Top Three Valuation Considerations for Credit Unions When Contemplating a Bank Acquisition

Based upon our experience of working on transactions where CUs acquire banks, we have compiled a list of three primary valuation considerations for CUs to consider when evaluating and hopefully ultimately closing successful acquisitions of bank targets.

Valuation Multiples as of April 30, 2020

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<th>Texas Bank Index</th>
<th>Community Bank Index</th>
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Mercer Capital helps banks, thrifts, and credit unions with corporate valuation requirements, transactional advisory services, financial reporting, stress testing, and strategic decisions. Learn more: [http://mer.cr/dep-inst](http://mer.cr/dep-inst)

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Rohan Bose
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boser@mercercapital.com

Texas Bank Group Index Overview

Mercer Capital’s Texas Bank Group Index Overview

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M&A MARKET INDICATORS

Median Price/Earnings Multiples
Target Banks’ Assets <$5B and LTM ROE >5%

Median Price / Tangible Book Value Multiples
Target Banks’ Assets <$5B and LTM ROE >5%

Texas Community Bank Transactions Announced in Last Six Months

<table>
<thead>
<tr>
<th>Announce Date</th>
<th>Buyer</th>
<th>Seller</th>
<th>Target’s City (TX)</th>
<th>Target Assets ($000s)</th>
<th>Deal Value</th>
<th>Price / Earnings</th>
<th>Price / Tangible BV</th>
<th>Tang. Premium / Core Deposits</th>
</tr>
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<tr>
<td>Feb 11, 2020</td>
<td>Heartland Financial USA Inc.</td>
<td>AIM Bancshares Inc.</td>
<td>Levelland</td>
<td>1,775,803</td>
<td>280.4</td>
<td>13.4</td>
<td>209.6</td>
<td>12.3</td>
</tr>
<tr>
<td>Dec 26, 2019</td>
<td>Investor Group</td>
<td>Daingerfield Holding Co.</td>
<td>Daingerfield</td>
<td>143,099</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
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<tr>
<td>Dec 17, 2019</td>
<td>Wichita Falls Bancshares Inc.</td>
<td>Chico Bancorp Inc.</td>
<td>Chico</td>
<td>185,032</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Dec 8, 2019</td>
<td>BancAffiliated Inc.</td>
<td>Southwest Bank</td>
<td>Odessa</td>
<td>448,433</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Nov 15, 2019</td>
<td>Cendera Bancorp, Inc.</td>
<td>Cendera Financial Holdings Inc</td>
<td>Bells</td>
<td>102,950</td>
<td>21.0</td>
<td>27.5</td>
<td>225.3</td>
<td>19.5</td>
</tr>
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