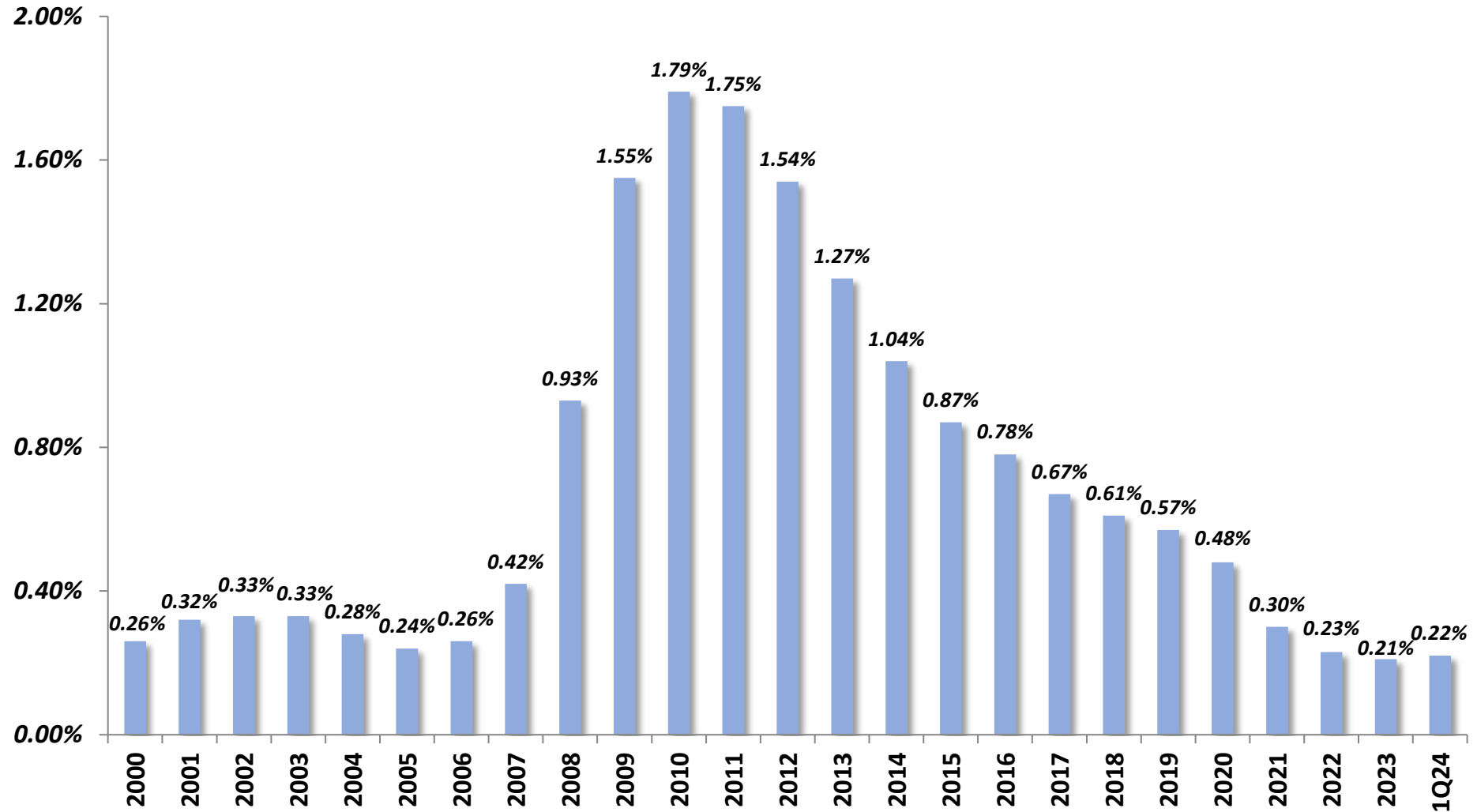
Median of All U.S. Institutions by Asset Size



Credit Quality

NPAs / Assets

Median of All U.S. Institutions with Assets < \$10Bn



VI. Strategic Alternatives and Best Practices

Strategic Options for Creating Value

Strategic Options Blueprint

Organic and M&A-Related Strategic Options



Strategic Considerations

Strategic Rationale for an Acquisition

- Operating Scale
- Deposit Funding and/or Loan Growth
- Market Share
- Diversification
- Enhanced Fee Income
- Cultural Compatibility
- Maintain Brand / Identity
- Minimize Ownership Dilution
- Human Capital
- Enhance Overall Franchise Value

Financial Considerations

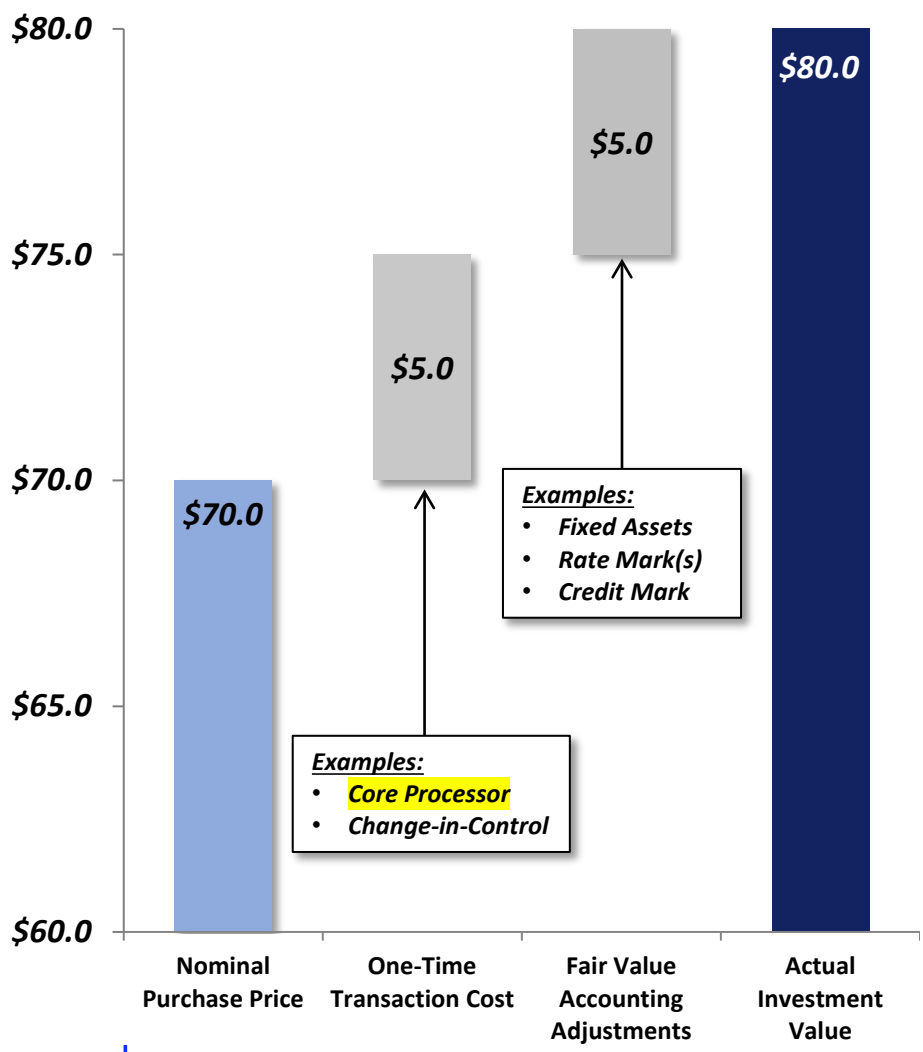
Financial Rationale for an Acquisition

	Earnings per Share ("EPS") Accretion	Internal Rate of Return ("IRR")	Tangible Book Value Dilution Earnback (in Years)	Regulatory Capital (Leverage Ratio)
Customary	0 - 5%	13 - 20%	3-5 years	9 - 10%
Exceptional	> 5	> 20%	< 3 years	> 10%
Sub-Optimal	< 0%	< 13%	> 5 years	< 9%

Actual Price Tag vs. Actual Earnings Acquired

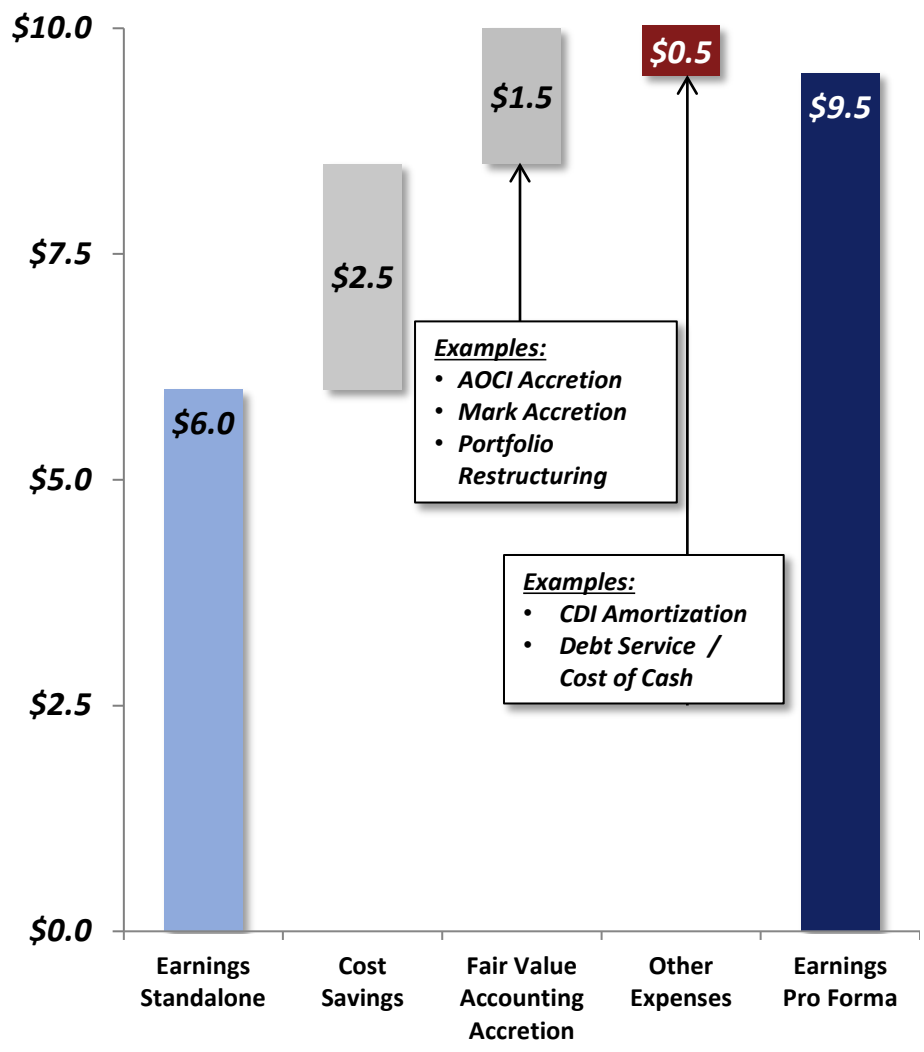
Actual Deal Investment

Purchase Price + Other Costs



Actual Earnings Received

Standalone Net Income + Cost Savings - Other Adjustments



Options for Exploring a Sale

	1. Unilateral Discussions	2. Discreet Marketing Process	3. Broad Auction	4. Private Client
Description	Discreet negotiations w / only one party	Simultaneous discussions w/ several parties	Formal auction among multiple parties	Customized 2-stage effort: 1) Organized but informal introductory phase then 2) formal offer solicitation from subset of selectees
No. of Parties Involved	1	2 – ~15	> 15	~2 – ~12
Benefits	<ul style="list-style-type: none"> Maximizes discretion and optionality Enhanced relationship with acquirer may increase value Greater diligence on prospective acquirer 	<ul style="list-style-type: none"> Avoids “all eggs in one basket” Leverage multiple parties Utilizes proprietary market intelligence to exclude irrelevant parties 	<ul style="list-style-type: none"> Typically maximizes value Maximizes negotiating leverage Minimizes the duration to closing 	<ul style="list-style-type: none"> Ideal balance of leveraging multiple parties while maintaining discretion and confidentiality Stage 1 introductory meetings increase familiarity and value while providing opportunity to size up potential acquirer for fit, stock, etc. ‘Flips the tables’ such that buyers are competing for the right to bid
Limitations	<ul style="list-style-type: none"> Value may be lower than broad auction Time lost if talks are unsuccessful Longer duration to closing 	<ul style="list-style-type: none"> Less discreet than unilateral discussions Value may be lower than broad auction 	<ul style="list-style-type: none"> Least discreet of the options Arms-length process may dissuade certain buyers 	<ul style="list-style-type: none"> Entails relationship building with multiple parties Longer, more-involved process
Summary:				
Discretion				
Value Maximization				
Speed to Closing				



What Drives Value...And What Does Not

Value Drivers



Core Earnings



Synergies



Core Growth



Credit Quality



Management & Human Capital



Location / Market Demographics

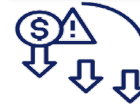


Funding



Scale / Density

Value Detractors & Non-Factors



Non-Core Earnings



Non-Core Growth



Outsized Transaction Costs



Multiples (e.g. Price-to-Book)



Scarcity



"Unique" Business Lines



Lack of Management Continuity



Disjointed Footprint

Role	Item	Recommendation
Remain Independent	M&A Environment	<ul style="list-style-type: none"> • Prepare for acquisition of competitors... they don't just disappear
	Competitive Landscape	<ul style="list-style-type: none"> • Anticipate new market entrants and / or more formidable competitors
	Organic Strategy	<ul style="list-style-type: none"> • Position to take advantage of market disruption
Acquisition(s)	Acquisition Strategy	<ul style="list-style-type: none"> • Define M&A strategy and rationale for acquisitions
	Advisors	<ul style="list-style-type: none"> • Solicit advice from expert advisors – especially investment banking and legal – well before any potential deal
	Deal Criteria	<ul style="list-style-type: none"> • Enunciate clear strategic and financial criteria
	Financial Analysis	<ul style="list-style-type: none"> • Analyze financial implications of transaction including EPS, IRR, Tangible Book Dilution Earnback, and Capital
	Consideration	<ul style="list-style-type: none"> • Assess capital capacity and consideration options for consummating an acquisition
	Regulators	<ul style="list-style-type: none"> • Apprise regulators of potential M&A plans
	Legal Framework	<ul style="list-style-type: none"> • Understand legal implications of M&A
	Board Preparation	<ul style="list-style-type: none"> • Educate Board on M&A landscape, valuation, deal process, fiduciary duties, and risks
	Target Identification	<ul style="list-style-type: none"> • Identify broad list of potential targets
	Relationships	<ul style="list-style-type: none"> • Initiate and maintain relationships with potential targets
Strategic Merger / Merger-of-Equals	Rationale	<ul style="list-style-type: none"> • Evaluate rationale for a combination... i.e., unlocking value by realized greater operating scale
	Negotiation	<ul style="list-style-type: none"> • Remain flexible and approach negotiations collaboratively
	Partner Identification	<ul style="list-style-type: none"> • Identify counterparties with complementary social issues; “Secret Sauce” usually complementary management succession
Sale	M&A Environment	<ul style="list-style-type: none"> • Understand M&A environment, deal drivers, and valuation implications
	Advisors	<ul style="list-style-type: none"> • Engage expert advisors – especially investment banking and legal – well before any potential deal
	Board Preparation	<ul style="list-style-type: none"> • Educate Board on M&A landscape, valuation, deal process, fiduciary duties, and risks
	Strategic Options	<ul style="list-style-type: none"> • Review, periodically, all potential strategic options
	Valuation	<ul style="list-style-type: none"> • Determine, through consultation with your advisor, your bank’s estimated actual market value
	Acquirer List	<ul style="list-style-type: none"> • Identify and actively monitor the universe of potential acquirers
	Relationships	<ul style="list-style-type: none"> • Initiate and maintain relationships with potential acquirers
	Sale Process	<ul style="list-style-type: none"> • Select preferred sale process: 1) unilateral/one-off discussions, 2) limited marketing process, 3) broad auction
	Significant Contracts	<ul style="list-style-type: none"> • Revisit any long-term commitments, especially data processing and employment agreements
	Window Dressing	<ul style="list-style-type: none"> • Avoid “window dressing:” one-time efforts to inflate earnings or shrink expenses

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