



Bank M&A: Market Update and Deal Pricing

Christopher Olsen

Olsen Palmer LLC

Bank Board Training Forum

- *Bank M&A Market Update*
- *Best Practices*

September 2023

Proprietary & Confidential

Presented by:



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BankDirector.

Olsen Palmer LLC

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 <i>maximize value, minimize risk</i>
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	Buy-Side	Branch Transactions, Merger-of-Equals
Clayton.bank cb \$330.1mm Sale to: <i>FirstBank</i>	BANKFIRST \$49.0mm Acquisition of: <i>Traders & Farmers Bank</i>	NORTHSIDE BANK Merger-of-Equals With: <i>First National Community Bank</i>
LANDMARK \$146.3mm Sale to: <i>Simmons First National Corporation</i>	FARMERS & MERCHANTS BANK \$25.0mm Acquisition of: <i>Carroll Bancorp Inc.</i>	DOOLIN SECURITY SAVINGS BANK, F.S.B. Merger of Mutuals: <i>First Mutual Holding Co.</i>
Merchants BANK \$78.7mm Sale to: <i>Fidelity D & D Bancorp, Inc.</i>	FNBB NATIONAL BANK OF FLORIDA Section 363 Bankruptcy Acquisition of: <i>Independent Bankers Bank of Florida</i>	FIRST FREEDOM Bank Acquisition of 3 Branches from: <i>Atlantic Capital Bank, N.A.</i>
FIRST MADISON BANK & TRUST \$52.1mm Sale to: <i>United Community Banks, Inc.</i>	FIRST CITIZENS NATIONAL BANK \$32.2mm Acquisition of: <i>Southern Heritage Bank</i>	FIRST CITIZENS NATIONAL BANK Acquisition of 1 Branch from: <i>Community First Bank</i>
Mid-America BANCSHARES, INC. \$196.9mm Sale to: <i>Pinnacle Financial Partners, Inc.</i>	FIRST COMMERCIAL BANK \$10.8mm Acquisition of: <i>DeSoto County Bank</i>	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

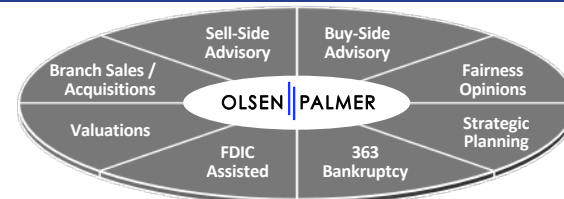
Managing Partner Christopher Olsen is the #1 individual bank M&A advisor nationwide²



\$2.5 Billion

Olsen Palmer has advised on almost \$2.5Bn in total bank M&A transaction value

Advisory Capabilities



¹Includes transactions executed by Olsen Palmer professionals while at other firms.

²Based on total no. of whole-bank M&A transactions since 2020 with seller total assets less than \$2Bn. ¹Based on total no. of whole-bank M&A transactions in 2019, 2020, 2021, and 2022. Source: S&P Global.

Community Bank M&A Advisor Rankings

S&P Global Market Intelligence - Investment Banking Firms

Rank	Advisor
1	Olsen Palmer LLC
2	Piper Sandler & Co.
3	Hovde Group, LLC
4	Keefe, Bruyette & Woods
4	D.A. Davidson & Co.
6	Janney Montgomery Scott LLC
6	The Capital Corporation, LLC
8	Oak Ridge Financial Services Group, Inc.
9	Raymond James & Associates, Inc.
9	Forvis, LLP
11	Gerrish Smith Tuck, PC
12	Prudential Financial, Inc.
12	Hillworth, LLC
14	Performance Trust Capital Partners, LLC
15	Donnelly Penman & Partners Inc.
16	Stephens Inc.
16	Boenning & Scattergood, Inc.
16	The Burke Group, LLC
19	Wipfli LLP

S&P Global Market Intelligence - Individual Bank M&A

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

Notes: Firm rankings reflect number of announced whole-bank sell-side transactions advised upon from January 1, 2020 to July 31, 2023 with seller total assets less than \$1.25 billion. Advisor rankings reflect all whole-bank M&A transactions advised upon since January 1, 2022 in which advisor information was disclosed. Source: S&P Global.

Recent Transactions

<p>Advised Seller</p>  <p>Has agreed to be acquired by</p>  <p>August 31, 2023</p>	<p>Advised Seller</p>  <p>Has agreed to be acquired by</p>  <p>August 28, 2023</p>	<p>Advised Seller</p>  <p>Has agreed to be acquired by</p>  <p>August 1, 2023</p>	<p>Advised Seller</p>  <p>Has agreed to be acquired by</p>  <p>July 11, 2023</p>	<p>Advised Seller</p>  <p>Has agreed to be acquired by</p>  <p>June 2, 2023</p>	<p>Advised Seller</p>  <p>Has agreed to be acquired by</p>  <p>June 1, 2023</p>	<p>Advised MOE</p>  <p>Has merged with</p>  <p>March 31, 2023</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>March 31, 2023</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>March 31, 2023</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>January 20, 2023</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>January 10, 2023</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>January 1, 2023</p>
<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>December 31, 2022</p>	<p>Advised Seller</p>  <p>Has agreed to be acquired by</p>  <p>December 19, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>December 9, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>October 1, 2022</p>	<p>Advised Acquirer</p>  <p>Has acquired</p>  <p>October 1, 2022</p>	<p>Advised Acquirer</p>  <p>Has acquired 2 branches from</p>  <p>October 1, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>August 8, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>July 29, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>May 18, 2022</p>	<p>Advised Acquirer</p>  <p>Has acquired</p>  <p>April 30, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>April 29, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>February 28, 2022</p>
<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>February 14, 2022</p>	<p>Advised Acquirer</p>  <p>Has acquired</p>  <p>January 3, 2022</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>December 31, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>December 17, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>December 8, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>October 8, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>October 8, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>October 1, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>September 1, 2021</p>	<p>Advised MOE</p>  <p>Has merged with</p>  <p>September 1, 2021</p>	<p>Advised Seller</p> <p>Durand State Bank</p> <p>Has been acquired by</p>  <p>July 30, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>July 26, 2021</p>
<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>May 28, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>May 14, 2021</p>	<p>Advised Acquirer</p>  <p>Has acquired</p>  <p>April 30, 2021</p>	<p>Advised Acquirer</p>  <p>Has acquired</p>  <p>April 15, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>April 9, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>April 1, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>February 27, 2021</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>November 30, 2020</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>November 30, 2020</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>November 30, 2020</p>	<p>Advised Acquirer</p>  <p>Has acquired 1 branch from</p>  <p>November 13, 2020</p>	<p>Advised Acquirer</p>  <p>Has acquired</p>  <p>October 1, 2020</p>
<p>Advised Acquirer</p>  <p>Has acquired</p>  <p>July 1, 2020</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>May 1, 2020</p>	<p>Advised Issuer</p>  <p>Has received an equity investment</p> <p>March 5, 2020</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>March 1, 2020</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>January 1, 2020</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>December 27, 2019</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>November 8, 2019</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>November 7, 2019</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>November 1, 2019</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>October 11, 2019</p>	<p>Advised MOE</p>  <p>Has merged with</p>  <p>August 30, 2019</p>	<p>Advised Seller</p>  <p>Has been acquired by</p>  <p>May 1, 2019</p>

Leadership Biography

Contact Information



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Christopher Olsen
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Managing Partner

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Expertise + Achievements



#1 individual bank M&A advisor
nationwide – 2020 to Present



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



- Milestone Advisors (now Houlihan Lokey)



HOULIHAN LOKEY

- Norwest Bank (now Wells Fargo)



- Began career as teller for a 3-branch community bank

Professional Licensing (FINRA)

- General Securities Principal (*series 24*)



- Investment Banking Representative (*series 79*)

- Uniform Securities Agent (*series 63*)

- General Securities Representative (*series 7*)

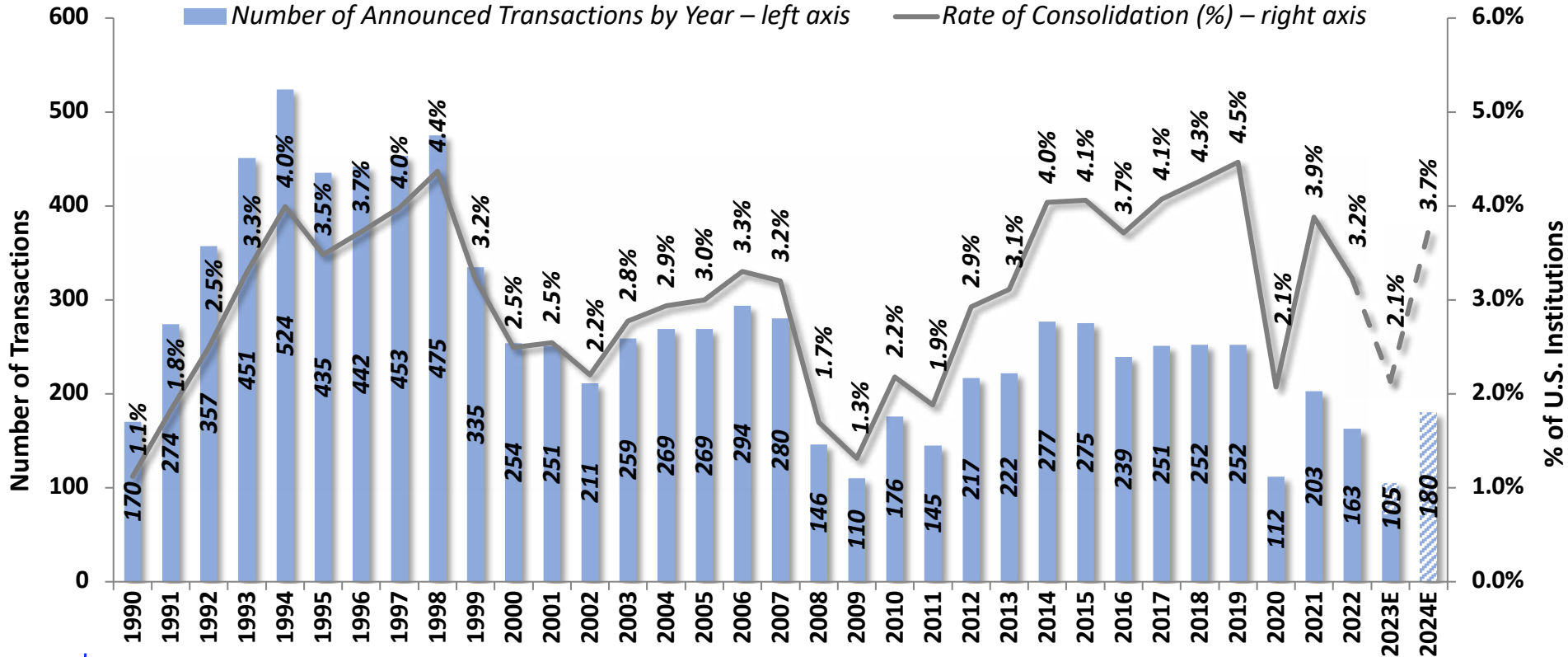
- Limited Representative - Private Securities Offering (*series 82*)

Market Update

Bank M&A Transaction Activity

Bank M&A Volume

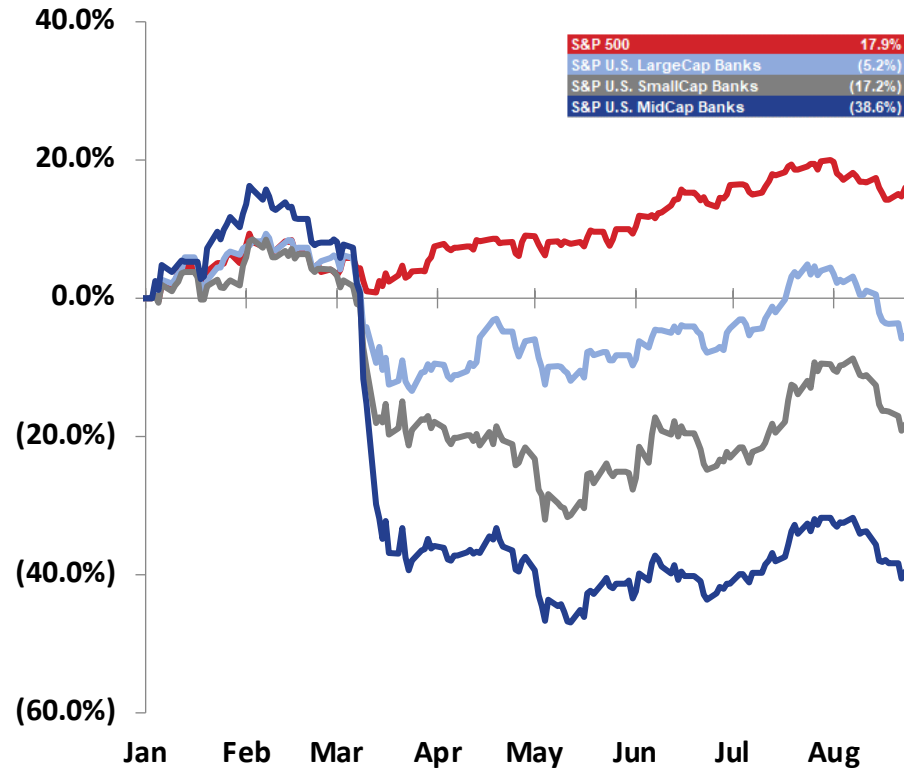
No. of Announced Transactions & Rate of Consolidation



Public Bank Stock Valuations

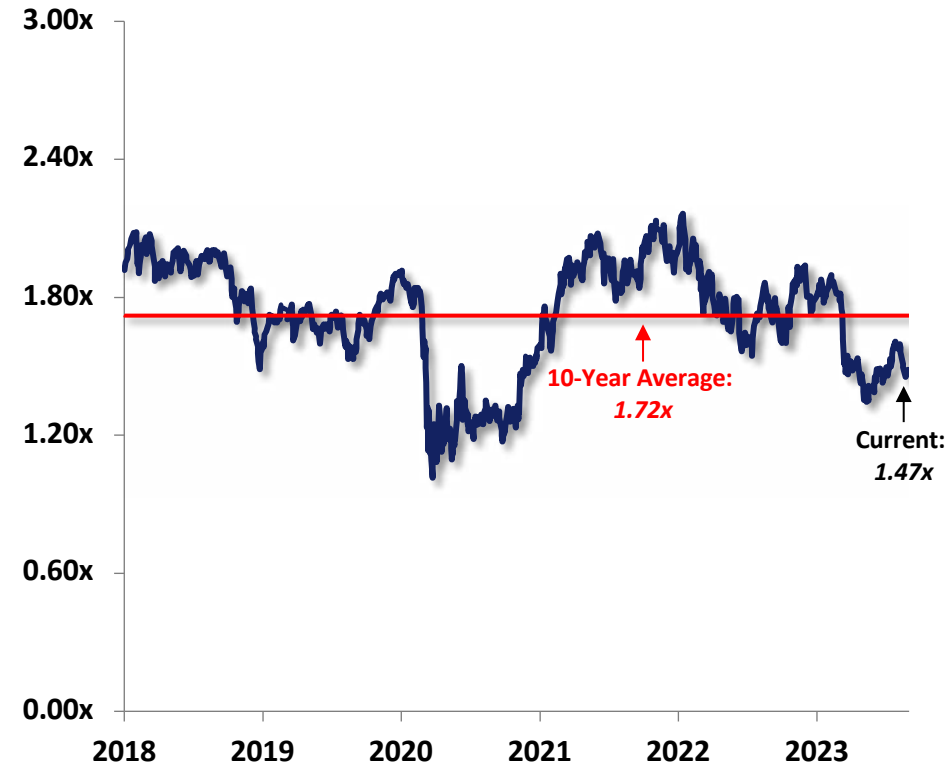
Bank Stock Performance

Price Change of Select Bank Indices – 2023 YTD



S&P U.S. BMI Banks – Price / Tangible Book Value

Since 2018

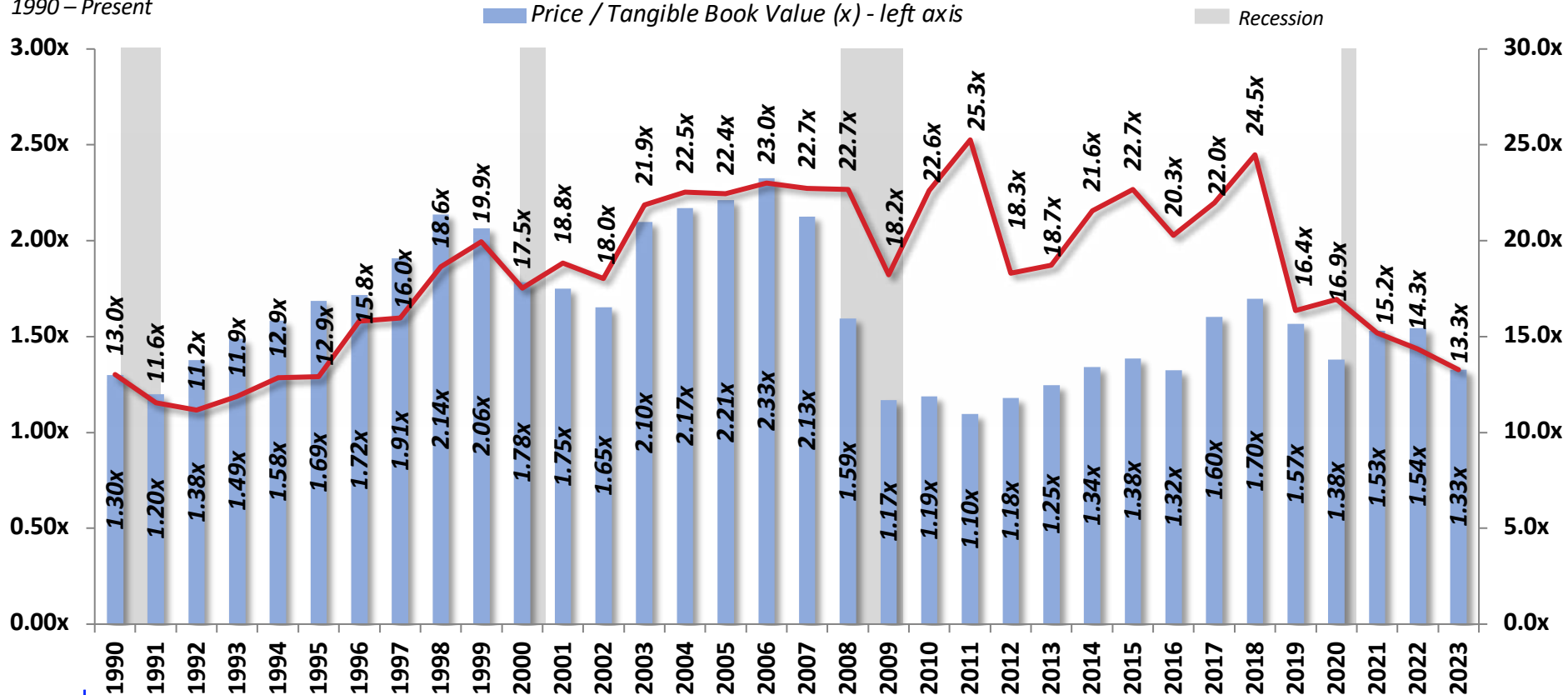


1 – S&P U.S. BMI Banks is a broad market index ("BMI") capturing institutionally investable bank stocks based in the United States with float-adjusted market capitalizations of at least \$100 million meeting 6- and 12-month median value traded requirements. Note: Market data as of August 31, 2023. Source: S&P Global.

M&A Pricing

Median Bank M&A Valuation Multiples

1990 – Present



Note: Gray shading represents periods of economic recession in the United States as defined by the National Bureau of Economic Research. 'LTM' refers to 'last twelve months.' Data as of August 31, 2023. Source: MacroTrends, S&P Global.

Recently Announced Transactions

Acquisition



Has agreed to acquire

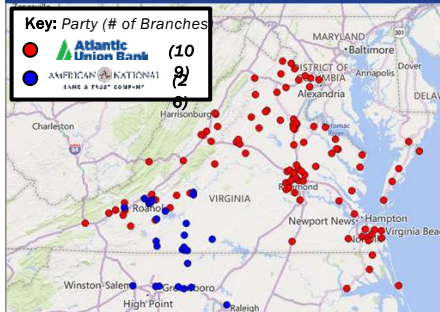


July 25, 2023

Deal Overview & Financial Metrics

Deal Value (\$MM)	\$443.7
Consideration	100% Stock
P/TBV	1.84x
P/E (LTM)	12.8x

Branch Map



Merger-of-Equals



Has agreed to merge with



July 25, 2023

Deal Overview & Financial Metrics

Deal Value (\$MM)	\$1,062
Consideration	100% Stock
P/TBV	0.57x
P/E (LTM)	NM

Branch Map¹

Acquisition



Has agreed to acquire

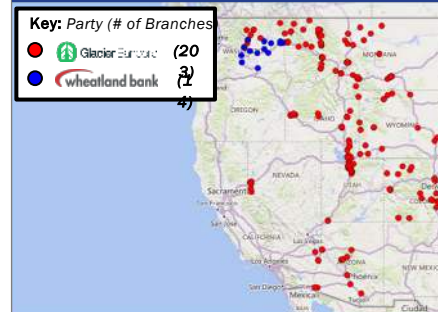


August 8, 2023

Deal Overview & Financial Metrics

Deal Value (\$MM)	\$80.6
Consideration	100% Stock
P/TBV	1.61x
P/E (LTM)	11.6x

Branch Map



Merger-of-Equals



Has agreed to merge with

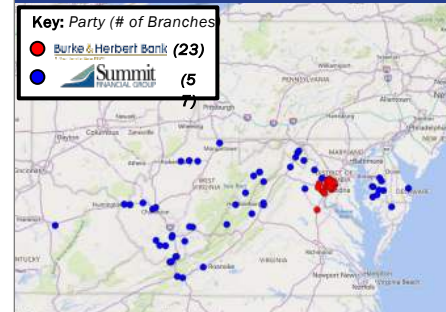


August 24, 2023

Deal Overview & Financial Metrics

Deal Value (\$MM)	\$371.4
Consideration	100% Stock
P/TBV	1.15x
P/E (LTM)	7.2x

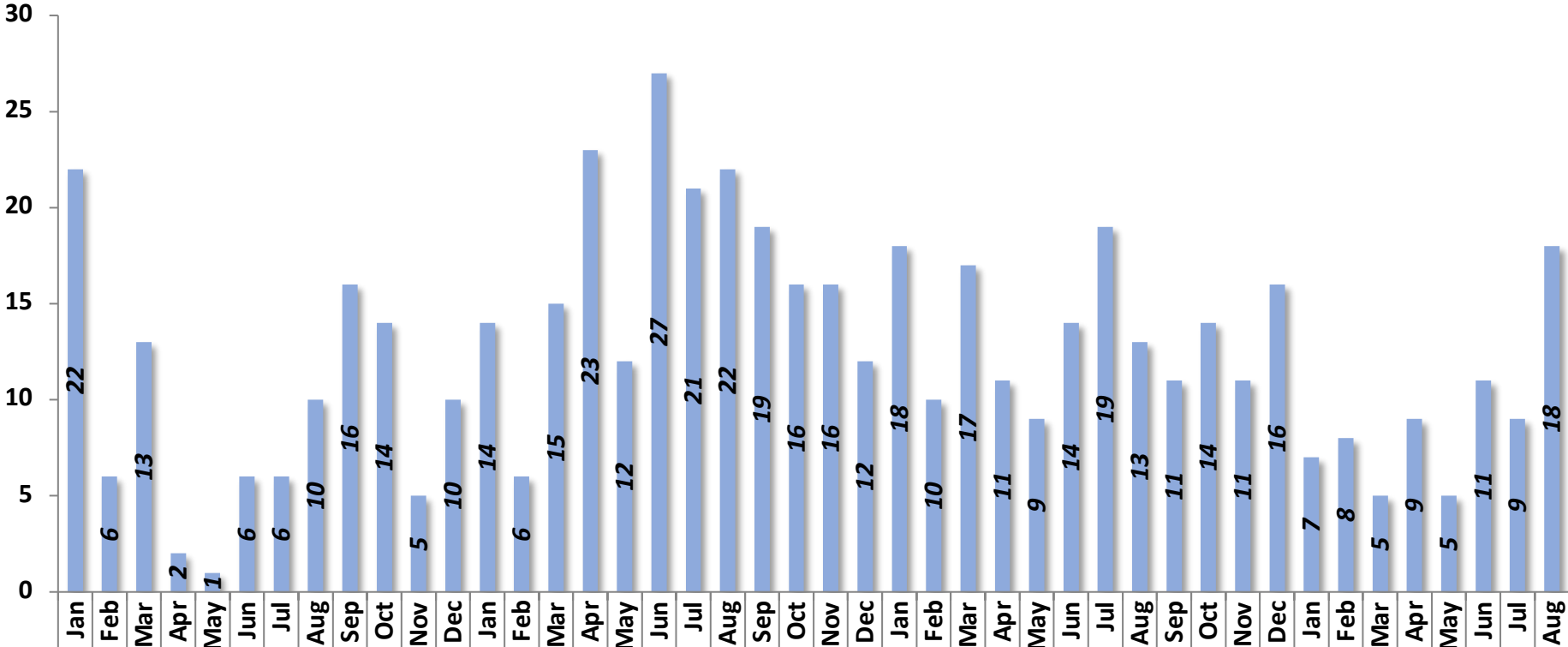
Branch Map



Recent Bank M&A Activity

Bank M&A Volume

No. of Announced Transactions by Month



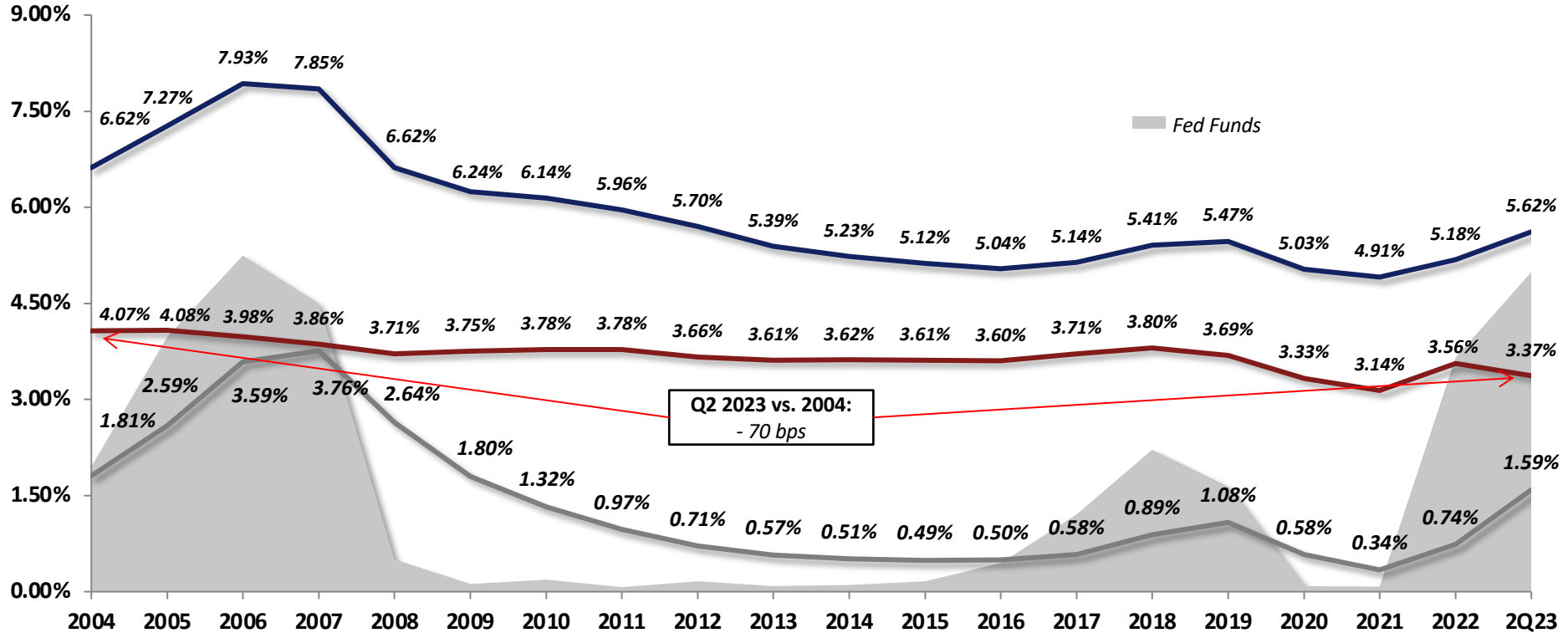
Note: Transaction figures exclude franchise deals. Data as of August 31, 2023. Source: S&P Global.

Deal Drivers

Long-Term Margin Compression

Margin Components and Federal Funds Rate

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

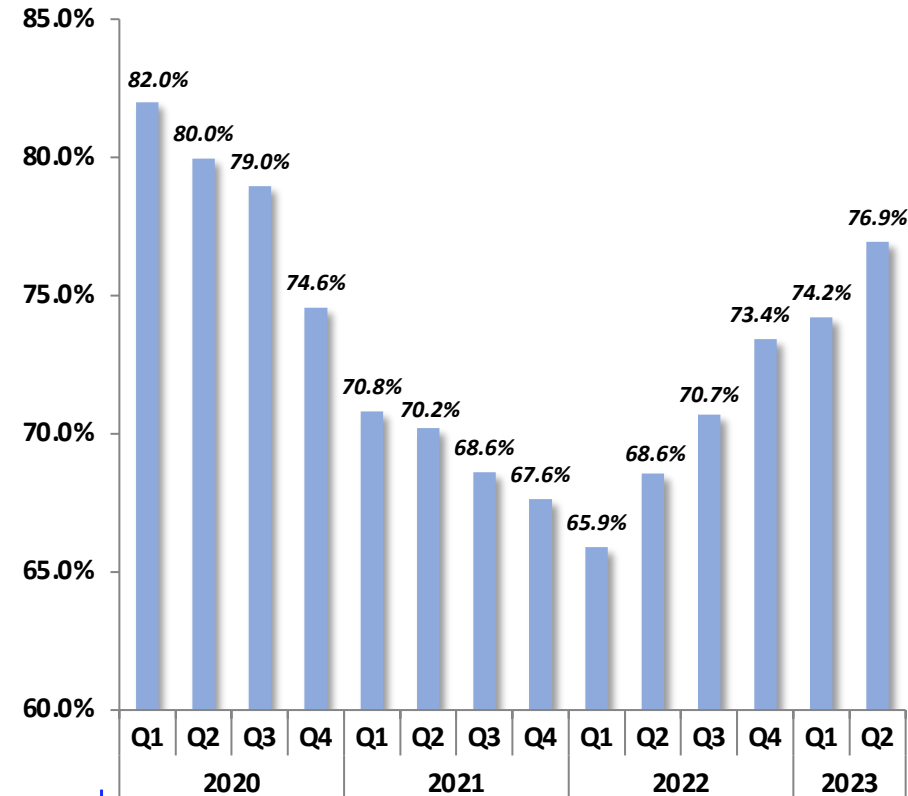


Q2 2023 vs. 2004:
- 70 bps

Liquidity and Cost of Funds

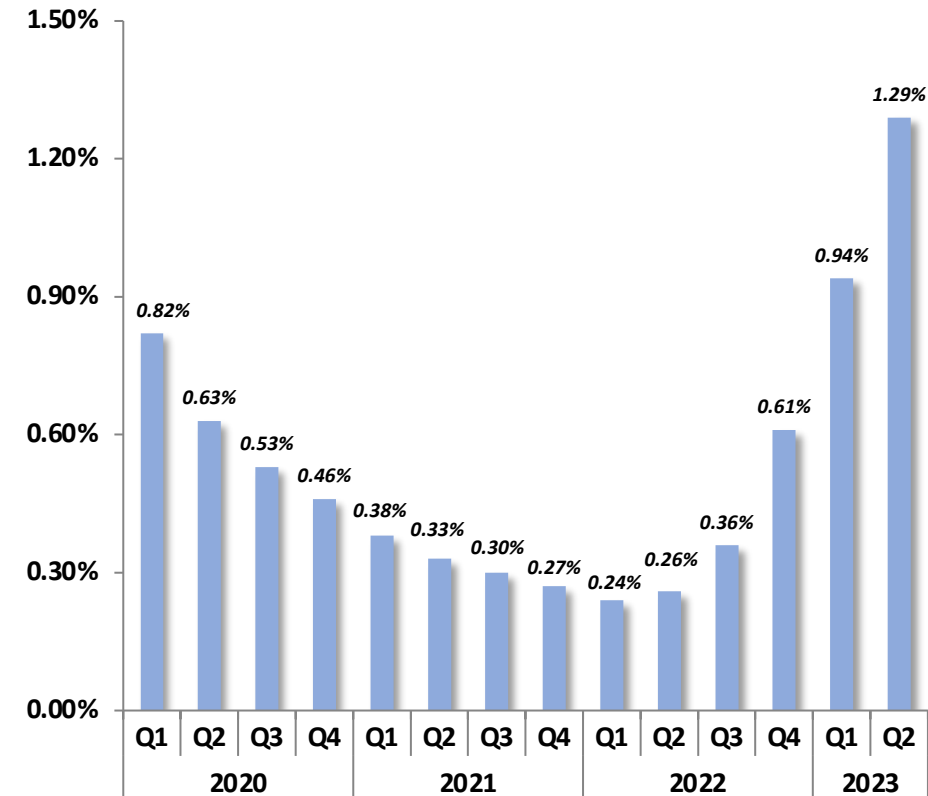
Loan-to-Deposit Ratio

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



Cost of Funds

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

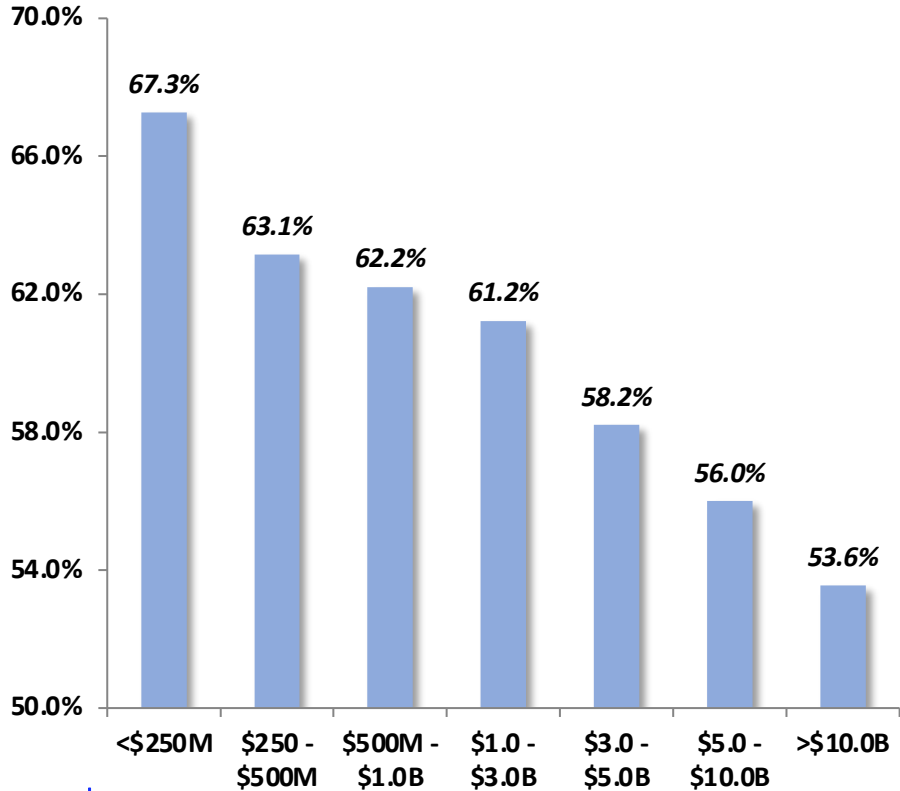


Note: Data as of June 30, 2023. Source: S&P Global.

Economies of Scale

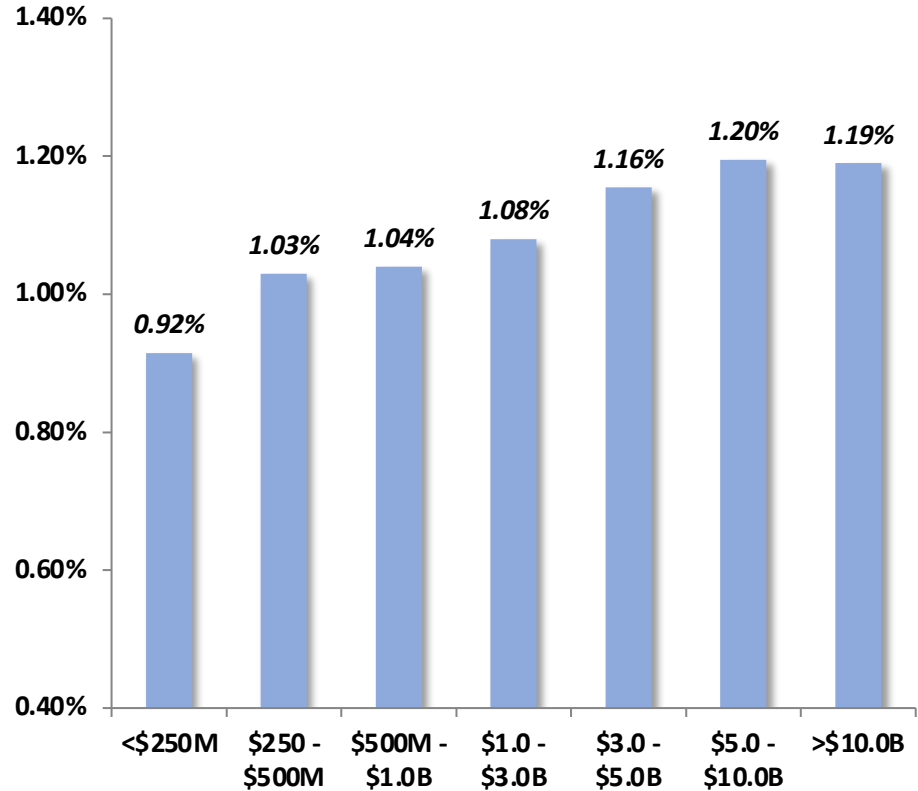
Efficiency Ratio (LTM)

Median of All U.S. Institutions by Asset Size



ROAA (LTM)

Median of All U.S. Institutions by Asset Size

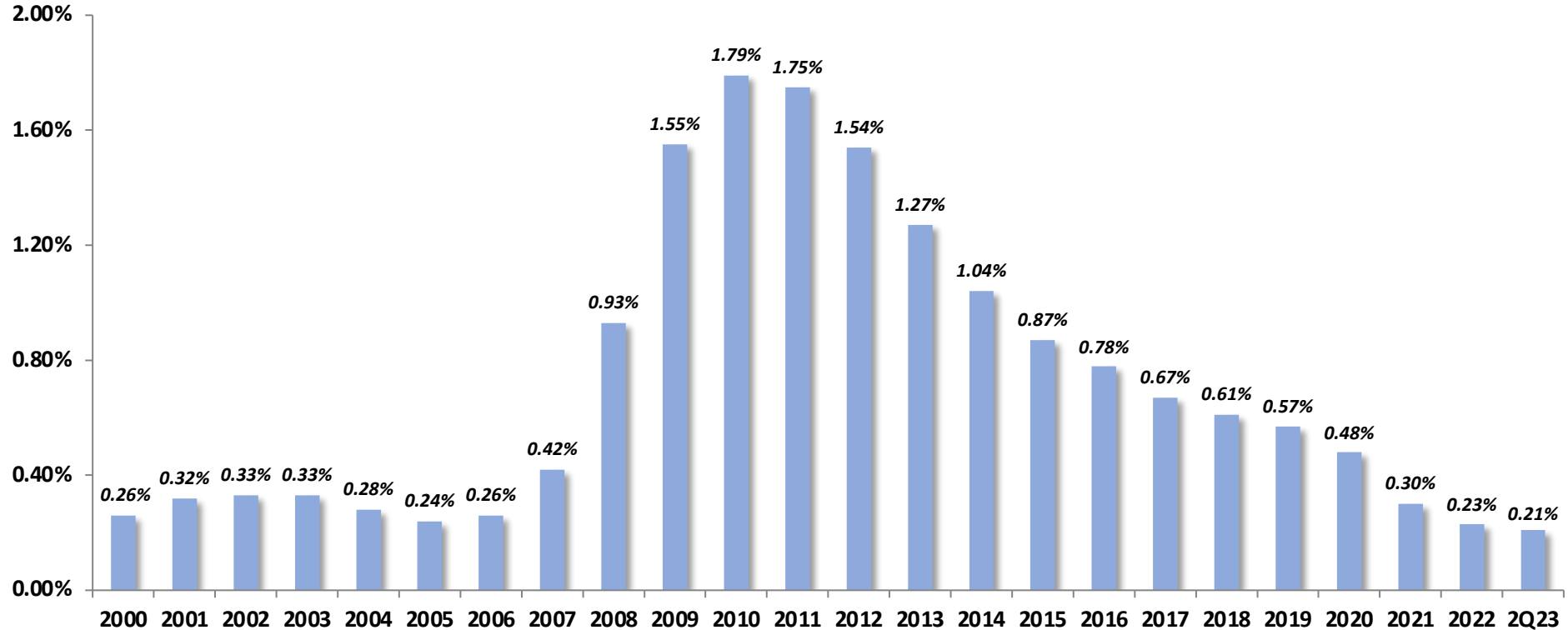


Note: ROAA is adjusted to account for Subchapter-S elections. Bank-level data reflects last twelve months as of June 30, 2023. Source: S&P Global.

Credit Quality

NPAs / Assets

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



Best Practices

Review of Strategic Alternatives

Strategic Options Blueprint

Framework of Potential Organic and M&A Alternatives

I. Status Quo

- Continuation of existing strategy: *"Business as usual"*

II. Organic Initiatives

Expense Reduction

- Targeted reduction in non-interest expenses: *Head count reduction, branch closures, etc.*

Share Repurchase or Issuance

- Either a stock repurchase using excess capital or, conversely, issuance to secure additional capital

Fee Income Enhancement

- Spurring non-interest income revenue via launch or expansion of fee income business lines

Dividend(s)

- Revisit dividend policy relative to payout ratio, yield, special dividends, capital retention, etc.

III. Acquisitions

Whole Bank

- Whole-bank acquisition: *In-market or enter new market*

Branch(es)

- Branch acquisition(s): *Acquire only select assets, locations, and deposits*

Non-Bank

- Non-bank acquisition(s): *Fee income businesses or specialty finance companies*

IV. Merger-of-Equals

- Merge with similarly-sized institution: *Added scale drives value but addressing social issues is difficult*

V. Strategic Merger

- Strategic Merger: *Less than 50% ownership but potential for key executives to remain*

VI. Sale

Whole Bank

- Sale of institution: *Maximize near-term shareholder value but cede control*

Branch(es)

- Sale of branch(es): *Reduce operating expenses and improve loan/deposit ratio*

Acquisition Rationale

Strategic Considerations

Strategic Rationale for an Acquisition







- Operating Scale
- Deposit Funding and/or Loan Growth
- Market Share
- Diversification - e.g. Market/Product/Credit
- 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 - 10%	> 20%	< 3 years	> 10%
Sub-Optimal	< 0%	< 13%	> 5 years	< 9%

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 - ~12-15	> 15	~3 – 10
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				
	 Common Approaches			 Olsen Palmer Proprietary Process

M&A Best Practices

Role	Item	Recommendation
<i>Remain Independent</i>	M&A Environment	• Prepare for acquisition of competitors...they don't just disappear
	Competitive Landscape	• Anticipate new market entrants and / or more formidable competitors
	Organic Strategy	• Position to take advantage of market disruption
<i>Acquisition(s)</i>	Acquisition Strategy	• Define M&A strategy and rationale for acquisitions
	Advisors	• Solicit advice from expert advisors – especially investment banker and legal – well before any potential deal
	Deal Criteria	• Enunciate clear strategic and financial criteria
	Financial Analysis	• Analyze financial implications of transaction including EPS, IRR, Tangible Book Dilution Earnback, and Capital
	Consideration	• Assess capital capacity and consideration options for consummating an acquisition
	Regulators	• Apprise regulators of potential M&A plans
	Legal Framework	• Understand legal implications of M&A
	Board Preparation	• Educate Board on M&A landscape, valuation, deal process, fiduciary duties, and risks
	Target Identification	• Identify broad list of potential targets
	Relationships	• Initiate and maintain relationships with potential targets
<i>Strategic Merger / Merger-of-Equals</i>	Rationale	• Evaluate rationale for a combination...i.e., unlocking value by realized greater operating scale
	Negotiation	• Remain flexible and approach negotiations collaboratively
	Partner Identification	• Identify counterparties with complementary social issues; “Secret Sauce” usually complementary management succession
<i>Sale</i>	M&A Environment	• Understand M&A environment, deal drivers, and valuation implications
	Advisors	• Engage expert advisors – especially investment banker and legal – well before any potential deal
	Board Preparation	• Educate Board on M&A landscape, valuation, deal process, fiduciary duties, and risks
	Strategic Options	• Review , periodically, all potential strategic options
	Valuation	• Determine , through consultation with your advisor, your bank's estimated actual market value
	Acquirer List	• Identify and actively monitor the universe of potential acquirers
	Relationships	• Initiate and maintain relationships with potential acquirers
	Sale Process	• Select preferred sale process: 1) unilateral/one-off discussions, 2) limited marketing process, 3) broad auction
	Significant Contracts	• Revisit any long-term commitments, especially data processing and employment agreements
	Window Dressing	• Avoid “window dressing”: one-time efforts to inflate earnings or shrink expenses

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