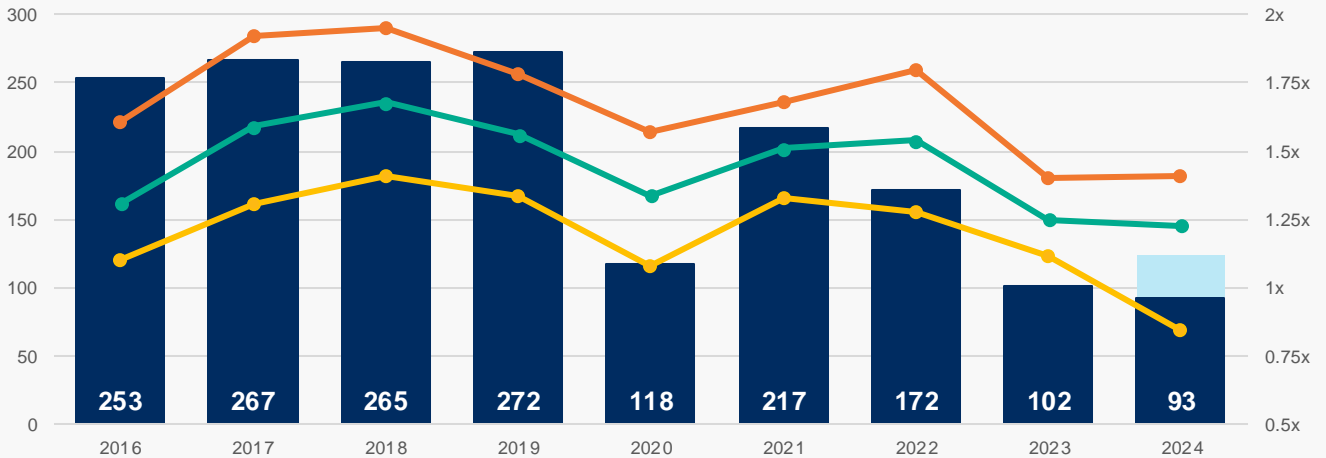


Bank M&A Update

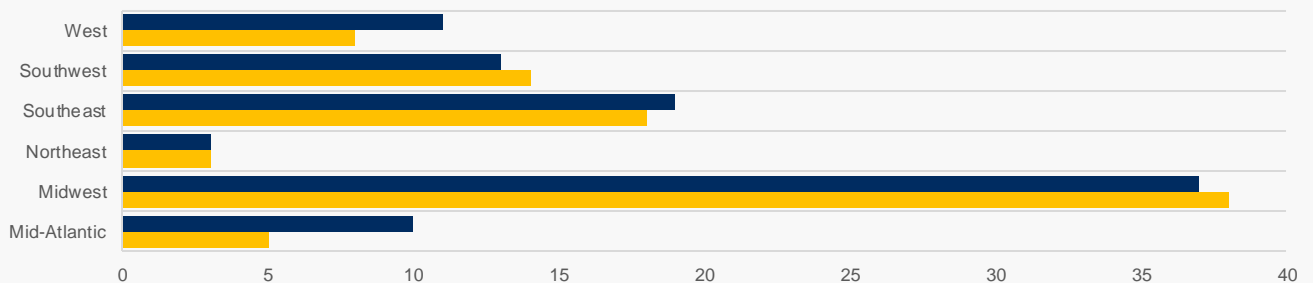
Throughout Q3 2024, bank merger and acquisition (M&A) activity has remained near historical lows. However, M&A activity has rebounded compared to 2023, with total deal activity year-to-date approaching the total deal volume observed last year. This positive trend is buoyed by several factors, including the recent rate cut by the Federal Reserve and the pentup demand resulting from a lack of deals in recent years. Additionally, higher bank stock prices, softened credit concerns, and political and regulatory clarity provide a favorable backdrop for increased M&A activities in the coming months. Despite the current low levels, the industry outlook for bank M&A appears to be positive, with various tailwinds expected to drive activity going forward, albeit in an environment of heightened scrutiny where discipline and strategic focus are paramount.

Deal volume and price

Throughout 2024, total deal activity has increased relative to 2023. On an annualized basis, 2024 is on pace for approximately 124 acquisitions. Despite deal activity on track to increase 30% relative to 2023, M&A activity is still far below historical norms. While deal activity has increased, the price at which deals are being executed has slightly decreased compared to 2023, with a wider dispersion of prices being paid. The dispersion highlights that not every deal is the same. Deal structure, target performance, balance sheet composition, strategic alignment, and other factors can affect pricing.



■ Total deals announced ■ Q424 projected ● 25th percentile P/TBV ● Median P/TBV ● 75th percentile P/TBV

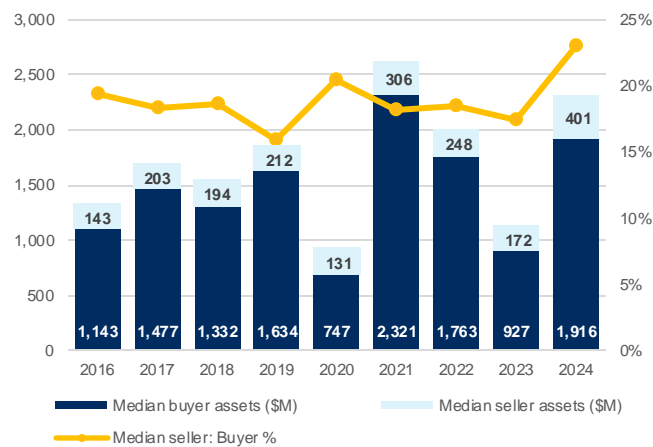


■ YTD 9/30/2024 ■ YTD 9/30/2023

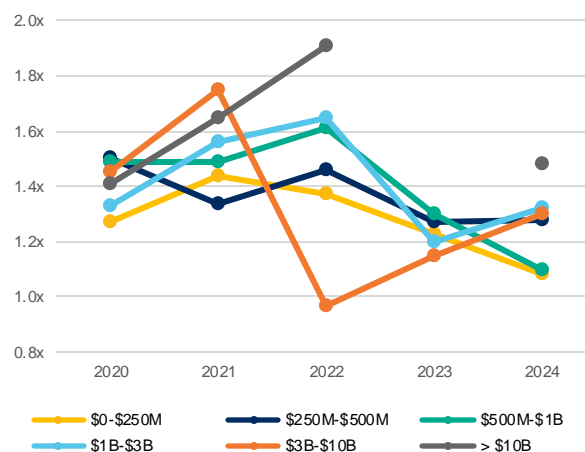
Deal profile and pricing multiples

The data throughout 2024 suggests that buyers are acquiring larger banks than has historically been the case, indicating a trend toward more mergers of equals and larger deals. Whether increased regulatory scrutiny or fewer opportunities, buyers appear to be preferring larger, more strategic acquisitions in 2024. This preference further manifests in the premium buyers are willing to pay, as targets with total assets greater than \$1 billion are commanding the highest multiples in 2024.

Buyer and seller size analysis



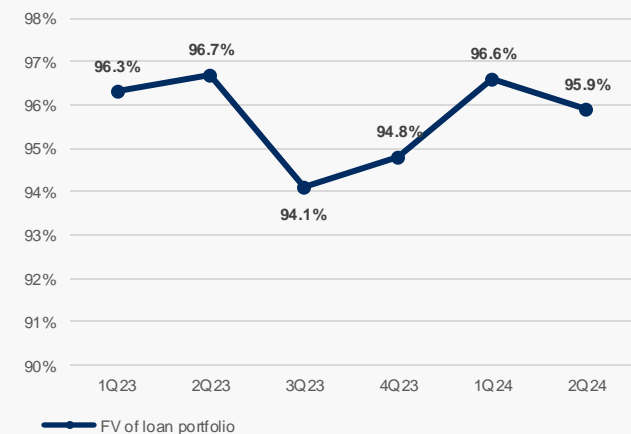
Median P/TBV by seller asset size



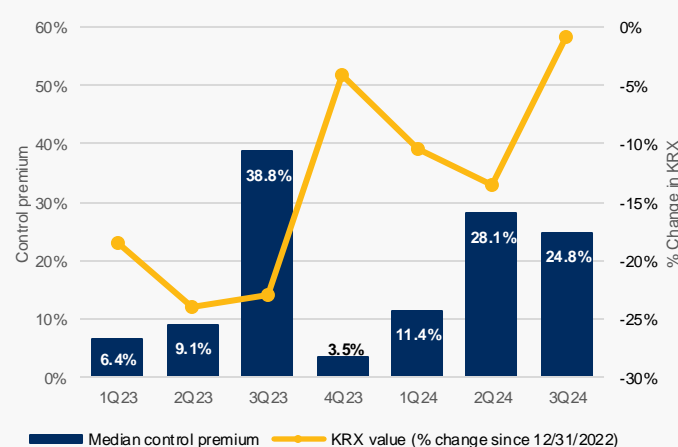
Fair values and control premiums paid

Based on the Crowe Credit360 for Valuation™ loan valuation engine, we observed a slight decrease in loan portfolio fair values (FV) in 2Q24. However, preliminary results through 3Q24 along with economic factors, such as decreasing cost of funds and the seasoning of portfolios, indicate loan portfolio valuations should rebound. Additionally, acquirers also appear to be pricing in positive sentiment on deal values as well, with control premiums increasing in recent quarters. However, while control premiums and loan valuations have increased and accumulated other comprehensive income has shrunk, we still expect the significant discounts on loan and bond portfolios will continue to put downward pressures on deal pricing and combined capital levels.

Loan portfolio observed fair value marks



Market sentiment



Conclusion

As we look ahead, the bank M&A sector is poised for a rebound off the 2023 lows. Whether it be the pent-up demand or the prospect for lower interest rates, it's clear M&A activity is picking up. However, there are still headwinds, including depressed asset values and heightened scrutiny, that require a strategic and disciplined approach to M&A and might cause deal volume to remain below historical norms. With less deal volume, recent trends indicate we will continue to see larger strategic acquisitions, where the overall strategic alignment and execution will be critical to the success of the deal.

About Crowe

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80+

Years in business



6,700+

Professionals

(Includes subsidiary offices)



26%

Revenue from financial services sector

Contact us

If you're interested in receiving further details or breakdowns of our valuation insights of loan portfolios and the trends in fair values, we would be delighted to connect with you. Please don't hesitate to reach out to us. Our contact information is below, and our team of experts is ready to provide you with comprehensive information to assist you.



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Learn more about Crowe M&A services

Source: Data compiled from the Securities and Exchange Commission's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) database (<https://www.sec.gov/search-filings>) and other publicly available filings and data.

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