



BankDirector.

Prepping for a Potentially Big M&A Year

Andrew K. Gibbs, CFA, CPA/ABV

Jeff K. Davis, CFA

Mercer Capital

mercercapital.com

#AOBA21

M&A to Create Shareholder Value



2020 M&A

Short but deep recession (or depression) in the spring

Short bear market for equities though banks lagged until 4Q20

COVID-19 uncertainties

- Some industries crushed vs. others that thrive
- CRE values
- Digitization of everything

Slowest bank M&A market in years

Depressed M&A pricing (temporary or new normal?)

Price Change (x-dividends)

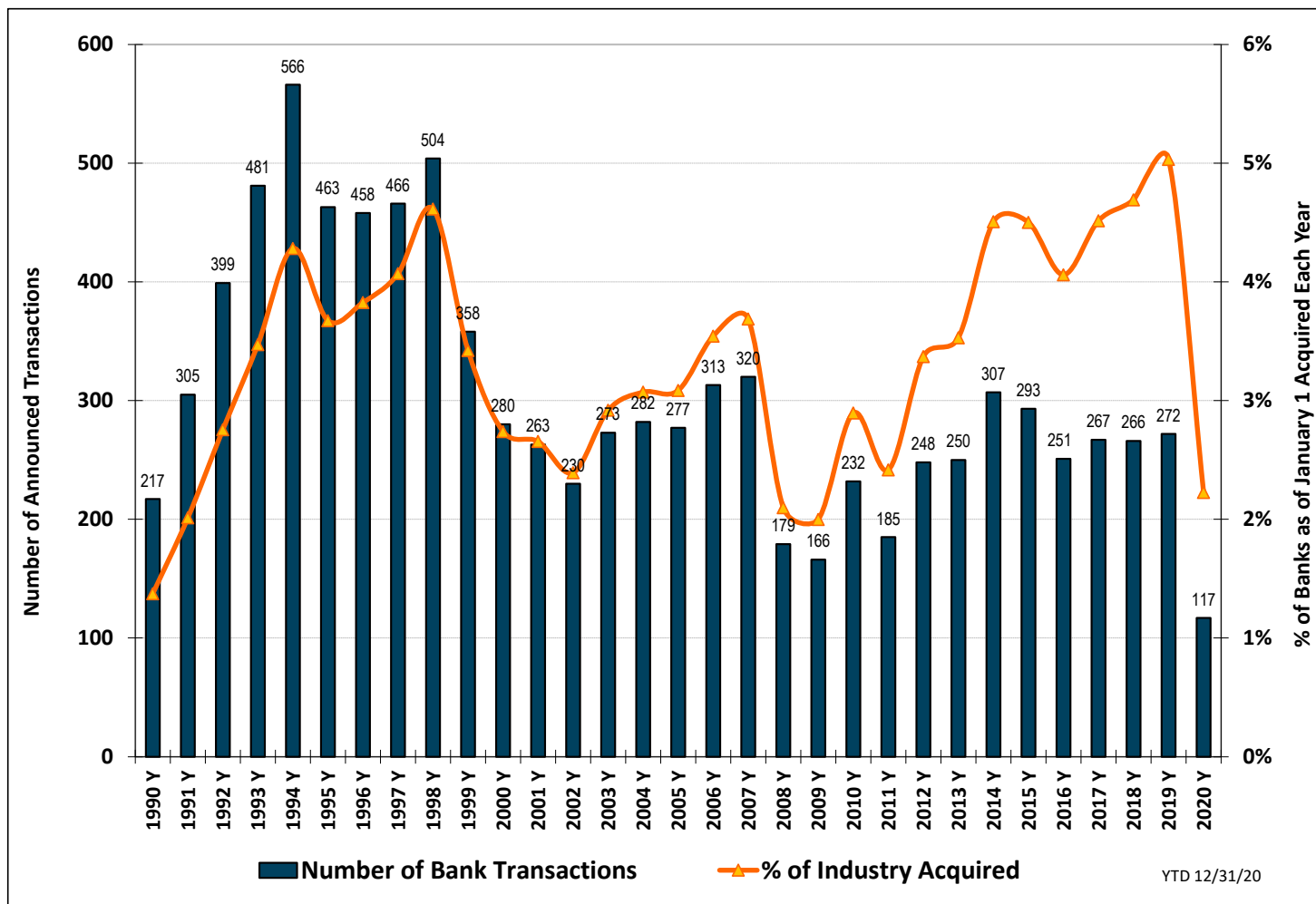
	From: 09/30/20	03/23/20	12/31/19	12/31/19	11/08/16
	To: 12/28/20	09/30/20	03/23/20	12/28/20	12/28/20
SNL Micro Cap US Bank	17.7%	-2.8%	-35.7%	-26.4%	3.6%
SNL Small Cap US Bank	34.5%	11.4%	-43.7%	-15.6%	17.1%
SNL Mid Cap US Bank	45.9%	17.2%	-48.6%	-12.2%	6.3%
SNL Large Cap US Bank	30.7%	25.6%	-49.2%	-16.6%	32.0%
Russell 2000	32.4%	50.4%	-39.9%	19.6%	67.0%
S&P 500	11.1%	50.3%	-30.7%	15.6%	74.6%
NASDAQ	14.7%	62.8%	-23.5%	42.7%	146.6%

Banks underperform the broader market from 3/23/20 (market bottom) to 9/30/20; and outperform during 4Q20 though not sufficiently to avoid full year losses of ~15%

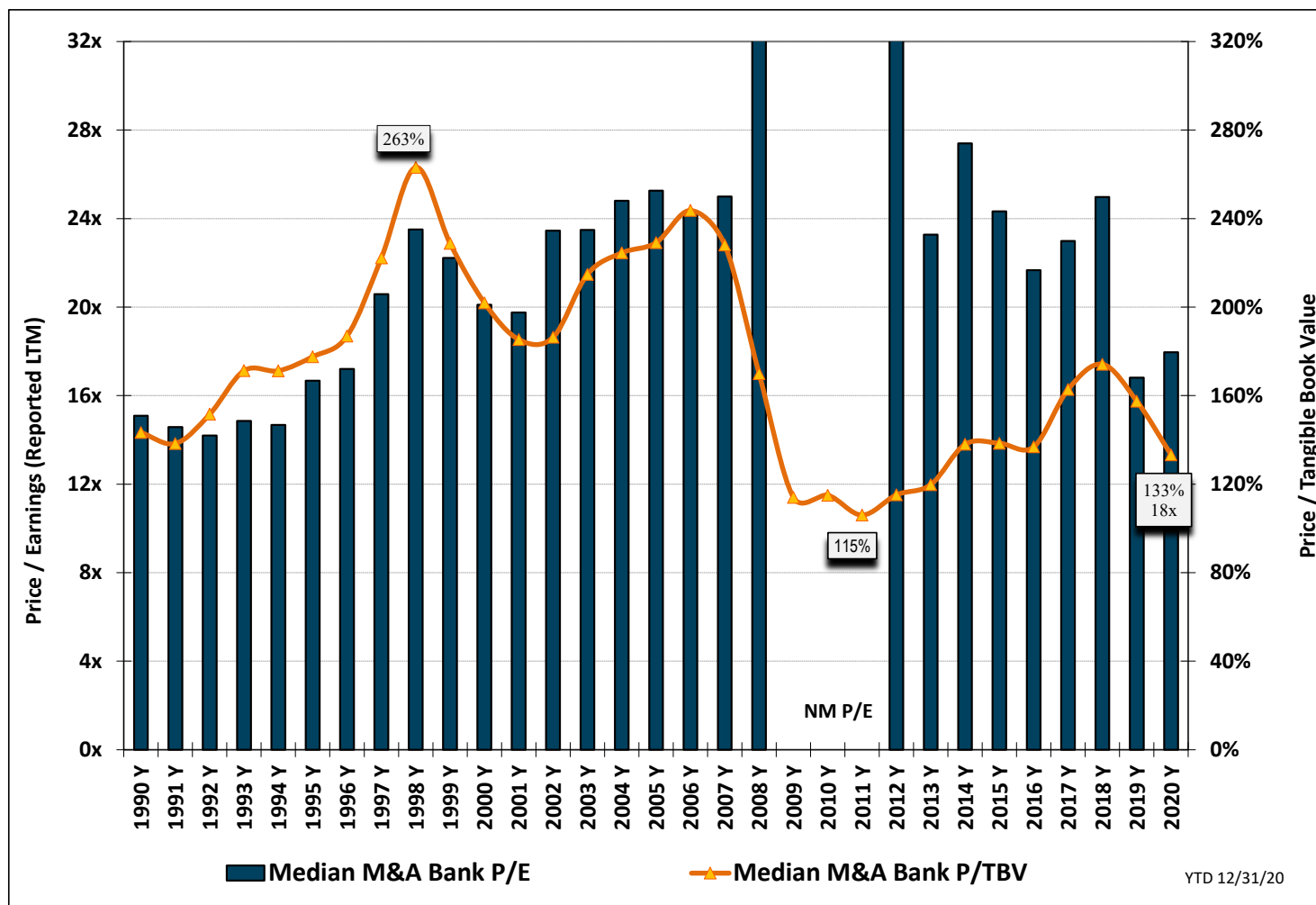
Banks underperform the broad market indices from November 8, 2016 through year-end 2020 even though the 2016 election ushered in a more friendly regulatory regime, a reduction in corporate tax rates and rising rates during 2017-2018

Source: S&P Global Market Intelligence

Consolidation Slows in 2020



M&A Pricing Peaked 22 Years Ago



Depressed Pricing and Activity in 2020

Last 5 Quarters	4Q19	1Q20	2Q20	3Q20	4Q20
Announced Deals	63	45	10	32	29
Total Value (\$Bil)	\$11.2	\$6.7	\$0.1	\$1.2	\$19.9
Assets (\$Bil)	\$74.5	\$43.3	\$2.6	\$15.4	\$216.8
P/TBV	133%	147%	106%	114%	116%
P/E (LTM)	17.9x	17.3x	NM	21.0x	23.0x
Core Dep Premium	10.0%	7.6%	1.7%	3.3%	1.8%

Last 5 Years	2016	2017	2018	2019	2020
Announced Deals	252	269	265	271	116
Total Value (\$Bil)	\$27.1	\$26.6	\$30.2	\$58.4	\$27.9
Assets (\$Bil)	\$194.4	\$157.8	\$170.8	\$429.0	\$278.2
P/TBV	136%	163%	172%	157%	133%
P/E (LTM)	21.0x	22.6x	24.4x	16.4x	17.7x
Core Dep Premium	4.7%	8.8%	9.9%	8.3%	5.1%

* P/E based upon LTM earnings (P/E to buyer with exp saves much lower)

Potentially a Big M&A Year(s)

Revenue pressure intensifies

- NIM – return to zero rate policy for the foreseeable future
- Loan demand is weak and price competition is intense
- Service charges are soft
- Outsized mortgage banking revenue will fade

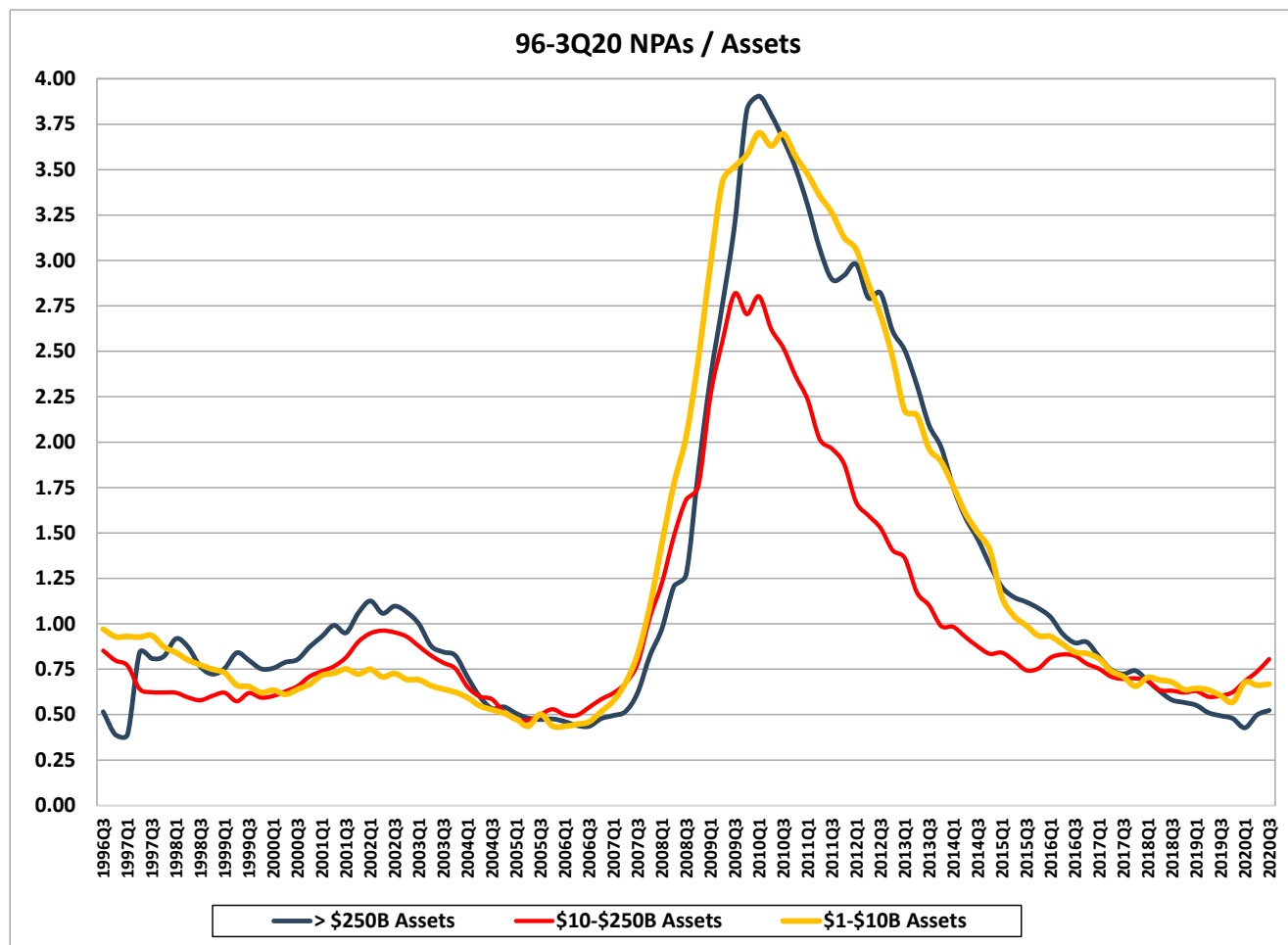
Manageable increase in credit costs (so far)

Fintech / digital challenge accelerates

Aging depositor demographics (for some)

Public markets rebound from lows

No Replay of the Great Recession



Source: FDIC

Corporate Bond “Market” Affirms



Public Market Valuations Partially Recover

Index	Average Price / Earnings (Trailing 4 Quarters)						
	12/31/20	3/24/20	3/9/09	3 Yr	5 Yr	10 Yr	20 Yr
Micro Cap Bank	11.9x	9.8x	13.8x	15.0x	15.6x	14.8x	15.5x
Small Cap Bank	13.9x	9.0x	12.1x	15.7x	17.0x	16.5x	16.5x
Mid Cap Bank	16.2x	8.3x	9.3x	15.1x	16.5x	16.7x	16.5x
Large Cap Bank	16.4x	7.6x	10.9x	13.1x	13.4x	13.4x	14.8x

Index	Average Price / Tangible Book Value						
	12/31/20	3/24/20	12/31/19	3 Yr	5 Yr	10 Yr	20 Yr
Micro Cap Bank	102%	93%	133%	128%	134%	123%	135%
Small Cap Bank	126%	104%	162%	156%	166%	162%	196%
Mid Cap Bank	155%	117%	194%	181%	195%	191%	227%
Large Cap Bank	163%	116%	194%	167%	170%	161%	233%

Index	Median Dividend Yield						
	12/31/20	3/24/20	12/31/19	3 Yr	5 Yr	10 Yr	20 Yr
Small Cap Bank	2.5%	3.8%	1.8%	2.2%	2.0%	2.0%	2.2%
Mid Cap Bank	2.9%	4.7%	2.6%	2.8%	2.4%	2.2%	2.4%
Large Cap Bank	2.7%	4.6%	2.7%	3.0%	2.5%	2.2%	2.6%

Source: S&P Global Market Intelligence

Comparative Value Strategies

Harvest

(maximize
distributions to
shareholders)

Reinvest or Reinvent

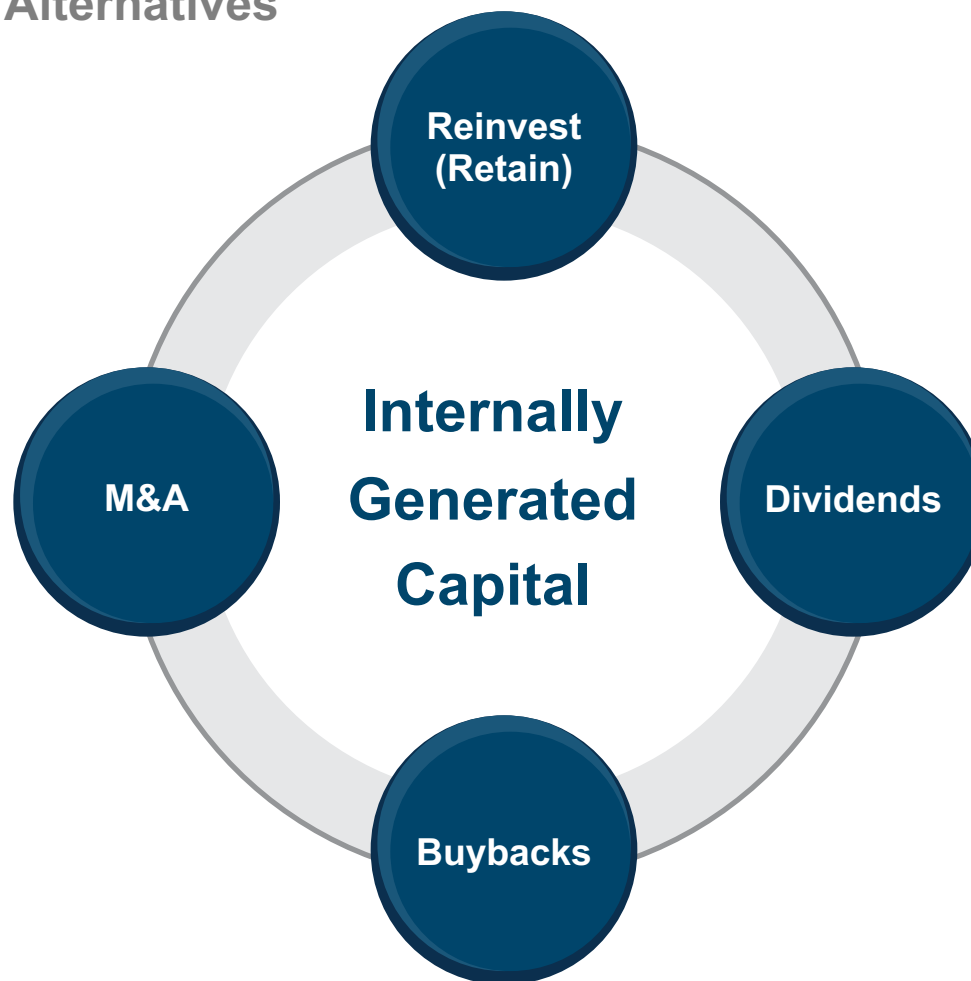
(leverage excess
capital)

Sell vs. Merge

(“Cash-Out” vs
swap into another
bank stock)

Capital Allocation

Value Creation Alternatives



M&A Considerations

Historical vs. prospective returns to shareholders

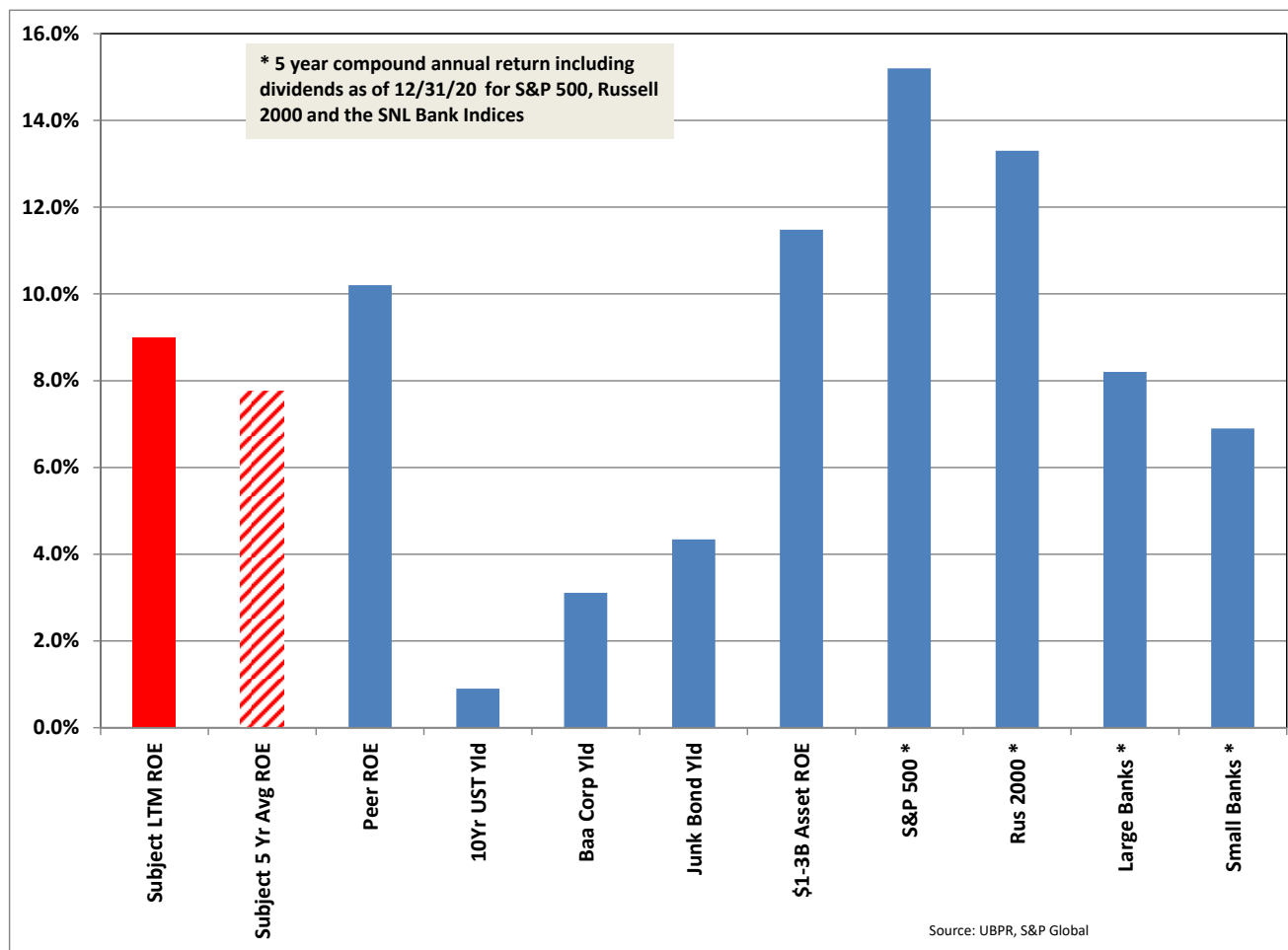
Honest assessment of earning power and growth potential

Where is the economic, market and valuation cycle?

Sell vs. Merge

- Cash deals “cash-out” shareholders ... pay taxes and reinvest net cash
- Shareholders remain invested in stock swap transactions, defer capital gains taxes until shares are sold and should own a better security

Comparative Returns



Value Drivers

Intrinsic (Investment) Value

Return on Equity (ROE)

- Profitability (ROA)
- Leverage (capital)

Growth

- Organic (primary)
- Acquisition

Earnings Multiple (P/E)

- Cost of capital
- Long-term growth rate

Franchise Value

Management (long-term execution)

Markets

Core deposits

Loan origination capacity

Loss history (yield less net charge-offs)

Operating leverage (ER)


Fee businesses


Earning Power

	2019A	2020A	2021E	% Change		NIM < by	NIM > by	LL Prov =	LL Prov =	Earning	Earning	Earning
				19-20	20-21E	-0.10%	0.10%	0.25%	0.50%	Power - 1	Power - 2	Power - 3
Avg Earning Assets	\$3,982	\$4,459	\$4,692	12%	5%	\$4,692	\$4,692	\$4,692	\$4,692	\$4,700	\$4,700	\$4,700
NIM	3.75%	3.35%	3.25%	(40 bp)	(10 bp)	3.15%	3.35%	3.25%	3.25%	3.25%	3.50%	3.75%
Net Int Income	\$149.3	\$149.4	\$152.5	0%	2%	\$147.8	\$157.2	\$152.5	\$152.5	\$152.8	\$164.5	\$176.3
Fee Income	45.0	48.0	47.0	7%	-2%	47.0	47.0	47.0	47.0	47.0	47.0	47.0
Revenues	\$194.3	\$197.4	\$199.5	2%	1%	\$194.8	\$204.2	\$199.5	\$199.5	\$199.8	\$211.5	\$223.3
Expenses	125.0	130.0	133.0	4%	2%	133.0	133.0	133.0	133.0	133.0	133.0	133.0
Efficiency Ratio	64%	66%	67%			68%	65%	67%	67%	67%	63%	60%
Op Income (PPOI)	\$69.3	\$67.4	\$66.5	-3%	-1%	\$61.8	\$71.2	\$66.5	\$66.5	\$66.8	\$78.5	\$90.3
ORE Expense	4.2	4.3	4.0	3%	-8%	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Provision	6.0	7.5	10.0	25%	33%	10.0	10.0	8.0	15.9	23.8	10.0	8.0
<i>Net Charge-Offs</i>	4.5	6.0	8.5	33%	42%	9.0	9.0	7.2	14.3	21.4	9.0	7.2
Amortization Exp	0.6	0.5	0.4			0.4	0.4	0.4	0.4	0.4	0.4	0.4
Net Non-Recurring	-1.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax	\$57.5	\$55.0	\$52.1	-4%	-5%	\$47.4	\$56.8	\$54.1	\$46.2	\$38.5	\$64.1	\$77.9
Taxes	13.2	12.7	12.0			10.9	13.1	12.4	10.6	8.9	14.7	17.9
Effective Tax Rate	23%	23%	23%	0 bp	0 bp	23%	23%	23%	23%	23%	23%	23%
Net Inc-Common	\$44.3	\$42.4	\$40.1	-4%	-5%	\$36.5	\$43.7	\$41.7	\$35.5	\$29.7	\$49.4	\$60.0
<i>Avg Shares O/S</i>	16.6	16.6	16.6	0%	0%	16.6	16.6	16.6	16.6	16.6	16.6	16.6
EPS	\$2.67	\$2.56	\$2.42	-4%	-5%	\$2.20	\$2.64	\$2.51	\$2.14	\$1.79	\$2.97	\$3.61
P/E Multiple		13.7x	14.5x	\$35.00		15.9x	13.3x	13.9x	16.3x	19.6x	11.8x	9.7x

Why Risk and Growth Matters

+ Yield to Maturity on 10 Yr UST		1.00%
+ Equity Premium	5.50%	
x Company Beta	1.20	
= Beta Adj Equity Premium	<hr/>	6.60%
+ Small-Mid Cap Equity Premium		2.75%
+ Company Specific Risks		1.00%
= Discount Rate (Equity Cost of Capital)	<hr/>	11.35%
- Long-Term Growth Rate (G)		-3.00%
= Capitalization Rate	<hr/>	8.35%
= Multiple (1 / Cap Rate)	<hr/>	12.0x
Ongoing Earning Power Estimate		\$100,000
x Price/Earnings Ratio		12.0x
= Capitalized Earnings Value	<hr/>	\$1,200,000

Multiples are negatively correlated with risk ...
higher risk =  P/E

Multiples are positively correlated with growth ...
higher G =  P/E

Growth matters a lot to value, but so does risk

Valuation Methods

Value as an independent company

- Discounted Cash Flow (DCF) of projected future cash flow and terminal value discounted at a risk appropriate rate (12-15%)
- Public market comps
- Transactions in the subject's stock and (sometimes) net asset value

Acquisition value

- DCF with expense savings (and deal costs)
- M&A comp transactions
- ***Contribution analysis***

Buyer dynamics

- EPS accretion vs. TBVPS dilution and earn-back period
- Excess capital and/or access to the capital markets to fund cash portion
- Valuation of buyer's shares if issuing as consideration
- Projected return (IRR) to buyer

Typical Pricing Parameters

Pricing: 8-12x pro forma earnings with 100% after-tax expense saves

Expense Saves: 20-30% for out-of-market deals, 30-45% in-market

Revenue Synergies: Sometimes

TBVPS Dilution Earn-Back: 2-4 years via the “cross-over” method

EPS Accretion: Threshold varies, but ~5% *minimum* accretion

Internal Rate of Return: Comfortably above the buyer’s cost of capital

Bank Capital: Varies but day one leverage ratio ~9% (*investors in public acquirers are focused on consolidated capital, not bank-level*)

Parent Capital Structure: Significant flexibility for small BHCs (*though most boards probably not comfortable with Fed allowed max*)

Stock Swaps

Exchange ratio to establish relative ownership that reflects relative contribution +/-

Value vs. price!

Shared upside

- EPS and TBVPS accretion
- Dividend pick-up sometimes
- Improved acquisition value
- Enhanced share liquidity
- Diversification
- Management depth & succession

	SSB-CSFL	Bridge-Dime	FCNC-CIT	HBAN-TCF
Announced	1/27/20	7/1/20	10/16/20	12/13/20
Ownership	47 / 53%	48 / 52%	61 / 39%	61 / 39%
Deal Value (\$M)	\$3,212	\$498	\$2,159	\$5,925
Price / TBV	201%	97%	44%	148%
Price / LTM Earnings	13.7x	16.1x	Neg	25.4x
P/E with Exp Saves	NA	NA	NA	6.5x
Buyer 5-Day Change	-11.6%	-17.6%	33.6%	-4.2%
Seller 5-Day Change	1.9%	-6.4%	26.7%	6.2%
Exp Saves-% of Target	NA	NA	NA	37%
Exp Saves-% of Both	10%	15%	10%	NA
Buyer EPS Accretion	20%	10%	50%	18%
Buyer TBVPS (Dil)/Accr	-2%	5%	30%	-7%
TBVPS Earn-Back	<1 Yr	NA	NA	~3 Yrs
Div'd / Share - "Seller"	25%	11%	-93%	29%
Credit Mark	1.1%	2.1%	3.4%	2.4%

About Our Presenters



jeffdavis@mercercapital.com
1.615.345.0350

Jeff K. Davis, CFA **Managing Director, Financial Institutions Group**

Jeff provides financial advisory services primarily related to the valuation of privately-held equity and debt issued by financial services companies and advisory related to capital structures and M&A

He is also an S&P Global Market Intelligence (SNL) contributor: “*Nashville Notes*.”

Before joining Mercer Capital, Jeff was a sell-side analyst covering commercial banks and specialty finance companies for Guggenheim Partners, FTN Financial and J.C. Bradford & Co.



gibbsa@mercercapital.com
1.901.322.9726

Andrew K. Gibbs, CFA, CPA/ABV **Senior Vice President, Financial Institutions Group**

Andy heads the depository practice where he provides valuation and corporate advisory services to financial institutions for purposes including M&A, ESOPs, profit sharing plans, estate and gift tax planning and compliance matters, corporate planning and reorganizations.

He is a frequent speaker on topics related to community bank valuations and the co-author of the following books: *The ESOP Handbook for Banks*, *The Bank Director's Valuation Handbook*, and *Acquiring a Failed Bank*.

Mercer Capital

1.800.769.0967

www.mercercapital.com

Jeff K. Davis, CFA
Managing Director
1.615.345.0350

jeffdavis@mercercapital.com

Andy Gibbs, CFA, CPA/ABV
Senior Vice President
1.901.322.9726

gibbsa@mercercapital.com

A modern office interior featuring a lounge area with several light-colored chairs and a low table. A large abstract artwork with intricate line patterns hangs on the wall. To the right, a long hallway with glass-walled offices extends into the distance. A large blue diagonal graphic overlays the bottom half of the image.

MERCER CAPITAL

Financial Institutions Group

MERCER CAPITAL

Mercer Capital is a national valuation and financial advisory firm. Clients include private and public companies, financial institutions, high-net worth families, and private equity/hedge funds.

Industries served fall into three broad categories:

- » Financial Institutions
- » Operating Companies
- » Asset Holding Companies

Our suite of services encompasses two integrated service areas: valuation advisory & opinions and financial advisory services.

Valuation Advisory & Opinions

- » Corporate transactions
- » Financial reporting
- » Employee benefit plans
- » Tax compliance and reporting
- » Litigation support

Financial Advisory

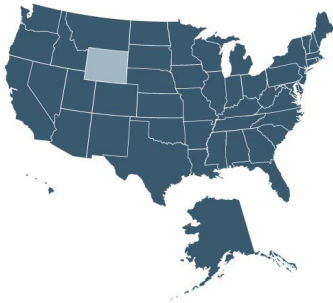
- » Corporate and strategic advisory
- » Mergers and acquisitions
- » Fairness opinions
- » Solvency opinions

The valuation advisory & opinions and financial advisory service lines are interrelated. The technical discipline of providing well-grounded valuation opinions is buttressed by extensive experience gained in providing advisory services. Likewise, the market-centered orientation of financial advisory services has as its foundation a keen understanding of valuation drivers.



FINANCIAL INSTITUTIONS

Overview



■ Mercer Capital has assisted financial institutions throughout the United States

Financial institutions are the cornerstone of Mercer Capital's practice.

Founded in 1982, in the midst of and in response to a previous crisis affecting the financial services industry, Mercer Capital has witnessed the industry's cycles. Today, as in 1982, Mercer Capital's largest industry concentration is financial institutions.

Despite industry cycles, Mercer Capital's approach has remained the same – understanding key factors driving the industry, identifying the impact of industry trends on our clients, and delivering a reasoned and supported analysis in light of industry and client specific trends.

The Financial Institutions Group of Mercer Capital provides a broad range of specialized advisory services to the financial services industry.

The Financial Institutions Group broadly assists:

- » Depository institutions
- » Private equity, hedge funds, and traditional asset managers
- » Insurance companies
- » Specialty finance and real estate investment companies
- » Investment funds

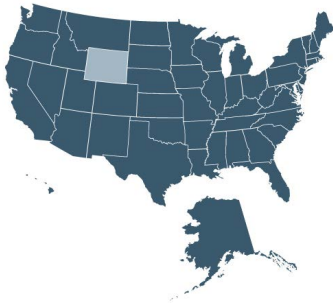
The unifying element of Mercer Capital's services for financial institutions is its in-depth industry knowledge, gleaned from thirty five years of experience and over one thousand engagements.

Jeff K. Davis, CFA
615.767.9490
jeffdavis@mercercapital.com



DEPOSITORY INSTITUTIONS

Sectors Served



■ Mercer Capital has assisted depositories throughout the United States

Andrew K. Gibbs, CFA, CPA/ABV

901.322.9726

gibbsa@mercercapital.com

Jeff K. Davis, CFA

615.767.9490

jeffdavis@mercercapital.com

Jay D. Wilson, Jr., CFA, ASA, CBA

469.778.5860

wilsonj@mercercapital.com

Mercer Capital assists banks, thrifts, and credit unions with significant corporate valuation requirements, transactional advisory services, and other strategic decisions.

Mercer Capital Experience

- » Nationwide client base
- » Clients range from smaller community banks with assets less than \$50 million to the largest U.S. depositories
- » Clients range from the rural to the metropolitan, the troubled to the most successful, and the simplest in terms of capital structure to the most complex
- » More than a thousand valuation opinions rendered for depositories
- » Numerous sell-side and buy-side client representations
- » Extensive work providing fair value opinions (purchase price allocations) of loan portfolios and core deposits of acquired depositories

Mercer Capital pairs analytical rigor with industry knowledge to deliver unique insight into issues facing depositories. These insights underpin the valuation analyses that are at the heart of Mercer Capital's services to depository institutions.

Mercer Capital is a thought-leader among valuation firms in the banking industry. In addition to scores of articles and five books, *Creating Strategic Value Through Financial Technology* (2017), *The ESOP Handbook for Banks* (2011), *Acquiring a Failed Bank* (2010), *The Bank Director's Valuation Handbook* (2009) and *Valuing Financial Institutions* (1992). Mercer Capital representatives speak at industry and professional conferences. The Financial Institutions Group of Mercer Capital publishes *Bank Watch*, a monthly e-mail newsletter covering five U.S. regions. Jeff Davis, Managing Director, is an editorial contributor to SNL Financial.



INVESTMENT MANAGEMENT

Sectors Served

Mercer Capital provides investment managers with business valuation and financial advisory services related to corporate disputes, litigated matters, and financial reporting requirements. Mercer Capital also provides transaction advisory and consulting-related services to the investment management industry.

Industry Segments

Mercer Capital actively serves the following industry segments:

- » Registered Investment Advisors
- » Hedge Fund Managers
- » Mutual Fund Companies
- » Private Equity Firms
- » Independent Trust Companies
- » Bank Trust Departments
- » Investment Consultants
- » Broker/Dealers

Mercer Capital Experience

- » Valued start up managers with as little as \$50 million in assets under management to established industry leaders managing over \$400 billion
- » Negotiated transactions involving investment managers from sell-side, buy-side, and mutually retained (MoE) perspectives
- » Provided financial statement reporting services related to purchase price allocation and goodwill impairment testing
- » Provided expert witness testimony for purposes of marital dissolution and shareholder disputes
- » Assisted RIAs and other investment managers with annual ESOP valuations, fairness opinions, and appraisals for gift and estate tax compliance

Matthew R. Crow, ASA, CFA
901.685.2120
crowm@mercercapital.com

Brooks K. Hamner, CFA, ASA
901.322.9714
hamnerb@mercercapital.com

The Financial Institutions Group of Mercer Capital publishes a quarterly newsletter (*Value Focus: Asset Management Industry*) and weekly blog post (*RIA Valuation Insights*) on current trends in the investment manager space.



FINANCIAL TECHNOLOGY

Sectors Served

Mercer Capital provides FinTech companies, from start-ups to more mature companies, and their partners with valuation, financial advisory, and consulting services.

Industry Segments

Mercer Capital actively serves the following industry segments:

- » Payments
- » Solutions
- » Technology

Mercer Capital Experience

- » Valued both early-stage FinTech companies as well as more mature FinTechs
- » The purpose of the valuations of FinTech companies has varied from equity compensation to corporate and shareholder planning
- » Provided valuation, due diligence, and advisory services to Financial Institutions considering acquisitions/investments in FinTech companies
- » Provided valuations of intangible assets of FinTech companies for financial statement reporting services related to purchase price allocation

The Financial Institutions Group of Mercer Capital publishes a quarterly newsletter (*Value Focus: FinTech*). In addition, Jay Wilson recently authored the book, *Creating Strategic Through Financial Technology* (Wiley Financial, 2017) covering the space.

Jay D. Wilson, Jr., CFA, ASA, CBA
469.778.5860
wilsonj@mercercapital.com

Jeff K. Davis, CFA
615.767.9490
jeffdavis@mercercapital.com



INSURANCE

Sectors Served

Mercer Capital provides the insurance industry with corporate valuation, financial reporting, transaction advisory, and related services.

Industry Segments

Mercer Capital actively serves the following industry segments:

- » Agencies
 - » Independent agencies and brokerages
 - » Bank-owned agencies
 - » Retail, wholesale, and MGAs
- » Underwriters
 - » P&C, life & health, and managed care
 - » Reinsurance
 - » Captives and risk retention groups
- » Services
 - » Third-party administrators
 - » Claims adjusters and other service providers
 - » Financial sponsors and industry lending platforms

Mercer Capital Experience

- » Nationwide client base
- » Agency clients include single office agencies, public brokers, and private equity backed firms
- » Underwriter clients range from monoline privates to publicly traded multi-line carriers

Lucas M. Parris, CFA, ASA-BV/IA
901.322.9784
parrisl@mercercapital.com

Travis W. Harms, CFA, CPA/ABV
901.322.9760
harmst@mercercapital.com



SPECIALTY FINANCE

Sectors Served

Mercer Capital provides specialty finance companies and REITs with corporate valuation, portfolio valuation, financial reporting valuation, transaction advisory, and related services.

Industry Segments

Mercer Capital actively serves the following industry segments:

- » REITs
- » Mortgage banking companies
- » Niche consumer and commercial lenders

Mercer Capital Experience

- » Provide services to a host of consumer lending niches, including providers of residential mortgages, credit cards, automobile loans, and small consumer loans
- » Experience with residential mortgage lenders ranges from companies with annual origination volume of less than \$100 million to entities among the top 20 residential mortgage lenders
- » Experience among commercial lenders includes asset-based lenders and niche commercial real estate loan originators
- » Valued securities issued by privately held REITs and provided financial opinions on behalf of publicly traded REITs in connection with corporate transactions

The Financial Institutions Group of Mercer Capital publishes *The Real Estate Industry* newsletter, a quarterly e-mail newsletter illustrating trends affecting firms in the real estate industry.

Andrew K. Gibbs, CFA, CPA/ABV
901.322.9726
gibbsa@mercercapital.com

Jeff K. Davis, CFA
615.767.9490
jeffdavis@mercercapital.com

Travis W. Harms, CFA, CPA/ABV
901.322.9760
harmst@mercercapital.com



INVESTMENT FUNDS

Sectors Served

Mercer Capital provides portfolio valuation services, assisting investment managers price illiquid equity, fixed income, and hybrid securities.

Industry Segments

Mercer Capital actively serves the following industry segments:

- » Business development companies
- » Private equity managers
- » Private credit funds
- » Regulated investment companies

Mercer Capital Experience

- » Consulted regarding valuations of positions held by publicly traded BDCs in notes and other securities issued by privately held businesses
- » Reviewed valuations of illiquid securities held by private equity funds, including investments in debt and equity securities of financial services companies

The Financial Institutions Group of Mercer Capital publishes a quarterly e-mail newsletter *Portfolio Valuation: Private Equity & Venture Capital Marks & Trends*.

Jeff K. Davis, CFA
615.767.9490
jeffdavis@mercercapital.com

Travis W. Harms, CFA, CPA/ABV
901.322.9760
harmst@mercercapital.com

J. David Smith, ASA, CFA
713.239.1005
smithd@mercercapital.com



ADVISORY SERVICES

Services Offered

The period since late 2007 has been marked by incredible change in the financial services industry, which has seen the industry recapitalize while operating in a difficult interest rate and regulatory environment. Positioning for the current climate, while recognizing the uncertainties affecting the industry's outlook, remains challenging.

For some institutions, opportunity may result in a renewed interest in acquiring; others may look to sell due to regulatory, revenue and/or other challenges. Many more will continue to evaluate an evolving landscape while planning a potential move. Value-related matters will run the gamut from ESOP transactions as a partial exit to setting an exchange ratio for a merger.

Advisory Services

- » Strategic consulting
- » Buy-side and sell-side financial advisory services
- » Fairness opinions
- » Advisory and consultation regarding capital transactions (raising, deploying, and restructuring capital)

Representative Sector-Specific Services

Depository Institutions

- » Capital planning and consulting
- » Branch transactions
- » Regulatory-assisted transactions
- » Bank stress testing

Investment Management

- » Valuations for internal shareholder transactions
- » Merger consulting
- » Portfolio valuation

Insurance

- » Valuations for internal shareholder transactions
- » Acquisition consulting
- » Portfolio valuation



CORPORATE VALUATION SERVICES

Services Offered

Absent a liquid trading market for their securities, privately held financial institutions turn to Mercer Capital for valuations of their equity securities. For publicly traded financial institutions, Mercer Capital provides valuation opinions related to divisions of the institution, in the context of internal reorganizations or restructurings, and in situations for which the institution's market price may not be an appropriate indicator of value.

Corporate Valuation Services

- » Equity transactions (share repurchases, issuances, and conversions)
- » Corporate transactions (recapitalizations, divestitures, reorganizations, and the like)
- » Employee benefit plans (ESOPs, KSOPs, stock option plans, and restricted stock)
- » Tax compliance (income, estate, and gift)
- » Buy/sell agreement consulting and the valuation of securities with contractual restrictions on transfer
- » Valuation of complex securities (convertibles, options, warrants, and the like)
- » Valuation of securities with impaired marketability
- » Litigation support



FINANCIAL REPORTING

Services Offered

Mercer Capital provides services to financial institutions to assist in their compliance with Generally Accepted Accounting Principles and the International Financial Reporting Standards.

Financial Reporting Services

- » Purchase price allocations (ASC 805)
- » Stock-based compensation (ASC 718)
- » Goodwill impairment (ASC 350)
- » Illiquid financial instruments (ASC 820)
- » Financial Instruments (ASC 825)
- » Portfolio investments held by business development companies, private equity firms, and the like

Representative Sector-Specific Services

Depository Institutions

- » Loan portfolios
- » Depository customer relationship intangible assets (core deposit intangible assets)
- » Non-maturity deposits and other funding transactions
- » Subordinated debt, trust preferred securities, and preferred stock

Investment Management


- » Purchase accounting
- » Impairment testing
- » Equity compensation
- » Portfolio valuation

Insurance

- » Purchase accounting
- » Impairment testing
- » Equity compensation
- » Fair value measurement for illiquid securities
- » Portfolio valuation




SELECTED TRANSACTIONS



Indian Land, South Carolina


agreed to purchase
two branches of



Little Rock, Arkansas


Mercer Capital served as a
financial advisor on behalf of
Sharonview Federal Credit Union

– July 2020 –



Coquille, Oregon

agreed to purchase
three branches of



Roseburg, Oregon

Mercer Capital provided
valuation/financial advisory services to
First Community Credit Union

– March 2020 –




Nashville, Tennessee

acquired

The Bank of Waynesboro
Waynesboro, Tennessee


Mercer Capital rendered a
fairness opinion on behalf of the
Special Committee of Independent
Directors of the Bank of Waynesboro

– July 2020 –



Frankfort, Kentucky

acquired



Lexington, Kentucky

Mercer Capital provided
valuation and advisory services
in connection with the
transaction to Independent
Community Bancorp, Inc.

– December 2019 –



Nashville, Tennessee


has agreed to acquire



Scottsville, Kentucky


Mercer Capital served as financial
advisor and provided a fairness
opinion to FNB Financial Corp.

– September 2019 –



Pine Bluff, Arkansas


acquired



Columbia, Missouri


Mercer Capital rendered a
fairness opinion on behalf of
Simmons First National Corp.

– February 2020 –



Nashville, Tennessee

acquired



Nashville, Tennessee

Mercer Capital served as an
exclusive financial advisor to
Advocate Capital, Inc.


– July 2019 –



SELECTED TRANSACTIONS


Parchment, Michigan

acquired


Woodstock, Illinois

Mercer Capital served as financial advisor to Advia Credit Union

– July 2019 –


Cookeville, Tennessee

BPC Corporation
acquired

CFB Bancshares, Inc.
Wartburg, Tennessee

Mercer Capital served as a financial advisor & rendered a fairness opinion on behalf of CFB Bancshares, Inc.

– January 2019 –


Richwood, Ohio

Richwood Bancshares, Inc.
acquired

Home City Financial Corp.
Springfield, Ohio

Mercer Capital served as financial advisor on behalf of Richwood Bancshares, Inc.

– July 2018 –


Private Investor
Gaylon Lawrence, Jr.
Memphis, Tennessee

acquired


Volunteer State Bancshares, Inc.
Portland, Tennessee

Mercer Capital served as a financial advisor & rendered a fairness opinion on behalf of Volunteer State Bancshares, Inc.

– April 2018 –



Parchment, Michigan

acquired



Elkhorn, Wisconsin

Mercer Capital served as financial advisor to Advia Credit Union

– September 2017 –


Camp Hill, Pennsylvania

acquired


Glastonbury, Connecticut

Mercer Capital provided valuation services to both entities in connection with the transaction

– July 2017 –



Florence, Alabama

FSB, LLC
acquired

First Southern Bancshares, Inc.
Florence, Alabama

Mercer Capital served as financial advisor & rendered a fairness opinion on behalf of First Southern Bancshares, Inc.

– June 2017 –


Pine Bluff, Arkansas

acquired


First Texas BHC, Inc.
Fort Worth, Texas

Mercer Capital served as financial advisor & rendered a fairness opinion on behalf of Simmons First National Corp.

– January 2017 –




SELECTED TRANSACTIONS



Simmons First National Corp.
Pine Bluff, Arkansas

acquired



Southwest Bancorp, Inc.
Stillwater, Oklahoma

Mercer Capital rendered a fairness opinion on behalf of Simmons First National Corp.

– December 2016 –




Simmons First National Corp.
Pine Bluff, Arkansas

acquired

Hardeman County Investment Company, Inc.
Jackson, Tennessee


Mercer Capital served as a financial advisor & rendered a fairness opinion on behalf of Simmons First National Corp.

– November 2016 –



First Community Bancshares, Inc.
Batesville, Arkansas


acquired



Little River Bancshares, Inc.
Lepanto, Arkansas


Mercer Capital served as financial advisor on behalf of Little River Bancshares, Inc.

– October 2016 –



Simmons First National Corp.
Pine Bluff, Arkansas

acquired



CITIZENS NATIONAL BANK
Athens, Tennessee

Mercer Capital served as a financial advisor & rendered a fairness opinion on behalf of Citizens National Bancorp, Inc.

– May 2016 –



Advia
credit union
Parchment, Michigan

acquired



MIDAMERICA BANK
Janesville, Wisconsin

Mercer Capital served as financial advisor to Advia Credit Union

– February 2016 –



UBB
Bloomington, Minnesota

acquired

Bankers Bancshares, Inc.
Gahanna, OH

Mercer Capital rendered a fairness opinion on behalf of United Bankers' Bank Inc.


– February 2016 –



Spirit BankCorp, Inc.
Tulsa, Oklahoma


Mercer Capital rendered a fairness opinion on behalf of the shareholders of Spirit BankCorp, Inc. regarding a common stock offering and recapitalization of the company

– April 2015 –



SBT
State Bank of Texas
Dallas, Texas

acquired from the FDIC certain assets and liabilities of




The National Republic Bank of Chicago
Chicago, Illinois

Mercer Capital provided financial advisory and loan portfolio valuation services to State Bank of Texas

– October 2014 –



SELECTED TRANSACTIONS



Ottawa, Illinois

Mercer Capital rendered a fairness opinion on behalf of the shareholders of Centrue Financial Corporation regarding a recapitalization of the company

– August 2014 –

Oak Ridge Financial Services, Inc.


and



Oak Ridge, North Carolina

Mercer Capital rendered a fairness opinion on behalf of the Company's employee stock ownership plan regarding a purchase of newly issued common stock by the ESOP

– June 2014 –



Houston, Texas


acquired



Plano, Texas


Mercer Capital issued a fairness opinion on behalf of SP Bancorp, Inc., the parent holding company of SharePlus Bank

– May 2014 –



Davenport, Florida

acquired



Boca Raton, Florida


Mercer Capital issued a fairness opinion on behalf of First Southern Bancorp

– January 2014 –

Home *HB* Bancorp, Inc.

Lafayette, Louisiana

acquired



Natchez, Mississippi

Mercer Capital issued a fairness opinion on behalf of Britton & Koontz Capital Corp.

– November 2013 –

GAVION

Memphis, Tennessee

acquired



Consulting Services Group, LLC

Memphis, Tennessee

Mercer Capital issued a fairness opinion on behalf of Consulting Services Group, LLC

– September 2013 –



Tupelo, Mississippi

acquired



Kosciusko, Mississippi

Mercer Capital acted as advisor to the special committee of the First M&F Corporation board of directors

– February 2013 –

orange county TRUST company

Newbergh, New York

acquired



Goshen, New York

Mercer Capital advised Orange County regarding pricing and terms in the acquisition of Hudson Valley Investment Advisors

– November 2012 –



PUBLICATIONS & PRESENTATIONS

Industry Newsletters & Other

- » Bank Watch
- » Nashville Notes (SNL contribution, reprinted with permission)
- » The Investment Management Industry
- » The Financial Technology Industry
- » Portfolio Valuation: Private Equity & Venture Capital Marks & Trends
- » The Real Estate Industry

Books & Whitepapers

- » CREATING STRATEGIC VALUE THROUGH FINANCIAL TECHNOLOGY, (Wiley Financial), 2017
- » VALUING RIAs, whitepaper
- » COMMUNITY BANK STRESS TESTING, whitepaper
- » UNDERSTAND THE VALUE OF YOUR INSURANCE BROKERAGE, whitepaper
- » UNDERSTAND THE VALUE OF YOUR TRUST COMPANY, whitepaper
- » THE ESOP HANDBOOK FOR BANKS: Exploring Alternatives for Liquidity While Maintaining Independence, (Peabody Publishing, LP), 2011
- » THE BANK DIRECTOR'S VALUATION HANDBOOK: What Every Director Must Know About Valuation, (Peabody Publishing, LP), 2009
- » VALUING FINANCIAL INSTITUTIONS, (Business One Irwin), 1992

Recent Presentations

- » "Evaluating the Buyer's Shares, *Acquire or Be Acquired Conference sponsored by Bank Director*, January 2020
- » "Watching the Herd: Bank M&A Overview and Leveraging FinTech to Create Value," *Fi FinTech Annual Round Up*, October 2018
- » "Past is Prologue? Valuation of Banks in the Public and M&A Markets," *2018 Bluegrass Community Bankers Association Annual Convention*, August 2018
- » "Financial Institutions: Black Holes of Valuation," *Advanced Business Valuation Conference*, October 2017
- » "Valuation of Insurance and Investment Management Practices," *Society of Financial Service Professionals, Dallas Chapter*, October 2017
- » "Buy-Sell Agreements for Investment Management Firms: An Ounce of Prevention Is Worth a Pound of Cure," *3rd Annual RIA Central Investment Forum*, April 2017



SENIOR PROFESSIONALS

Matthew R. Crow, ASA, CFA

President

901.685.2120 » crowm@mercercapital.com

Matt is president of Mercer Capital. He has over 25 years of valuation and transaction advisory experience with a concentration in the investment management industry. He works with traditional investment managers, trust companies, mutual fund companies, alternative asset managers, and investment consultants.

Jeff K. Davis, CFA

Managing Director of Financial Institutions Group

615.767.9490 » jeffdavis@mercercapital.com

Jeff leads Mercer Capital's Financial Institutions Group. Prior to rejoining Mercer Capital, Jeff spent 13 years as a sell-side analyst providing coverage of publicly traded banks and specialty finance companies to institutional investors evaluating common equity and fixed income investment opportunities. Jeff speaks at industry gatherings, including SNL Financial/University of Virginia's annual analyst training seminar, the ABA, state banking associations, and securities industry gatherings. Additionally, he is widely quoted in the media, is an editorial contributor to SNL Financial, and he regularly makes presentations to boards of directors and executive management teams regarding industry and market trends.

Z. Christopher Mercer, FASA, CFA, ABAR

CEO

901.685.2120 » mercerc@mercercapital.com

Chris is the founder and CEO of Mercer Capital. He has over 35 years of experience in the financial services industry. He has prepared, overseen, or contributed to more than a thousand valuations for purposes related to M&A, litigation, and tax compliance, among others.



SENIOR PROFESSIONALS

Timothy R. Lee, ASA

Managing Director of Corporate Valuation Group
901.322.9740 » leet@mercercapital.com

Tim leads Mercer Capital's Corporate Valuation Group with a concentration in the real estate sector. For over 15 years, Tim has been advising clients on matters related to mergers and acquisitions, ESOPs, profit sharing plans, estate and gift tax planning and compliance matters, limited and general partnerships, corporate planning and reorganizations.

Andrew K. Gibbs, CFA, CPA/ABV

Senior Vice President
901.322.9726 » gibbsa@mercercapital.com

Andy leads Mercer Capital's Depository Institutions team. He provides valuation and transaction advisory services to financial institutions for purposes including ESOPs, mergers and acquisitions, profit sharing plans, estate and gift tax planning, compliance matters, corporate planning, and financial reporting.

Bryce Erickson, ASA, MRICS

Senior Vice President
214.468.8400 » ericksonb@mercercapital.com

Bryce has been involved with hundreds of valuation and related engagements. These engagements have been conducted for the purposes of mergers and acquisitions, buyouts, buy-sell agreements, financial reporting, estate and gift taxes, allocation of purchase price, litigation support, financing, and business planning.



SENIOR PROFESSIONALS

Travis W. Harms, CFA, CPA/ABV

Senior Vice President

901.322.9760 » harmst@mercercapital.com

Travis's practice focuses on providing public and private clients with fair value opinions and related assistance pertaining to goodwill and other intangible assets, stock-based compensation, and illiquid financial assets. In addition, he has experience with insurance and specialty finance companies. He is a member of Mercer Capital's Private Equity industry team.

J. David Smith, ASA, CFA

Senior Vice President

713.239.1005 » smithd@mercercapital.com

David has over 20 years of business valuation experience and has been involved with hundreds of valuation and related engagements. He values businesses, business interests, and intangible assets for financial reporting, corporate tax, corporate M&A, employee stock ownership plans, and gift and estate tax purposes. He is a senior member of Mercer Capital's Financial Reporting Valuation Group, providing public and private clients with fair value opinions and related assistance pertaining to goodwill and other intangible assets, stockbased compensation, and illiquid financial assets.



SENIOR PROFESSIONALS

Brooks K. Hamner, CFA, ASA

Vice President

901.322.9714 » hamnerb@mercercapital.com

Brooks is active in valuation work for investment management firms and has broad industry experience gained during his tenure with Mercer Capital. Along with Matthew R. Crow, ASA, CFA, Brooks publishes research related to the investment management industry. Circumstances giving rise to the engagements Brooks is involved with include corporate planning, employee stock ownership plans, and estate and gift tax planning and compliance matters.

Lucas M. Parris, CFA, ASA-BV/IA

Vice President

901.322.9784 » parrisl@mercercapital.com

Lucas joined Mercer Capital in 2004. He provides public and private company clients with fair value opinions and related assistance pertaining to goodwill and other intangible assets, stock-based compensation, and illiquid financial assets. He focuses on the insurance industry and is active in the valuation of insurance agencies, brokerages, and underwriters for corporate valuation and compliance matters.

Sujan Rajbhandary, CFA

Vice President

901.322.9749 » sujanr@mercercapital.com

Sujan is a senior member of Mercer Capital's Financial Reporting Valuation Group, which provides fair value opinions and related advisory services to public companies, private companies, and alternative investment vehicles. Sujan has valued financial assets and liabilities for litigation support, tax compliance, ESOP compliance, and shareholder transactions.



SENIOR PROFESSIONALS

Eden G. Stanton, CFA, ASA

Vice President

901.270.7250 » stantone@mercercapital.com

Eden has extensive experience with corporate planning and reorganizations, litigation support, employee stock ownership plans, and estate and gift tax planning and compliance matters. She is also actively involved in providing valuation services related to fair value opinions of financial institution assets such as depository customer relationships, loans, and certificates of deposit.

Jay D. Wilson, Jr., CFA, ASA, CBA

Vice President

469.778.5860 » wilsonj@mercercapital.com

Jay is a senior member of Mercer Capital's Depository Institutions team and leads the firm's Financial Technology team. Jay's practice encompasses the valuation of financial institutions for purposes including ESOPs, mergers and acquisitions, profit sharing plans, estate and gift tax planning, compliance matters, and corporate planning as well as financial reporting issues.





Mercer Capital

www.mercercapital.com

