M&A Case Studies to Enhance a Community Bank's Value

January 31, 2016 Workshop
9:25 a.m. – 10:55 a.m.

AustinAssociates

STINSON LEONARD STREET

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M&A Case Studies to Enhance a Community Bank's Value

CASE STUDY #1: Acquisitions to Add Value

CASE STUDY #2: Sell-Side Transaction with ESOP

CASE STUDY #3: Strategic Mergers

CASE STUDY #4: Distressed Bank Transaction

CASE STUDY #1: ACQUISITIONS TO ADD VALUE

Conventional Wisdom

"Acquisitions are notoriously dangerous. Most, not all, acquisitions fail to increase the acquirer's shareholder value."

Source: Recent M&A Deals Suffer from Overly Rosy Projections [American Banker article – January 4, 2016]

"PROOF" OF CONVENTIONAL WISDOM ??

- **Analysis screened for Buyers that have underperformed the banking sector**
- **SNL compiled list of deals from January 1, 2011 to December 7, 2014**
  - Deal value at least $250 million
  - No MOEs
  - Target less than 75% of buyer's assets
  - 30 deals made the cut
- **"Relative Total Return" – Buyer's stock price change relative to SNL Bank & Thrift Index**
  - 5 of the 30 buyers were down more than 4% on deal announcement date
  - Median relative total return on announcement date – negative 1.5%

Source: Banks in the Penalty Box [American Banker article – December 11, 2015]

RECENT HIGH PROFILE DEALS

Negative Market Reaction

	KeyCorp/ First Niagara	New York Community/ Astoria
Announcement Date	10/30/15	10/29/15
Deal Value	$4.2 billion	$2.0 billion
Seller Assets	$39 billion	$15 billion
Seller Assets/Buyer Assets	41%	31%
1 Day Price Change	(7.2%)	(13.8%)
5 Day Price Change	(4.3%)	(15.0%)
12/31/15 Price Change	(1.4%)	(14.8%)

CHALLENGING CONVENTIONAL WISDOM

Austin Associates, LLC Research

Screen Criteria

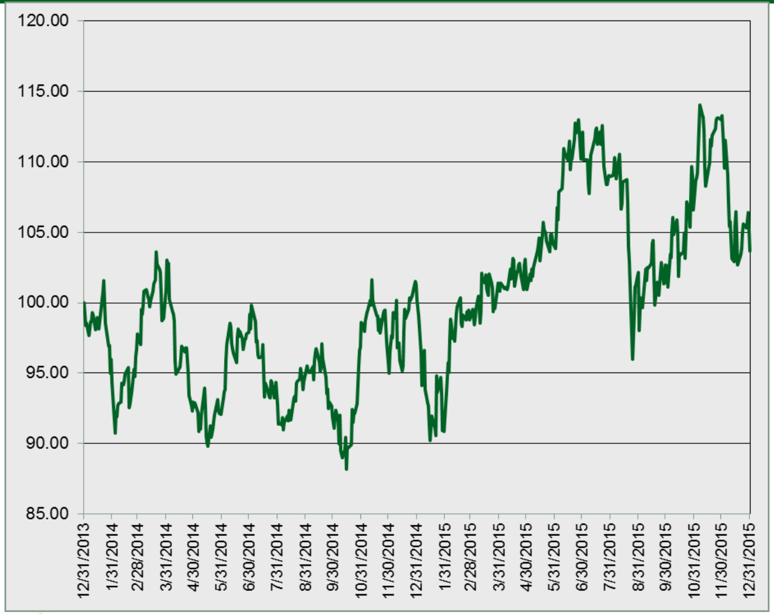
- Deal announcement in 2014 and 2015
- Publicly traded buyer
- Deal value $25M to $100M
- 85 transactions met criteria

Buyer "Relative Total Return" v. KBW Regional Bank Index	1 Day	5 Days
25th Pct	-0.3%	-0.8%
Median	0.0%	0.8%
75th Pct	1.2%	3.3%

DEALS ANNOUNCED IN 2014 AND 2015

Publicly Traded Buyer; Deal Values between $25M and $100M

KBW Regional Bank Index (12/31/13 – 12/31/15)



Nominal Total Return

	Post-Announcement		Deal	As of
	1-Day	5-Day	Closing	12/31/15
25^{th} Pct	-1.2%	-1.1%	-1.9%	0.7%
Median	0.0%	0.9%	3.7%	7.6%
75^{th} Pct	1.1%	3.0%	10.2%	23.0%

Note: Graph indexed at 100 and based on December 31, 2013 close of 79.07. (Increased 3.7% from 12/31/2013 – 12/31/2015)

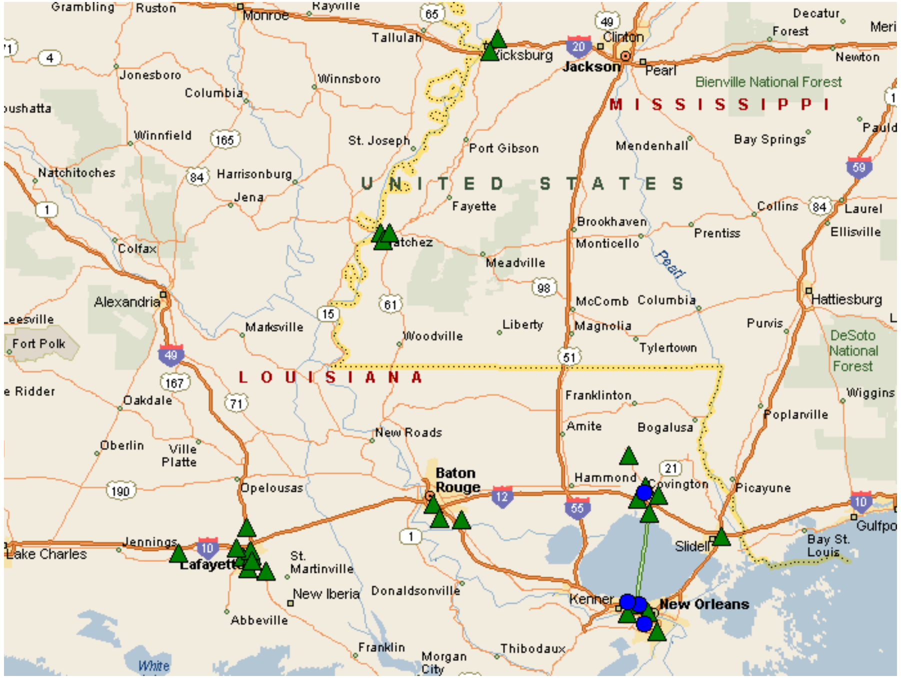
CASE STUDY #1: ACQUISITIONS TO ADD VALUE

Home Bancorp, Inc. acquisition of Louisiana Bancorp, Inc.

Deal Overview and Parties Involved		
Announced Deal Value	$74.6 million	
Announcement Date	6/18/2015	
Completion Date	9/15/2015	
	Buyer	Seller
Lead Bank	**Home Bank, NA**	**Bank of New Orleans**
Parent Company	Home Bancorp, Inc.	Louisiana Bancorp, Inc.
Exchange/Ticker	NASDAQ/HBCP	NASDAQ/LABC
Headquarters	Lafayette, LA	Metairie, LA
# of Offices	27	4
# of FTEs	313	71

Financial Highlights at Announcement - As of March 31, 2015 ($000)		
Reporting Entity	**HBCP**	**LABC**
Total Assets	**$1,233,856**	**$330,738**
Total Loans	$927,712	$276,994
Total Deposits	$1,026,573	$200,710
Core Deposits (1)	$810,642	$103,222
Total Equity	**$156,782**	**$58,946**
Tangible Equity	**$152,699**	**$58,946**
LTM Net Income	$11,287	$2,866
LTM ROAA	**0.91%**	**0.88%**
LTM ROAE	**7.45%**	**4.94%**
LTM Efficiency Ratio	63.4%	65.3%
Total NPAs (2)	$23,336	$1,525
NPAs / Total Assets	1.89%	0.46%
Tier 1 Leverage Ratio	12.38%	17.82%
Total RB Capital Ratio	18.32%	NA

(1) Total deposits less time deposits.
(2) NPAs include nonaccrual loans, OREO and restructured loans.



Home Bancorp, Inc.   Louisiana Bancorp, Inc.

CASE STUDY #1: ACQUISITIONS TO ADD VALUE

Home Bancorp, Inc. acquisition of Louisiana Bancorp, Inc.

	Date	HBCP Stock $	Price Change %
Day Prior	06/17/15	$22.94	-----
1-Day After	06/19/15	$24.40	6.4%
5-Days After	06/23/15	$24.86	8.4%
Closing	09/15/15	$25.06	9.2%
12/31/15 Price		$25.98	13.3%

KBW Regional Bank Index Value	Index = 100 6/17/15	HBCP Relative Total Return
86.52	100.0	-----
87.13	100.7	5.7%
89.18	103.1	5.3%
82.38	95.2	14.0%
81.97	94.8	18.5%

CASE STUDY #1: ACQUISITIONS TO ADD VALUE

Home Bancorp, Inc. acquisition of Louisiana Bancorp, Inc.

Consideration

- $74.5 million in total consideration ($71.2M including benefit from ESOP and MRRP)
- 100% cash

Valuation Multiples

- 126% of tangible book value (121% adjusted for ESOP/MRRP benefit)
- 146% of TBV based on 8% equity to assets
- 26.0 price-to-earnings (24.8x P/E as adjusted)

Key Assumptions

- $4.4 million pre-tax cost savings (55% of total noninterest expense)
- $4.2 million gross credit mark
- $5.5 million of estimated pre-tax merger expenses

Key Financial Metrics

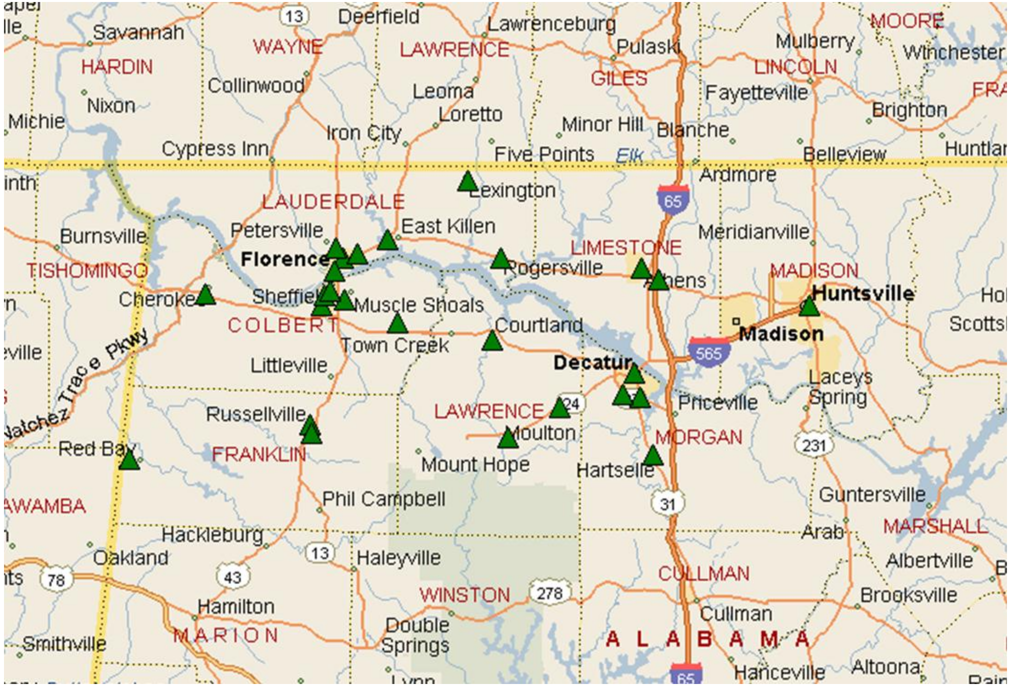
- 35% accretive to 2016 estimated EPS
- < 10% tangible book value dilution at closing; 3.5 year payback
- IRR > 20%
- Pro forma tangible common equity decreases from 12.4% to 9.6%; leverages excess capital

BONUS CASE STUDY

BancIndependent, Sheffield, Alabama

Company Profile

- Private
- C-Corporation
- $1.2 billion in assets
- 5 acquisitions over 9 years



BONUS CASE STUDY

BancIndependent, Sheffield, Alabama

Branch Deal September 2001

- 2 branches from Union Planters Corporation (Memphis, TN)
- $40 million in total deposits
- Sheffield and Tuscumbia, AL offices

Branch Deal September 2002

- 2 branches from First Southern Bancshares (Florence, AL)
- $21 million in total deposits
- Florence and Rogersville, AL offices

Branch Deal November 2005

- 17 branches from Colonial BancGroup, Inc. (Montgomery, AL)
- 13 full-service offices and 4 limited service offices
- $376 million in total deposits and $64 million in loans

Whole Bank Deal December 2008

- Citizens Bancorp of Lawrence (Montgomery, AL)
- Subsidiary bank = Citizens Bank, Moulton, AL
- $115 million in total assets

Non-Bank Deal August 2009

- Regions Interstate Billing Services, Inc. (Birmingham, AL)
- Factoring / Commercial Billing Services
- Approximately $75 million in accounts receivable

BANK INDEPENDENT

Financial Highlights – Balance Sheet ($Millions)

Bank-Level	2000Y	2001Y	2002Y	2003Y	2004Y	2005Y	2006Y	2007Y	2008Y	2009Y	2010Y	2011Y	2012Y	2013Y	2014Y
Total Assets	**$312**	**$367**	**$412**	**$423**	**$410**	**$764**	**$702**	**$743**	**$897**	**$955**	**$989**	**$1,041**	**$1,082**	**$1,102**	**$1,176**
Total Intangibles	$0	$2	$3	$3	$2	$27	$25	$24	$29	$28	$27	$26	$25	$25	$24
Total Equity	**$29**	**$33**	**$35**	**$36**	**$37**	**$83**	**$86**	**$87**	**$93**	**$117**	**$121**	**$132**	**$131**	**$135**	**$139**
Tangible Common Equity	**$29**	**$31**	**$32**	**$34**	**$35**	**$56**	**$61**	**$63**	**$64**	**$89**	**$94**	**$106**	**$106**	**$110**	**$115**
Parent Company															
Common Equity	$30	$33	$35	$37	$37	$53	$56	$57	$62	$65	$69	$71	$75	$80	$84
Tangible Common Equity	**$30**	**$31**	**$32**	**$34**	**$35**	**$26**	**$31**	**$33**	**$32**	**$37**	**$42**	**$45**	**$50**	**$56**	**$60**
TARP (2009) / SBLF (2011)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$21	$21	$30	$30	$30	$30
Trust Preferred Securities	$0	$0	$0	$0	$0	$31	$31	$31	$31	$31	$31	$31	$31	$31	$31
Long-Term Debt	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

BANK INDEPENDENT

Financial Highlights – Profitability ($Millions)

Bank-Level	2000Y	2001Y	2002Y	2003Y	2004Y	2005Y	2006Y	2007Y	2008Y	2009Y	2010Y	2011Y	2012Y	2013Y	2014Y
PTPP	**$4.5**	**$4.9**	**$6.4**	**$5.3**	**$4.0**	**$5.1**	**$9.6**	**$11.8**	**$10.6**	**$16.2**	**$21.3**	**$21.6**	**$20.4**	**$17.5**	**$18.5**
Provision Expense	$0.0	$0.0	$2.8	$0.9	$0.6	$0.5	$0.7	$1.1	$3.8	$4.7	$6.3	$4.4	$2.7	$2.6	$2.6
Net Income	**$3.5**	**$3.8**	**$3.1**	**$3.7**	**$2.9**	**$3.6**	**$6.6**	**$8.1**	**$5.6**	**$7.9**	**$10.3**	**$12.2**	**$12.4**	**$10.8**	**$11.1**
PTPP / Avg. Assets	**1.35%**	**1.51%**	**1.67%**	**1.29%**	**0.97%**	**1.08%**	**1.32%**	**1.65%**	**1.33%**	**1.76%**	**2.22%**	**2.14%**	**1.92%**	**1.62%**	**1.65%**
ROAA	1.04%	1.16%	0.80%	0.91%	0.70%	0.77%	0.91%	1.13%	0.70%	0.85%	1.07%	1.21%	1.17%	1.00%	1.00%
ROATCE	12.42%	12.65%	9.82%	11.44%	8.40%	7.90%	11.27%	13.12%	8.88%	10.29%	11.21%	12.19%	11.69%	10.01%	9.91%
Parent Company															
Net Income	**$3.5**	**$3.8**	**$3.1**	**$3.8**	**$2.9**	**$3.4**	**$5.3**	**$6.8**	**$4.6**	**$6.8**	**$9.3**	**$11.1**	**$11.4**	**$9.8**	**$10.2**
ROAA	1.04%	1.16%	0.80%	0.91%	0.71%	0.73%	0.73%	0.94%	0.57%	0.73%	0.97%	1.10%	1.07%	0.90%	0.90%
ROACE	12.43%	12.05%	8.91%	10.41%	7.81%	8.65%	9.84%	12.05%	7.77%	9.41%	11.84%	14.23%	14.74%	12.28%	11.88%
ROATCE	**12.33%**	**12.53%**	**9.72%**	**11.40%**	**8.39%**	**11.19%**	**18.59%**	**21.25%**	**14.07%**	**19.78%**	**23.55%**	**25.40%**	**24.11%**	**18.45%**	**17.61%**
Dividends	**$1.2**	**$1.3**	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$2.8**	**$2.8**	**$2.8**	**$3.7**	**$4.0**	**$3.8**	**$4.9**	**$2.8**	**$3.5**

CASE STUDY #1: ACQUISITIONS TO ADD VALUE

Deal Takeaways

- **"Think outside the box" …but don't forget strategic fit and culture are essential considerations**
- **Track record of successfully executed deals favorably impresses both regulators and the market**
- **Transparency of pro forma modeling assumptions is expected; Market pays close attention to reasonableness**
- **Maintain financial discipline:**
  - EPS accretion/dilution
  - Tangible book value ("TBV") per share dilution/payback period
  - Internal Rate of Return ("IRR")
  - Pro forma capital ratios/appropriate leverage
  - Market Optics – guideline transaction multiples

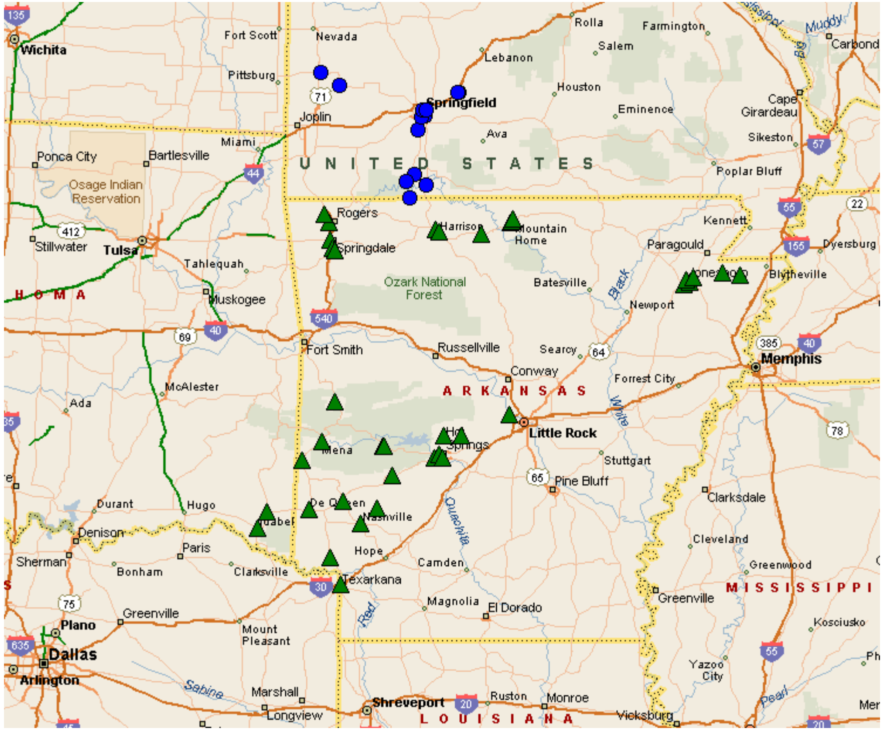
CASE #2: SELL-SIDE TRANSACTION WITH ESOP

Company Profiles

Deal Overview and Parties Involved		
Announced Deal Value	$70 million	
Announcement Date	6/22/2015	
Completion Date	10/1/2015	
	Buyer	Seller
Lead Bank	**Bear State Bank, NA**	**Metropolitan Ntnl Bk**
Parent Company	Bear State Fncl. Hldgs.	Marshfield Inv. Co.
Exchange/Ticker	NASDAQ/BSF	Private Company
Headquarters	Little Rock, AR	Springfield, MO
# of Offices	41	13
# of FTEs	362	163
S-Corporation?	No	Yes

Financial Highlights at Announcement - As of March 31, 2015 ($000)		
Reporting Entity	**BSF (Company)**	**Metro (Bank)**
Total Assets	**$1,477,597**	**$442,437**
Total Loans	$1,050,893	$340,060
Total Deposits	$1,236,258	$374,581
Core Deposits (1)	$779,855	$282,718
Total Equity	**$173,128**	**$58,882**
Tangible Equity	**$140,229**	**$52,551**
LTM Net Income	$26,850	$1,125
LTM ROAA	**2.04%**	**0.25%**
LTM ROAE	**18.78%**	**1.94%**
LTM Efficiency Ratio	67.8%	95.0%
Total NPAs (2)	$14,980	$3,702
NPAs / Total Assets	1.01%	0.84%
Tier 1 Leverage Ratio	8.96%	11.97%
Total RB Capital Ratio	12.58%	16.94%

(1) Total deposits less time deposits.
(2) NPAs include nonaccrual loans, OREO and restructured loans.



▲ Bear State Financial ● Metropolitan National Bank

SELL-SIDE TRANSACTION WITH ESOP

Deal Terms

Transaction	• $70.0 million in total consideration • 40% cash ($28 million)/60% stock ($42 million) • $15 million cash dividend paid by Metro to MIC to partially fund transaction
Valuation Multiples	• 119% of book value/133% of tangible book value • Price-to-earnings multiple not meaningful
Transaction	• Estimated pre-tax cost savings of 25-30% • Immediately accretive to book value, tangible book value and EPS • Transaction structured to permit 338(h)(10) election
Additional Deal Information	• Metro currently operates as a wholly-owned subsidiary of BSF • Registration rights granted to 3 of the 4 shareholders of MIC • CEO of Metro became CEO of BSF and its subsidiaries

SELL-SIDE TRANSACTION WITH ESOP

Deal Takeaways

A. **Shareholders Issues**

- 2 family members and a family trust owned 70% of MIC stock and 30% owned by an ESOP
- Family members were not always on the same page, which made negotiations difficult (1 wanted more cash and did not want the ESOP to receive disproportionate amount of cash) ($42 million in in stock and $28 million in cash.) Need to handle this early prior to making the decision to sell
- Bank shareholder records not up to date. Need to handle this early prior to making the decision to sell

SELL-SIDE TRANSACTION WITH ESOP

Deal Takeaways

B. **ESOP Issues**

- MIC needed to start early in the process by informing the ESOP trustee of the proposed deal, as the ESOP laws, regulations and rules must be followed and are complicated
- In this case, ESOP trustee would not accept stock and ESOP took most of cash [$21 million (30% of $70 million) instead of $8.4 million (30% of $28 million)], which caused other shareholders to receive more stock of BSF than they wanted
- MIC seeking approval of ESOP Plan termination from IRS
- Participants not paid any benefits until IRS approval received (may take a year or longer)

SELL-SIDE TRANSACTION WITH ESOP

Deal Takeaways

C. **Escrow**

- $1 million of sale proceeds placed in escrow to cover breaches of reps and warranties
- 30% of escrow belongs to ESOP participants
- Escrow in place for 15 months
- Limit of $1 million for breaches of reps and warranties (good negotiated provision)
- Must operate MIC until escrow agreement and ESOP are terminated

SELL-SIDE TRANSACTION WITH ESOP

Deal Takeaways

D. **Corporate Issues**

- MIC will not be liquidated/dissolved for approximately 2 years (providing time for escrow to run its course and to terminate ESOP)
- Must maintain portion of sale cash proceeds ($1 million or so) to pay ongoing expenses (i.e. ESOP termination fees, legal fees and accounting fees)

SELL-SIDE TRANSACTION WITH ESOP

Deal Takeaways

E. **<u>Conclusion</u>**

- All deals have their own unique facts and issues, so if you are dealing with a seller with an ESOP, hopefully, this case study will help you identify issues upfront

CASE STUDY #3: STRATEGIC MERGERS

Deal Profiles

	Deal 1	Deal 2	Deal 3
SEC/Private	Both Private	Both Private	Both Private
Asset Sizes	Both < $100 mil	Both < $500 mil	Both < $500 mil
Asset Contribution	55% / 45%	57% / 43%	52% / 48%
Tangible Common Equity Contribution	55% / 45%	62% / 38%	56% / 44%
Net Income Contribution	90% / 10%	70% / 30%	54% / 46%
Relative Market Cap	N.A.	60% / 40%	56% / 44%
Consideration	Stock + Special Dividend	All Stock	All Stock

STRATEGIC MERGERS

Deal 1: Dealing with Financial Contribution Imbalances

- **Traditional Analysis**
  - Start with analysis of stock-for-stock exchange
  - Ownership % determined based on relative contribution of:
    - Stated tangible common equity (book-for-book)
    - Adjusted tangible common equity (accounting or valuation differences)
    - Stated and normalized net income (trends, LTM, recent quarters, budget)
    - Market cap (if applicable)
  - Pro Forma analysis should reflect balanced results to TBVPS and EPS

STRATEGIC MERGERS

Deal 1: Dealing with Financial Contribution Imbalances

- **<u>Issue – Financial/Value Contribution Imbalance</u>**
  - Smaller party's profitability was very low (barely profitable)
  - Pro forma results in all-stock exchange were not acceptable to larger party

- **<u>Resolution: Special Dividend to Smaller Party to "Buy-down" Ownership</u>**
  - Dividend equal to 27% of equity
  - Equity contribution was adjusted from 55%/45% to 63%/37%
  - Exchange ratio resulted in pro forma ownership of 70%/30%

STRATEGIC MERGERS

Deal 1: Dealing with Financial Contribution Imbalances

- **<u>Pro Forma Results</u>**
  - Cost savings estimated at 12.0% of combined expenses

	Party A	Party B
Initial TBVPS Change	8.0%	-20.0%
1st Year EPS Change	0.0%	150.0%
2nd Year EPS Change	6.5%	175.0%
TBVPS Recovery Period	Immediate	4.1 years
1st Year Dividends Per Share Change	0.0%	250.0%

STRATEGIC MERGERS

Deal 2: Supporting a Book-for-Book Exchange

- <u>**Financial Terms**</u>
  - Parties agreed to a book-for-book exchange early in the registration process
  - Equity capital contribution (no intangibles at either party) determined ownership and exchange ratio
  - Challenge: smaller party contributing 38% of equity, but less than 30% of net income
  - Challenge: allocating one-time costs in the transaction
  - Concern: perception that smaller party would be getting a “premium” in the deal

STRATEGIC MERGERS

Deal 2: Supporting a Book-for-Book Exchange

- <u>**Focus Turned to Pro Forma Analysis**</u>
  - Attributed majority of cost savings to smaller party – adjusted net income with cost savings approximated equity contribution %
  - Considered one-time transaction costs as deal-related – no penalty to smaller party
    - Professional fees
    - Branch closing
    - DP termination fees
    - Severance payments
  - Considered dividend differential in computing TBV payback period

STRATEGIC MERGERS
Deal 2: Pro Forma Results

- **Pro Forma Results**
  - Cost savings estimated at 9.0% of combined expenses

	Party A	Party B
Initial TBVPS Change	-3.5%	-3.7%
1st Year EPS Change	2.0%	25.0%
2nd Year EPS Change	15.0%	35.0%
TBVPS Recovery Period	2.7 years	1.5 years
1st Year Dividends Per Share Change	0.0%	125.0%

STRATEGIC MERGERS

Deal 3: Dealing with Nonfinancial Issues in a “MOE” Transaction

- **<u>Typical List of Nonfinancial Issues</u>**
  - Company and bank name - which company/charter survives
  - Company and bank headquarters
  - Resulting board of directors - # of seats each / titles
  - Resulting CEO and transition plan, if applicable
  - Senior management structure – all C-level positions
  - Employment contracts / severance / stay bonuses
  - Resulting benefit plans
  - Registration or exemption of securities being issued

Note: All of these were in play for Deal 3

STRATEGIC MERGERS

Deal 3: Dealing with Nonfinancial Issues in a "MOE" Transaction

- **<u>Major Nonfinancial Issues in Deal 3</u>**
  - Resolving integration plan – operate with one or two bank charters
  - Determining titles, roles, responsibilities of CEOs (neither ready to retire)
  - Data processing integration – in-house vs. service bureau and excessive termination fee on DP contract

- **<u>Accounting Issues</u>**
  - Accounting "buyer" and "seller" determined
  - Agreed to separate fair value adjustments from exchange ratio analysis
  - Fair value adjustments applied to "seller" including
    - Credit mark on loan portfolio (LLR eliminated)
    - Mark to market the frozen pension plan underfunded liability

STRATEGIC MERGERS

Deal 3: Dealing with Nonfinancial Issues in a "MOE" Transaction

- **<u>Securities Issues</u>**
  - Company issuing securities is almost always the accounting buyer
  - Both parties in Deal 3 were non-reporting companies
  - Securities issued must be either:
    - Registered with the SEC

      OR
    - Issued under an appropriate exemption (typically intrastate or Reg. D offering)
  - In this case, parties determined to register with SEC (strategic decision)
    - Added costs of $150k to register + estimated $100k/year

STRATEGIC MERGER CASE STUDIES

Deal Takeaways

- **Strategic mergers can be structured with MOE elements regardless of ownership split**

- **A cash component can be used to equalize capital and/or improve pro forma results**

- **Agreement on financial assumptions will be necessary:**
  - Fair value accounting adjustments
  - Transaction and one-time costs
  - Cost savings and synergies

- **Negotiate financial terms in conjunction with nonfinancial issues – “total package”**

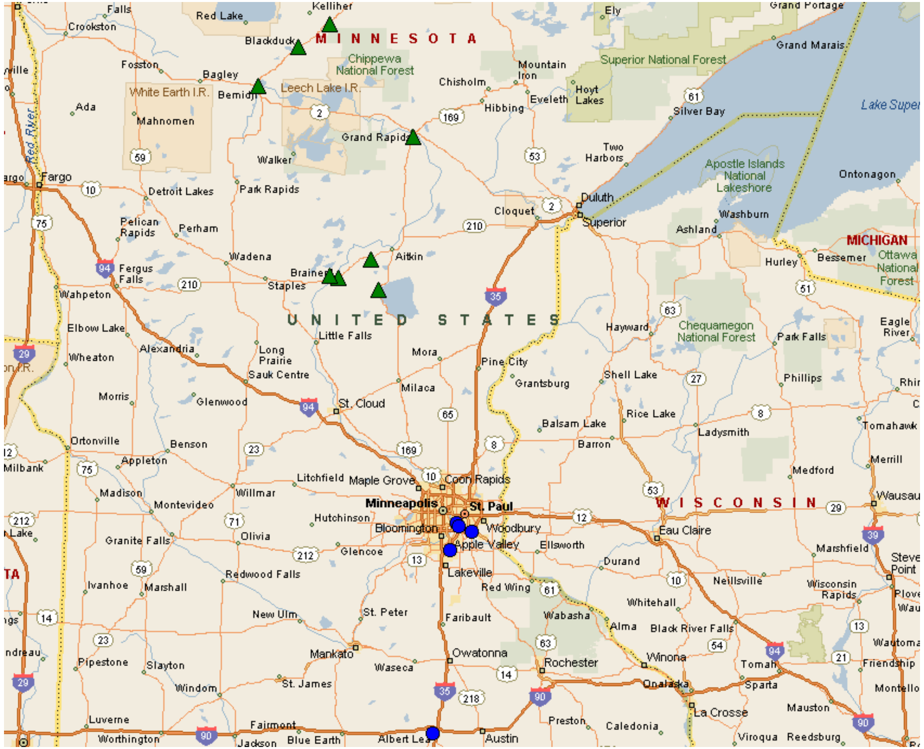
CASE STUDY #4: DISTRESSED BANK TRANSACTION

Company Profiles

Deal Overview and Parties Involved		
Announced Deal Value	$17 Million	
Announcement Date	10/21/2014	
Completion Date	6/15/2015	
	Buyer	**Seller**
Lead Bank	**Deerwood Bank**	**American Bank of St. Paul**
Parent Company	Deerwood Bancshares, Inc.	American Bancorporation
Exchange/Ticker	Private Company	Private Company
Headquarters	Deerwood, MN	Saint Paul, MN
# of Offices	8	6
# of FTEs	75	171
S-Corporation?	Yes	No

Financial Highlights at Announcement - As of September 30, 2014 ($000)		
Reporting Entity	**Deerwood Bank**	**American Bank**
Total Assets	**$264,232**	**$301,835**
Total Loans	$188,747	$158,541
Total Deposits	$225,211	$266,399
Core Deposits (1)	$192,727	$191,594
Total Equity	**$32,007**	**$24,803**
Tangible Equity	**$29,094**	**$24,803**
LTM Net Income	$2,933	$4,248
LTM ROAA	**1.16%**	**1.37%**
LTM ROAE	**9.61%**	**18.99%**
LTM Efficiency Ratio	72.3%	89.7%
Total NPAs (2)	$3,275	$15,829
NPAs / Total Assets	1.24%	5.24%
Tier 1 Leverage Ratio	11.39%	8.74%
Total RB Capital Ratio	16.29%	15.22%

(1) Total deposits less time deposits.
(2) NPAs include nonaccrual loans, OREO and restructured loans.



Deerwood Bank American Bank of St. Paul

CASE #4: Bank Profile

B 5 (Official Form 5) (12/07)

UNITED STATES BANKRUPTCY COURT District of Minnesota	INVOLUNTARY PETITION
IN RE (Name of Debtor – If Individual: Last, First, Middle) American Bancorporation	ALL OTHER NAMES used by debtor in the last 8 years (Include married, maiden, and trade names.)

Deal Overview	
Deal Value	$17 million
Completion Date	June 15, 2015
Buyer	Deerwood Bank
Seller	American Bank of St. Paul

DISTRESSED BANK TRANSACTION

Deal Terms

Transaction	• $17.0 million in total consideration • 100% cash • Deal value determination
Valuation Multiples	• 69% of book value/69% of tangible book value • Price-to-earnings multiple = 4.0x
Deal Terms	• Stalking horse bidder • Significant bargain purchase gain • Proceeds distributed to bank stock lender, TruPS holders, creditors
Additional Deal Information	• No consideration paid to shareholders • Merged with and into Deerwood Bank • CEO and some executives retained

DISTRESSED BANK TRANSACTION

Deal Takeaways

- Inform Regulators!
- Determine potential bargain purchase gain
- Communicate with TruPS holders
- Understand timeline
- Pay attention to buyer retention agreements

QUESTIONS & ANSWERS

CASE STUDY #1: Acquisitions to Add Value

CASE STUDY #2: Sell-Side Transaction with ESOP

CASE STUDY #3: Strategic Mergers

CASE STUDY #4: Distressed Bank Transaction