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BEST BANK M&A DEALS

2020

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Defining Success in M&A

How do you define success in bank M&A?

M&A can have a transformative impact upon an organization, particularly a community or regional bank. The organization gets larger and gains more operational scale. Lending officers are now empowered to make bigger loans in the bank's market. The acquirer can make new loans and grow deposits in new markets, and expand market share in its existing geographic footprint.

This should all have a positive long-term effect on the metrics we tend to track when evaluating the performance of a bank — its tangible book value per share, profitability measurements like return on assets and earnings per share growth, and its efficiency ratio, among other variables.

These are all important indicators in understanding the financial impact of the deal on the combined entity. But it's the intangible elements — leadership, talent, culture and communication — that drive those metrics and inform a deal's ultimate success.

Bank Director's core mission for its almost 30-year history has been focused on the strategic issues facing bank executives and boards. How your bank chooses to approach M&A — whether by blazing a path as an active acquirer, focusing on organic growth opportunities or considering whether it's the right time to sell — impacts your organization's future.

For this reason, the 2020 RankingBanking study, sponsored by Crowe LLP, focuses on the best M&A transactions across several categories, including by asset size and market reaction. We also analyze branch transactions, as well as purchases of business lines and technology. And we examine the financial performance of serial acquirers to gain strategic insight into banks that truly treat M&A like a line of business.

The resulting study provides further clarity into what made these deals work and why these banks are stronger after the acquisition.

Emily McCormick
Vice President of Research
Bank Director

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RANKING THE BEST BANK M&A DEALS

Since consolidation in the banking industry accelerated in the mid-1980s, the number of mergers and acquisitions, as well as the rationale for those deals, has ebbed and flowed.

A decade ago, strong banks were gaining market share by buying fixer-uppers and partnering with the Federal Deposit Insurance Corp. to acquire failed institutions, big banks were trimming their branch networks by selling off locations to regional and community banks, and the fintech revolution was in its infancy.

A lot has changed since then.

Bank Director's 2020 RankingBanking study, sponsored by Crowe LLP, examines an industry benefiting from the longest economic recovery in U.S. history. The priority for acquirers today isn't purely scale, as it was in a previous era; instead it's about gaining access to low-cost deposits, says Crowe Partner Kara Baldwin. Noticeably absent from the M&A market are the nation's biggest banks, the three largest of which are legislatively prohibited from buying other banks, given that each of them already controls at least 10% of domestic deposits. One exception is the mega merger in 2019 between BB&T Corp. and SunTrust Banks to form Truist Financial, resulting in the sixth biggest commercial bank in the U.S. by assets.

These trends have fundamentally changed the industry's competitive landscape. A little more than two decades ago, NationsBank and BankAmerica merged to create Bank of America Corp., the first coast-to-coast U.S. bank. The mantra at the time was that bigger is better. Today, the argument is more nuanced. Scale remains important to help offset higher regulatory and technology costs, but access to inexpensive and stable funding is equally important.

The latest iteration of Bank Director's RankingBanking study looks at the best mergers and acquisitions in the banking industry completed between Jan. 1, 2017, and Jun. 30, 2018. The purpose is to tease out what made those deals so successful.

To do this, we evaluated deals across nine categories:

- Best Large Bank Deal (Over $15 Billion)
- Best Mid-Sized Bank Deal ($1 Billion to $15 Billion)
- Best Community Bank Deal (Under $1 Billion)
- Best Merger of Equals
- Best Deal by Market Reaction
- Best Branch Network Acquisition
- Best Technology Acquisition
- Best Strategic Non-Bank Acquisition
- Best M&A Strategy

Bank Director chose the five top-performing deals per category using a pre-determined methodology. We then examined these deals a second time using a category-specific algorithm that included data from S&P Global Market Intelligence and the FDIC. We also incorporated qualitative information reflecting each bank's strategic gains, informed by regulatory filings, press releases, news articles and input from bank analysts. For some categories, we even dug through each bank's Facebook page to see how the deal resonated with customers.

The Best Deals By Category

CATEGORY	WINNING ACQUIRER / TARGET	CATEGORY SCORE
BEST LARGE BANK DEAL (Over $15 Billion)	Valley National Bancorp / USAmeriBancorp	**1.97**
BEST MID-SIZED BANK DEAL ($1 Billion - $15 Billion)	CenterState Bank Corp. / HCBF Holding Co.	**1.90**
BEST COMMUNITY BANK DEAL (Under $1 Billion)	Texas State Bankshares / Blanco National Holdings	**2.17**
BEST MERGER OF EQUALS	Union Bank / Union Banc Corp.	**2.47**
BEST DEAL BY MARKET REACTION	Veritex Holdings / Sovereign Bancshares	**1.30**
BEST BRANCH NETWORK ACQUISITION	People's Utah Bancorp / Banner Corp.	**1.89**
BEST TECHNOLOGY ACQUISITION	KeyCorp / HelloWallet	**1.86**
BEST STRATEGIC NONBANK ACQUISITION	Citizens Financial Group / Franklin American Mortgage Co.	**1.50**
BEST M&A STRATEGY	Seacoast Banking Corp. of Florida	**1.40**

The study focuses on deals from 2017 through the first half of 2018. This reduces the noise associated with closing and integration costs, and enables us to more accurately assess the longer-term impact of the transactions on the acquiring institutions. After all, as any successful acquirer will tell you, it's over the long term that the value of a transaction is fully realized.

We made exceptions to the time frame for three categories. For nonbank and technology acquisitions — primarily bolt-on transactions with a smaller financial impact — we extended the period through the end of 2018. And for the broader M&A strategy category, we looked back to the beginning of 2016 to better identify serial acquirers.

The large bank and mid-sized bank categories share the same methodology. In each, the top five deals were chosen based on improvement to the buyer's return on assets following the close of the acquisition. We only examined deals where the seller comprised at least 10% of the buyer's assets at the time of the acquisition, to ensure they had a material impact on the acquirer. We then analyzed and ranked the top five deals based on profitability growth, efficiency improvement, credit quality improvement, growth in tangible book value per share and lending efficacy, based on each bank's loan-to-deposit ratio one year post-acquisition. Bank Director also examined geographic expansion, acquired talent and other strategic factors.

The best large bank deal was $33.8 billion asset Valley National Bancorp's acquisition of $4.7 billion asset USAmeriBancorp, a deal that expanded the Wayne, New Jersey-based bank's Florida franchise, and greatly improved its profitability and efficiency metrics. Another Florida deal topped our mid-sized category: Winter Haven, Florida-based CenterState Bank Corp.'s purchase of $2.2 billion asset HCBF Holding Co. That deal scored highly due to the $17.4 billion asset bank's profitability growth as well as gains in efficiency, credit quality and tangible book value.

The M&A market was particularly advantageous for acquirers in the $1 billion to $10 billion asset range in the periods examined for the study, says Rick Childs, a partner at Crowe LLP. "In general, the stock market in 2017 and the first half of 2018 was still very favorable for banks, and that impacted the price that was being paid for institutions, and the stock price of the buyer was impacting the ability to do transactions," he says.

For the community bank category, we adjusted the metrics used in the analysis to reflect the availability of data for privately held institutions. The top five deals were again determined based on ROA growth, and we focused on deals where the seller comprised at least 10% of the buyer's assets. We then analyzed and ranked the top five deals based on profitability growth, efficiency improvement and credit quality improvement; TBV growth and lending efficacy were not examined. We also factored in geographic expansion and talent gains.

Harlingen, Texas-based Texas State Bancshares topped the category with its acquisition of $185 million asset Blanco National Holdings, in a deal that gave the now $973 million asset bank a foothold in the Texas Hill Country around San Antonio. Texas State scored well for improving its profitability and efficiency metrics.

In examining the best mergers of equals, we focused on transactions involving publicly traded acquirers where the seller comprised 80% or more of the buyer's assets. We focused on the same quantitative metrics included in our analysis of the best large and mid-sized bank deals, and we also examined cultural factors, as well as the combined entity's geographic footprint and other strategic merits.

The Little Bank's merger with Union Banc Corp., to create $788 million asset Union Bank, topped the list of the best mergers of equals. The deal doubled the Greenville, North Carolina-based bank's footprint and rated highly for its financial performance following the deal's close.

To determine the best deals based on market reaction, we analyzed the immediate impact on the acquirer's stock price to select the five best performers, focusing on acqui-

HIGHEST PRICE PAID, RANKED BANKS:

$2.19B

STERLING BANCORP/ ASTORIA FINANCIAL CORP.

AVERAGE ROA GROWTH, RANKED BANKS:

57.8%

(LARGE, MID-SIZED AND COMMUNITY BANK DEALS)

sitions where the seller comprised 25% or more of the buyer's assets at closing. Stock price movement for the top five deals was then compared to a selection of indices.

The acquisition of $1 billion asset Sovereign Bancshares by Dallas-based Veritex Holdings, with $8 billion in assets, topped the market reaction category. It demonstrated the greatest one-day stock price improvement of the deals examined, at 11.93%.

> "The stock market in 2017 and the first half of 2018 was still very favorable for banks, and that impacted the price that was being paid for institutions, and the stock price of the buyer was impacting the ability to do transactions."
>
> **Rick Childs** / Crowe LLP

To select the best branch network acquisitions, we looked at the number of branches and quantity of deposits gained in the deals. We then examined the average deposits per acquired location, and deposit growth at the acquired branches, noninterest expense improvement and the acquiring bank's loan-to-deposit ratio one year after the deal closed. We also looked at how the deal affected the acquirer's branch map.

Topping the category was an in-market deal that filled in the acquirer's Utah footprint: the acquisition of seven Banner Corp. branches by $2.3 billion asset People's Utah Bancorp, based in American Fork, Utah. Deposits grew by 7.8% at the acquired locations.

For the best technology acquisition category, Bank Director identified the five technology deals that best fulfill strategic goals at the acquiring bank. We then examined and ranked these acquisitions a second time based on their strategic impact, acquired talent and how the buyer continued to grow and develop the asset. The market for technology acquisitions is primarily dominated by large banks. A big regional bank, Cleveland-based KeyCorp, topped the ranking through its acquisition of the financial wellness platform HelloWallet. Focusing on financial wellness now forms the core of the bank's retail strategy.

The best strategic nonbank acquisitions featured deals that expanded each bank's reach and offerings in business lines that strategically fit the acquirer. We analyzed the significance of the acquisition and the acquired business line's impact on the organization, including how effectively the bank has grown that area of the business.

The acquisition of Franklin American Mortgage Co. by Providence, Rhode Island-based Citizens Financial Group topped our ranking of nonbank acquisitions. The deal tripled Citizens' off-balance sheet mortgage servicing portfolio and doubled its mortgage origination platform.

To identify the five banks with the best M&A strategy, we analyzed ROA, return on equity and share price appreciation as of the first quarter 2019. We then analyzed profitability growth from year-end 2015 through year-end 2018, based on earnings per share, ROAA and ROAE, as well as improvement in the bank's tangible book value, efficiency ratio and credit quality. We also examined each bank's loan-to-deposit ratio as of second quarter 2019 to gauge whether it was atypically high or low.

Two Florida acquirers rank No. 1 and No. 2 for their strategic approach to M&A: Seacoast Banking Corp. of Florida, based in Stuart with $6.9 billion in assets, and CenterState Bank Corp., which also had the best deal in the mid-sized bank category. Both exhibited high levels of profitability and TBV growth.

Finally, we have included the legal teams and investment bankers that worked behind the scenes on the winning deals in this report. "Relationships with advisors can assist in working through complications throughout the deal," says Baldwin.

Looking ahead, there's every reason to believe the M&A environment for the banking industry will continue to ebb and flow as it has done in the past. What changes will 2020 yield?

RANKING BANKING®

BEST LARGE BANK DEAL

(OVER $15 BILLION)

ACQUIRER:

Valley National Bancorp

TARGET:

USAmeriBancorp

Summary Analysis

If there's one thing large bank acquirers have in common, it may be their willingness to leapfrog into new geographies in the pursuit of growth and profitability.

These larger acquirers have saturated their own markets, driving them to seek out strategic fits outside their territories, says Rick Childs, a partner at Crowe LLP. And their size can be an advantage in successfully acquiring and integrating targets in new, more distant markets. "At a certain size, you have the heft and the infrastructure to manage a longer distance network," he says.

In its willingness to acquire more than 1,000 miles from its home base of Wayne, New Jersey, Valley National Bancorp's January 2018 acquisition of $4.7 billion asset USAmeriBancorp, in Clearwater, Florida, may best exhibit this approach. It's also the deal that topped Bank Director's ranking for the best large bank deals. To qualify, the acquirer had to have $15 billion or more in assets. Only deals where the seller comprised at least 10% of buyer assets were examined, to ensure the acquisition had a material impact.

It's a process that started in 2014, with the bank's acquisition of $1.7 billion asset 1st United Bancorp, based in Boca Raton, Florida. USAmeriBancorp was Valley National's third acquisition in the state and helped fill in its Florida branch map around the Tampa area; it also added locations in Alabama. The $33.8 billion asset bank also gained a superior treasury management platform in the transaction. But it was the talent that Valley National acquired from USAB that made it successful.

"We actually saw net account growth in the USAB markets one year later," says Ira Robbins, Valley National's president and CEO. "It's not that

> "We actually saw net account growth in the USAB markets one year later. ... It's not that balances have grown because we've offered specials in each individual market; it's the bankers associated with USAB and the support of the Valley bankers."
>
> **Ira Robbins** / Valley National Bancorp

balances have grown because we've offered specials in each individual market; it's the bankers associated with USAB and the support of the Valley bankers." Valley National retained USAB's CEO, chief lending officer, chief marketing officer and other senior leaders. "They [aren't] just puppet positions within the organization; [they have] an ability to execute and deliver improved performance across the entire organization," he adds.

The five best large bank acquisitions were ranked based on growth in return on assets following the close of the deal. These deals were then analyzed and ranked a second time based on profitability growth, measured through earnings per share, return on average assets and return on average equity; efficiency improvement, based on the efficiency ratio and noninterest expense as a percentage of assets; credit quality improvement, based on nonperforming loans as a percentage of loans and net charge-offs; growth in tangible book value per share; and lending efficacy, based on each bank's loan-to-deposit ratio one year after the deal closed.

Bank Director also examined less concrete characteristics, including geographic expansion, acquired talent and drawbacks, such as integration flubs. Bank analysts were also consulted.

The sellers were "recognized as being banks that were well run, with good management teams in some thriving market spaces," says Childs. "It defines what people are looking for, particularly in this large bank space."

A year after closing the deal, Valley National improved its profitability and efficiency metrics more than the other acquirers in the category. By June 2019, it grew EPS by 178.8%, ROAA by 123.3% and ROAE by 138.1%.

Two more high-performing deals included expansion into Florida, as well as the retention of key executives.

Memphis, Tennessee-based First Horizon National Corp.'s acquisition of $10.1 billion asset Capital Bank Financial Corp. significantly enhanced its Southeastern U.S. footprint, adding 193 branches in the Carolinas, Tennessee, Virginia and Florida. In fact, the $43.7 billion asset bank's South

LARGEST COMBINATION (ASSETS):

First Horizon/Capital Bank
$39.8 billion at deal close

HIGHEST DEAL VALUE (% OF TBV):

USAmeriBancorp (Valley National)
218.15%

BIGGEST TARGET (ASSETS):

Astoria Financial (Sterling)
$14.0 billion

Florida deposit base is roughly double that of its Tennessee home market, according to First Horizon Chairman, President and CEO D. Bryan Jordan, in a May 2017 call announcing the acquisition. The deal closed the following November.

"Florida is a big part of the growth," says Chris Marinac, director of research at Janney Montgomery Scott. First Horizon ranked third in the category.

For IBERIABANK Corp., access to the dynamic Miami market through its July 2017 acquisition of $5.7 billion asset Sabadell United Bank had a significant impact on its deposit base. After the transaction, Florida became IBERIA's largest market by deposits.

While ranked fourth overall, the Lafayette, Louisiana-based bank rated highly for profitability and credit quality improvement. In November 2019, First Horizon and IBERIA announced they would merge to create a "premier southern-based bank."

In a much colder region of the U.S., $20.4 billion as-

How They Ranked: Best Large Bank Deal

	ACQUIRER NAME, LOCATION / ASSET SIZE	TARGET NAME, LOCATION / ASSET SIZE	DEAL DATE	SCORE
1	**Valley National Bancorp** Wayne, NJ / $33.8 billion	USAmeriBancorp Clearwater, FL / $4.7 billion	Jan. 1, 2018	**1.97**
2	**Sterling Bancorp** Montebello, NY / $30.1 billion	Astoria Financial Corp. Lake Success, NY / $14.0 billion	Oct. 2, 2017	**2.94**
3	**First Horizon National Corp.** Memphis, TN / $43.7 billion	Capital Bank Financial Corp. Charlotte, NC / $10.1 billion	Nov. 30, 2017	**3.05**
4	**IBERIABANK Corp.** Lafayette, LA / $31.7 billion	Sabadell United Bank, N.A. Miami, FL / $5.7 billion	Jul. 31, 2017	**3.24**
5	**Old National Bancorp** Evansville, IN / $20.4 billion	Anchor Bancorp St. Paul, MN / $2.1 billion	Nov. 1, 2017	**3.61**

SOURCES: S&P Global Market Intelligence, bank filings

set Old National Bancorp's expansion into Minnesota was also a play for growth. The Evansville, Indiana-based bank's experience as an acquirer and lack of presence in the market made it a more attractive partner for $2.1 billion asset Anchor Bancorp, based in St. Paul, Minnesota. "We knew ... that senior leaders in charge of business units and customer-facing employees would be retained if the acquirer was a new entrant into the market," former Anchor Chief Financial Officer Dennis Nisler said at an industry event in November 2018. Owners were willing to sacrifice some on price to minimize the acquisition's impact on employees. The deal ranked fifth in our analysis.

Sterling Bancorp's merger with $14 billion asset Astoria Financial Corp., based in Lake Success, New York, stands out as the only deal where keeping the acquired talent and branches wasn't a goal. Shortly before the deal closed, it was announced that 230 employees would lose their jobs. And after, Sterling shuttered 33 financial centers with aims to eliminate another 12 over the next year, said Jack Kopnisky, the president and CEO of the Montebello, New York-based bank in a July 2019 earnings call. Sterling rated highly for its efficiency improvement and TBV growth.

The Astoria acquisition also reduced the $30.1 billion asset bank's percentage of brokered deposits. "What Astoria brought to Sterling was a good, strong franchise out on Long Island, a depository franchise, for a very low price," says Collyn Gilbert, a managing director at Keefe, Bruyette & Woods. "There was a lot of financial attractiveness to that deal."

RANKING BANKING®

BEST MID-SIZED BANK DEAL

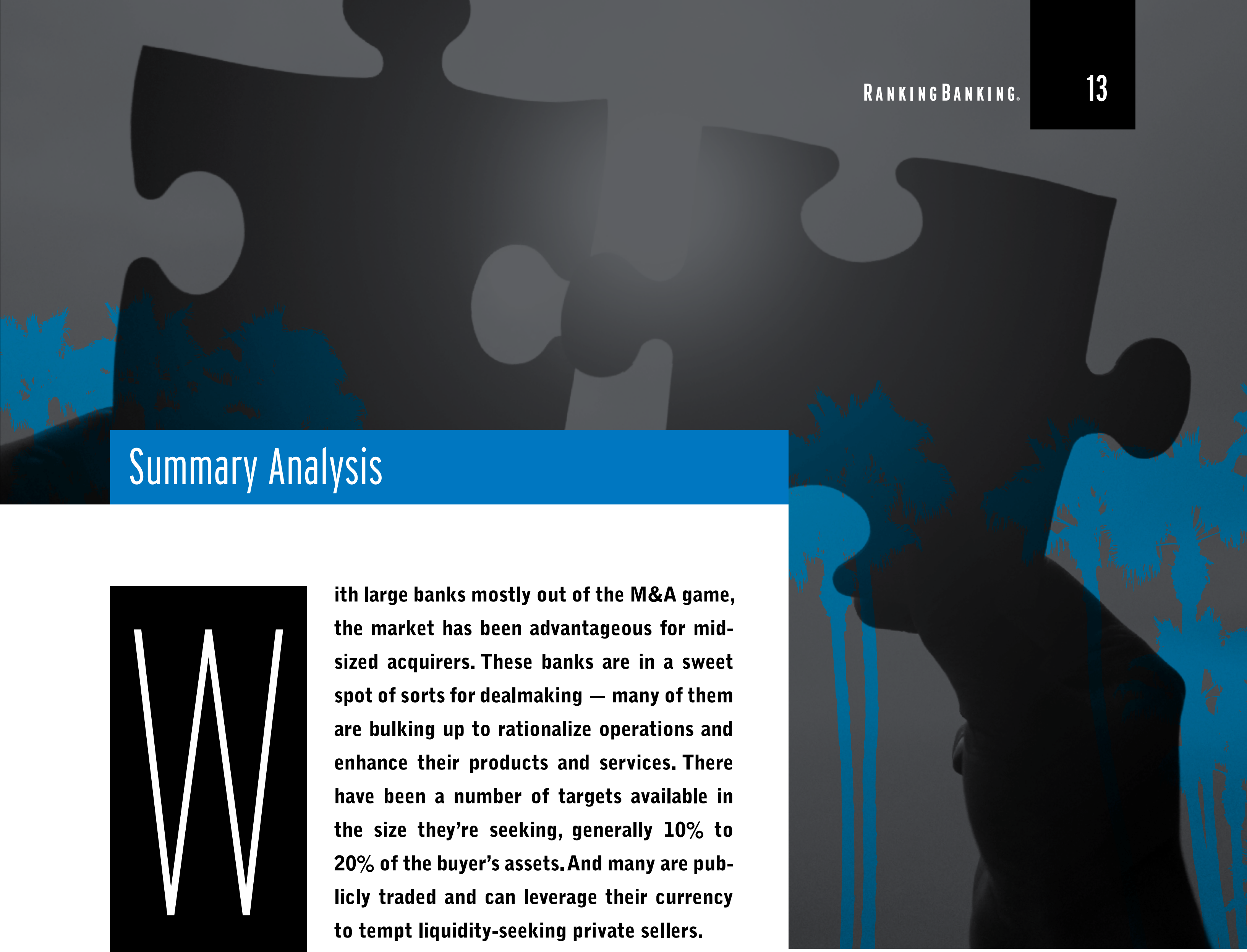
($1 BILLION - $15 BILLION)

ACQUIRER:

CenterState Bank Corp.

TARGET:

HCBF Holding Co.



Summary Analysis

With large banks mostly out of the M&A game, the market has been advantageous for mid-sized acquirers. These banks are in a sweet spot of sorts for dealmaking — many of them are bulking up to rationalize operations and enhance their products and services. There have been a number of targets available in the size they're seeking, generally 10% to 20% of the buyer's assets. And many are publicly traded and can leverage their currency to tempt liquidity-seeking private sellers.

But unlike the large bank acquirers, these mid-sized dealmakers have focused on filling in or expanding to markets closer to home.

"[Buyers of this size are] more interested in building out the franchise, and the size and the efficiencies [of the target], so they've probably been more of a true consolidator in-market," says Rick Childs, a partner at Crowe LLP. "I think that's one of the reasons why they have been successful."

Bank Director examined growth in return on assets following the close of the transaction to select the five best mid-sized bank deals, where the acquirer has $1 billion to $15 billion in assets. (We focused on deals where the seller comprised at least 10% of the buyer's assets to ensure the acquisition had a material impact.) To rank these deals, we then further analyzed profitability growth, measured through earnings per share, return on average assets and return on average equity; efficiency improvement, based on the efficiency ratio and noninterest expense as a percentage of assets; credit quality improvement, based on net charge-offs and nonperforming loans as a percentage of loans; growth in tangible book value per share; and lending

"We were coming right out of the Centrue acquisition; the plan was to integrate and take a little bit of time off before doing the next large acquisition, but when [Funderburg] made that call – banks only get sold once."

Jeffrey Ludwig / Midland States Bancorp efficacy, based on the acquirer's loan-to-deposit ratio one year after the deal closed. We also considered geographic expansion, acquired talent and deal drawbacks, and bank analysts were consulted.

Two of the acquiring banks on this list, Winter Haven, Florida-based CenterState Bank Corp. and Kalispell, Montana-based Glacier Bancorp, are also featured in the Best M&A Strategy category, which looked specifically at active acquirers.

"It's consistent with the $1 billion to $15 billion space — many of them are trying to build themselves up to get to that point where they can get into doing significant deals," says Childs. "Their dance card is big, and they've had a lot of dances with a number of people."

CenterState ranked first in the mid-sized category for its acquisition of Fort Pierce, Florida-based HCBF Holding Co., with $2.2 billion in assets. The acquisition expanded CenterState's franchise through central Florida and accelerated its growth in retail mortgage.

CenterState "did a good job of building out their overall footprint in Florida through their M&A transactions; that deal in particular built them through the middle of the state, in that I-4 corridor where everyone has said they want to be," says Stephen Scouten, a managing director at Sandler O'Neill + Partners.

The $17.4 billion asset bank rated highly for profitability growth, and efficiency, credit quality and tangible book value improvement. (It also acquired $944 million asset Sunshine Bancorp on the same day; while this smaller deal was not examined directly, it most likely contributed to the acquirer's financial performance.)

Effingham, Illinois-based Midland States Bancorp, which has 13 locations around St. Louis, prefers in-state transactions or opportunities that are no further than 100 miles within contiguous states. Its acquisition of $1.2 billion asset Alpine Bancorp., based in Belvidere, Illinois, expanded Midland's footprint in northern Illinois and placed second in our ranking of mid-sized bank deals.

BEST LONG-TERM EPS GROWTH:

Midland States Bancorp
185.1%

LARGEST TARGET (ASSETS):

HCBF (CenterState)
$2.2B

HIGHEST PRICE:

WashingtonFirst (Sandy Spring)
$456M

Midland exhibited the highest level of profitability growth among the acquirers examined. The bank views M&A as an important strategic initiative, but its acquisition of Alpine came out of the blue for the $6.1 billion asset acquirer's leadership team.

Midland had recently purchased $976 million asset Centrue Financial Corp., based in Ottawa, Illinois, when Alpine Chairman R. Robert Funderburg Jr. called now-retired Midland CEO Leon Holschbach to ask if he'd be interested in acquiring his organization. "We were coming right out of the Centrue acquisition; the plan was to integrate and take a little bit of time off before doing the next large acquisition, but when [Funderburg] made that call — banks only get sold once," says Jeffrey Ludwig, the president and CEO of Midland, who served as chief financial officer at the time. The opportunity to gain top market share in Rockford, Illinois, along with a strong core deposit franchise and expansion of Midland's wealth management business, was too

How They Ranked: Best Mid-Sized Bank Deal

	ACQUIRER NAME, LOCATION / ASSET SIZE	TARGET NAME, LOCATION / ASSET SIZE	DEAL DATE	SCORE
1	**CenterState Bank Corp.** Winter Haven, FL / $17.4 billion	HCBF Holding Co. Fort Pierce, FL / $2.2 billion	Jan. 1, 2018	**1.90**
2	**Midland States Bancorp** Effingham, IL / $6.1 billion	Alpine Bancorp. Belvidere, IL / $1.2 billion	Feb. 28, 2018	**3.07**
3	**Glacier Bancorp** Kalispell, MT / $13.7 billion	Inter-Mountain Bancorp. Bozeman, MT / $1 billion	Feb. 28, 2018	**3.13**
4	**TowneBank** Portsmouth, VA / $12.0 billion	Paragon Commercial Corp. Raleigh, NC / $1.7 billion	Jan. 26, 2018	**3.20**
5	**Sandy Spring Bancorp** Olney, MD / $8.4 billion	WashingtonFirst Bankshares Reston, VA / $2.1 billion	Jan. 1, 2018	**3.42**

SOURCES: S&P Global Market Intelligence, bank filings

attractive to pass up.

Glacier Bancorp, with $13.7 billion in assets, ranked third for its acquisition of $1 billion asset Inter-Mountain Bancorp. The deal strengthened its market share in Montana, particularly in fast-growing Bozeman, as well as the agricultural market in the northern part of the state.

Ranked fourth, $12 billion asset TowneBank's acquisition of Paragon Commercial Corp., based in Raleigh, North Carolina, stands out for expanding the bank's market share in North Carolina, as well as its integration of talent: Several board members and executives have stayed on with TowneBank following the deal's closing. The Portsmouth, Virginia-based bank's tangible book value improved by 8.6% a year after the deal closed, putting its performance just behind CenterState in that metric.

Finally, Olney, Maryland-based Sandy Spring Bancorp exhibited the strongest improvement in its efficiency metrics. Its acquisition of $2.1 billion asset WashingtonFirst Bankshares, based in Reston, Virginia, filled in the $8.4 billion asset acquirer's footprint in the Washington metro area and northern Virginia, and produced the highest cost saves of the examined deals, at 39%, due to overlapping branches. At 227% of tangible book value, it was the priciest deal of the bunch, but Catherine Mealor, a managing director at Keefe, Bruyette and Woods, says the price may have been justified. "Strategically, it was very important to them," she says. "There weren't many banks of size — over $2 billion in assets — left in the D.C. market."

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BEST COMMUNITY BANK DEAL
(UNDER $1 BILLION)

ACQUIRER:

Texas State Bankshares

TARGET:

Blanco National Holdings

Summary Analysis

Small deals don't garner attention in the national or regional press. Yet, despite their smaller size and more opportunistic nature, community bank acquisitions represent a sizeable portion of the M&A marketplace: More than one-third of the acquisitions examined for the 2020 RankingBanking study feature acquirers with less than $1 billion in assets.

Individually, community banks tend to be infrequent acquirers, opting to intentionally focus their strategy on organic growth. "It's a little less 'being a serial acquirer' like we see in some of the other categories, and it's more about being the right size, the right fit and being willing to go into a transaction," says Rick Childs, a partner at Crowe LLP.

Only two acquirers in this ranking — $973 million asset Texas State Bankshares, based in Harlingen, Texas, and $326 million asset Wallkill Valley Federal Savings & Loan Association, based in Wallkill, New York, have made more than one acquisition in the past decade. Covington, Indiana-based Piper Holdings, with $375 million in assets, and Gainesville, Missouri-based Ozarks Heritage Financial Group, with $273 million in assets, last acquired more than 15 years ago. And $370 million asset Eaton Federal Savings Bank, headquartered in Charlotte, Michigan, has only made one bank acquisition, which appears on this list: its June 2018 purchase of $66 million asset Stockbridge Bancorp.

"Most of these [deals] are smaller buyers, and most of the sellers fit within the framework of the size and institution that's being sold these days," says Childs. "It still is a relatively small bank market in terms of the consolidation."

"Most of these [deals] are smaller buyers, and most of the sellers fit within the framework of the size and institution that's being sold these days. It still is a relatively small bank market in terms of the consolidation."

Rick Childs / Crowe LLP

SMALLEST TARGET (ASSETS):

Stockbridge Bancorp. (Eaton Federal)
$66 million

BEST LONG-TERM ROA GROWTH:

Wallkill Valley Federal
138.5%

HIGHEST PRICE:

Blanco National (Texas State)
$26.4 million

The best community bank deals feature transactions where the buyer has less than $1 billion in assets at the time of the acquisition. For this category, we only examined deals where the seller comprised at least 10% of the buyer's assets, to ensure the acquisition had a material impact.

Bank Director chose the five best deals based on growth in return on assets following the close of the transaction. We then analyzed and ranked them again based on profitability growth, measured through ROA and return on average equity; efficiency improvement, based on the efficiency ratio and noninterest expense as a percentage of assets, and credit quality improvement, based on nonperforming loans as a percentage of loans. Bank Director also examined geographic expansion and acquired talent.

The top-ranked deal features an acquirer that entered a new market roughly three hours away from its home in the Rio Grande Valley region in south Texas. Texas State exhibited the best profitability and efficiency improvement one year after acquiring $185 million asset Blanco National Holdings, in Blanco, Texas. These four locations gave Texas State — operating under its subsidiary, Texas Regional Bank — a foothold in the Hill Country around San Antonio, fulfilling its strategy to pursue growth in that region.

Texas State has since strengthened its position in the Hill Country by establishing loan production offices and de novo branches.

Michael Scaief, the bank's chairman, explained the deal's rationale in a 2016 shareholder letter, describing the economies of the Rio Grande Valley and acquired Hill Country markets as "very different, yet complementary." The Rio Grande Valley, he wrote, is "predominantly blue collar" and driven by agriculture, manufacturing, transportation and trade. In contrast, the acquired market features a "highly-technical, white-collar employment base."

Ranking second is Eaton Federal's June 2018 acquisition of Stockbridge Bancorp. and its subsidiary, SSBBank. The deal rated highly for efficiency and credit quality improvement.

Acquiring the Stockbridge, Michigan-based bank added three new branches, extending Eaton Federal's reach in small Michigan communities. They were able to close an acquired branch in Eaton Rapids, eliminating one of their community bank competitors. Eaton Federal also competes in that town with $3.6 billion asset Independent Bank Corp., based in nearby Grand Rapids, and PNC Financial Services Group.

The acquisition of Clinton, Missouri-based Financial Enterprises by $273 million asset Ozarks Heritage, which closed in October 2017, placed third in the ranking. Adding three new branches from the $70 million asset purchase almost doubled the branch network of Ozarks' subsidiary, Rogersville-based Legacy Bank & Trust Co. The deal rated well for profitability growth and efficiency improvement.

Piper's acquisition of $69 million asset Farmers State Bank, based in Brookston, Indiana, ranked fourth. The transaction extended the footprint for Piper's subsidiary bank, The Fountain Trust Co., around Lafayette, a large

How They Ranked: Best Community Bank Deal

	ACQUIRER NAME, LOCATION / ASSET SIZE	TARGET NAME, LOCATION / ASSET SIZE	DEAL DATE	SCORE
1	**Texas State Bankshares** Harlingen, TX / $973 million	Blanco National Holdings Blanco, TX / $185 million	Feb. 24, 2017	**2.17**
2	**Eaton Federal Savings Bank** Charlotte, MI / $370 million	Stockbridge Bancorp. Stockbridge, MI / $66 million	Jun. 30, 2018	**2.72**
3	**Ozarks Heritage Financial Group** Gainesville, MO / $273 million	Financial Enterprises Clinton, MO / $70 million	Oct. 4, 2017	**2.83**
4	**Piper Holdings** Covington, IN / $375 million	Farmers State Bank Brookston, IN / $69 million	Jul. 15, 2017	**3.17**
5	**Wallkill Valley Federal Savings & Loan Assn.** Wallkill, NY / $326 million	Hometown Bancorp (MHC) Walden, NY / $115 million	Aug. 11, 2017	**3.33**

SOURCES: S&P Global Market Intelligence, bank filings

town to the northwest of Indianapolis that today represents more than one-third of the bank's physical locations. The bank retained all staff when the deal closed in July 2017, a hallmark of community bank deals.

From a community bank seller's point of view, getting a good price for the bank's owners is important, but it's not the only consideration. "That's what we're seeing more in the community bank deals — it's less about the price and more about fit for the seller," says Crowe Partner Kara Baldwin.

Finally, Wallkill Valley Federal exhibited the best credit quality improvement in the year following its August 2017 acquisition of $115 million asset Hometown Bancorp — a deal that doubled the acquirer's footprint and its geographic reach into contiguous markets.

Wallkill Valley acquired a fixer-upper in Hometown. Total deposits at the Walden, New York-based bank declined by almost one-third from June 2012 to June 2017, according to call report data. The bank's efficiency ratio hit 108.8%; ROA and ROE were below zero. A local news story opined that regulators may have forced the bank's sale.

But the price was right: Wallkill Valley paid 88.7% of tangible book, compared to a regional average of 137.1%, per S&P Global Market Intelligence. Since the deal closed, the bank has grown total deposits by 4.6%. Of the banks examined in this category, Wallkill Valley demonstrated the highest level of long-term profitability improvement, through June 2019, with ROA growth exceeding 100%.

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BEST MERGER OF EQUALS

MERGER OF EQUALS WINNER

ACQUIRER:

Union Bank

TARGET:

Union Banc Corp.

Summary Analysis

No deal is easy to execute, but a merger of equals serves as a true testament of two institutions' commitment to coming together. As the recent deal between BB&T Corp. and SunTrust Banks shows, it calls for compromise on a host of issues, from the composition of management and the board, to the location of the headquarters and the name of the combined entity. This is why executing a merger of equals is so tricky.

"They're really interesting deals," says Kara Baldwin, a partner at Crowe LLP. "Some do it really well by taking the best of everyone, and sometimes it's a harder push."

Successful mergers of equals adopt the best of both banks. "If you're wanting to call [a transaction] a merger of equals, then you have to have the mindset that, 'I'm really open to a better way of doing things,' as opposed to saying it's a merger of equals because it sounds good in the press and in the communities," says Rick Childs, also a partner at Crowe.

For this category, Bank Director focused on deals where the seller comprised at least 80% of the buyer's assets when the deal closed. Due to the availability of key information, we only analyzed public acquirers. From there, we examined profitability growth, measured through return on average assets, return on average equity and earnings per share; tangible book value growth; efficiency improvement, based on the efficiency ratio and noninterest expense as a percentage of assets; credit quality improvement, based on nonperforming loans as a percentage of loans; and lending efficacy, based on the acquirer's loan-to-deposit ratio one year after the deal closed.

We also looked at qualitative characteristics, including geographic ex-

> "They're really interesting deals ... Some do it really well by taking the best of everyone, and sometimes it's a harder push."
>
> **Kara Baldwin** / Crowe LLP

pansion and other strategic gains, and how the combined entity integrated leadership, both on the management team and the board.

The merger between The Little Bank and Oxford, North Carolina-based Union Banc Corp., creating now $788 million asset Union Bank, in Greenville, North Carolina, tops the category. It's an example of a merger that combines the best of both. The board includes 11 directors from the buyer and seven from the seller; the acquired CEO, John Burns, became the combined bank's chief banking officer, and its chief banking officer, David Morgan, became an area executive in the Triangle region, which includes acquired markets in Raleigh and Cary, North Carolina.

The deal closed in July 2017, and rated highly for profitability growth, and efficiency and credit quality improvement.

In the third-ranked deal, the former Bank of McKenney combined with CCB Bankshares to create now $472 million asset Touchstone Bank, based in Prince George, Virginia. The combined entity's new brand was announced in September 2017, before the deal was completed the following November. "In the past, a touchstone was used to test the purity of gold and silver. Today, anything that tests the standard of quality is considered a touchstone," said Touchstone CEO James Black, in a press release. "The name is a perfect cultural fit for our new community bank and represents the quality standards upon which we will operate."

Eight former McKenney board members and six former CCB directors form the current board. The deal also offered former McKenney CEO Richard Liles the chance to retire, passing the torch to Black, who led CCB. Liles remains chairman.

The merger rated highest for credit quality improvement.

Montebello, New York-based Sterling Bancorp's merger with $14 billion asset Astoria Financial Corp., based in Lake Success, New York, ranked second, scoring highly for efficiency improvement and tangible book value growth.

In terms of taking the best of both organizations, the deal

LARGEST COMBINATION (ASSETS):

Sterling/Astoria

$30.7 billion at deal close

BEST LONG-TERM EPS GROWTH:

Union Bank

117.6%

MOST ACCRETIVE DEAL (YEAR 1):

Southern National/Eastern Virginia

15% EPS accretive

is the least "equal" of the ones we examined. The transaction was largely financial, with $30.1 billion asset Sterling gaining low-cost core deposits and 88 branches in Long Island. Thirty-three locations were closed as of July 2019, with plans to shutter another 12 within the next year. Astoria's mortgage portfolio was promptly jettisoned.

McLean, Virginia-based Southern National Bancorp of Virginia's merger with $1.4 billion asset Eastern Virginia Bankshares, in Glen Allen, Virginia, ranked fourth. Adding Eastern Virginia's 28 branches to Southern National's 23 extended the bank's footprint through Virginia's most attractive markets, said CEO Joe Shearin in a press release — from Frederick, Maryland, through Washington, in Richmond, Virginia, and continuing through the state into the Shenandoah Valley, Charlottesville and the Chesapeake Bay area. The deal rated well for long-term profitability growth.

Southern National gained a lower-cost deposit base with Eastern Virginia, as well as retail expertise and fee-based

How They Ranked: Best Merger of Equals

	Acquirer Name, Location / Asset Size	Target Name, Location / Asset Size	Deal Date	Score
1	**Union Bank** Greenville, NC / $788 million	Union Banc Corp. Oxford, NC / $351 million	Jul. 7, 2017	**2.47**
2	**Sterling Bancorp** Montebello, NY / $30.1 billion	Astoria Financial Corp. Lake Success, NY / $14 billion	Oct. 2, 2017	**2.69**
3	**Touchstone Bank** Prince George, VA / $472 million	CCB Bankshares South Hill, VA / $213 million	Nov. 10, 2017	**3.01**
4	**Southern National Bancorp of Virginia** McLean, VA / $2.7 billion	Eastern Virginia Bankshares Glen Allen, VA / $1.4 billion	Jun. 23, 2017	**3.35**
5	**Bar Harbor Bankshares (BHB)** Bar Harbor, ME / $3.6 billion	Lake Sunapee Bank Group Newport, NH / $1.6 billion	Jan. 13, 2017	**3.37**

SOURCES: S&P Global Market Intelligence, bank filings

products that complemented Southern National's commercial focus. Georgia Derrico, Southern National's CEO until the merger, and R. Roderick Porter, its president and chief operating officer, now serve as executive chairman and executive vice chairman, respectively. Shearin, from Eastern National, was named CEO.

Finally, Bar Harbor Bankshares' merger with $1.6 billion asset Lake Sunapee Bank Group, in Newport, New Hampshire, scored well for short-term profitability growth and credit quality improvement. The result created a $3.6 billion asset northern New England franchise that expanded the Bar Harbor, Maine-based bank's presence in New Hampshire and extended its reach into Vermont.

The time frame examined for the best merger of equals category — Jan. 1, 2017, through June 30, 2018 — was particularly strong for mergers of equals, says Childs. Banks were seeking to gain scale or reach significant thresholds, like the $10 billion asset mark. A stronger economy and higher valuations for bank stocks also made those deals more attractive. Today, that interest has waned — though recently announced mergers like that between $43.7 billion First Horizon National Corp., based in Memphis, Tennessee, and $31.7 billion IBERIABANK Corp., based in Lafayette, Louisiana, prove that these deals are still attractive under the right circumstances.

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BEST DEAL BY MARKET REACTION

MARKET REACTION WINNER

ACQUIRER:

Veritex Holdings

TARGET:

Sovereign Bancshares

Summary Analysis

How do you construct a deal that satisfies shareholders, customers and employees in the long term, while also moving the needle on your bank's stock price?

"If you think I can get inside those investors minds, boy, I shouldn't be running banks," quips C. Malcolm Holland III, chairman and CEO of Dallas-based Veritex Holdings, with $8 billion in assets. Yet, his bank's August 2017 acquisition of $1 billion asset Sovereign Bancshares, also in Dallas, saw the greatest one-day stock price improvement — 11.93% — of deals completed from Jan. 1, 2017, through June 30, 2018. "There's no question that when we bought Sovereign, it changed who we were," he says. "Now I was in a couple of cities, and I had some scale and wow, that had some real possibilities to make a nice return for our investors."

The acquisition boosted Veritex's market share in Dallas while taking it into three new Texas markets: Fort Worth, Austin and Houston. It also topped our ranking of the best deals by market reaction.

To analyze these deals, Bank Director examined acquisitions where the seller comprised 25% or more of the buyer's assets when the deal closed, as these would have a greater impact on the acquirer's stock valuation. We analyzed the immediate impact of the announcement on the acquirer's stock price to determine the five best performers. From there, we compared this growth to movement at that time in a selection of indices: the Dow Jones Industrial Average, the S&P 500, the SNL U.S. Bank Index and the KBW Bank Index. We also incorporated input from bank analysts.

The top five deals based on stock price movement reveal some common

"There's no question that when we bought Sovereign, it changed who we were. … Now I was in a couple of cities, and I had some scale and wow, that had some real possibilities to make a nice return for our investors."

C. Malcolm Holland III / Veritex Holdings characteristics. They are largely in-market deals that fit with each bank's strategy. "They have to be able to deliver on the promise, but it starts with a good reaction," says Crowe LLP Partner Rick Childs. "All of these are logical transactions."

Another commonality among these acquirers: They are all practiced veterans in the M&A game. Veritex has acquired four banks, and FB Financial Corp. three, since 2015. Independent Bank Group has acquired six banks, and Atlantic Union Bankshares Corp. three, since 2014. Byline Bancorp has closed three bank acquisitions since 2016.

The Sovereign acquisition worked out long term and positioned Veritex for its next transformative deal: Green Bancorp, which more than doubled its size and expanded the bank further in Houston. (Veritex's stock declined slightly, by 2.4%, after announcing the Green acquisition.) But Holland learned some hard lessons with Sovereign. "It was a very, very good financial deal for us, and I think everybody could see that," he says. Unfortunately, "it is the worst deal I've done from a social standpoint." The relationship soured between Holland and former Sovereign CEO Thomas Mastor. Most of the former Sovereign employees left, and the transition was stressful for the Veritex team.

In response to that experience, "we went above and beyond on the Green deal," Holland says.

"Malcolm has proven to be a good executor of his internal organic growth model and then doing acquisitions that push him to the next level," says Brett Rabatin, a senior research analyst at Piper Jaffray. "Sovereign was one of those deals."

With its acquisition of $2.2 billion asset Carlile Bancshares, Independent Bank gained 24 locations in Texas, including entry into Fort Worth, where the seller was based. The deal "strengthened the [Dallas/Fort Worth] franchise for David Brooks and IBTX; that was a great transaction," says Rabatin. The bank also expanded into Colorado, with 17 locations.

The $15 billion asset bank, based in McKinney, Texas, saw a 7.88% bump in its stock for the financially attractive deal, which was accretive to earnings, tangible book value and regulatory capital; it also improved the bank's loan-to-deposit ratio and cost of funds, and lessened its exposure to commercial real estate and construction lending. The deal placed second in our ranking.

With its acquisition of Knoxville, Tennessee-based American City Bank and Clayton Bank & Trust, both owned by Clayton HC, Nashville-based FB Financial enhanced its footprint in Tennessee. The $5.9 billion asset bank saw its stock price rise 6.56% upon announcing the third-ranked deal, which was immediately accretive to earnings per share.

"You got a double positive impact — one, from a double-digit accretive deal plus multiple expansion, because now the bank moved from 40% of earnings being mortgage to [about] 20%," says Catherine Mealor, managing director at Keefe Bruyette & Woods. "That helped the overall valuation of the stock."

The acquisition of $3.3 billion asset Xenith Bankshares, based in Richmond, Virginia, fulfilled Atlantic Union's vi-

LARGEST STOCK PRICE GROWTH:

Veritex Holdings

11.9%

AVERAGE STOCK PRICE CHANGE:
(EXAMINED DEALS)

6.8%

AVERAGE DAILY MOVEMENT, KBW BANK INDEX:
(1/1/17 - 6/30/18)

0.04%

How They Ranked: Best Deal By Market Reaction

	ACQUIRER NAME, LOCATION / ASSET SIZE	TARGET NAME, LOCATION / ASSET SIZE	DEAL DATE	SCORE
1	**Veritex Holdings** Dallas, TX / $8.0 billion	Sovereign Bancshares Dallas, TX / $1.0 billion	Aug. 1, 2017	**1.30**
2	**Independent Bank Group** McKinney, TX / $15.0 billion	Carlile Bancshares Fort Worth, TX / $2.2 billion	Apr. 1, 2017	**1.90**
3	**FB Financial Corp.** Nashville, TN / $5.9 billion	American City Bank & Clayton Bank & Trust Knoxville, TN / $1.2 billion	Jul. 31, 2017	**2.60**
4	**Atlantic Union Bankshares Corp.** Richmond, VA / $17.2 billion	Xenith Bankshares Richmond, VA / $3.3 billion	Jan. 1, 2018	**3.90**
5	**Byline Bancorp** Chicago, IL / $5.4 billion	First Evanston Bancorp Evanston, IL / $1.2 billion	May 31, 2018	**4.00**

SOURCES: S&P Global Market Intelligence, bank filings

sion of creating a true Virginia bank by strengthening the $17.2 billion asset institution's presence in the Hampton Roads/Virginia Beach area, adding market share in its native Richmond and Northern Virginia, and new markets in North Carolina. It also strengthened the bank's commercial and industrial lending platform.

Improving profitability and enhancing the bank's C&I capabilities were goals clearly communicated by president and CEO John Asbury, says Mealor. "[Xenith] gave him some nice cost savings for the profitability improvement and gave him a strong C&I platform that he could grow from," she says. The acquisition was immediately accretive to EPS and TBV. Atlantic Union's stock price rose 3.59% with the announcement of the deal, which ranked fourth.

Finally, $5.4 billion asset Byline's stock price increased 4.11% when it acquired First Evanston Bancorp, with $1.2 billion in assets in Evanston, Illinois. (While this is a higher increase than seen in the Atlantic Union/Xenith deal, it didn't perform quite as favorably compared to major indices.)

Chicago-based Byline gained scale in the Evanston market, accessing low-cost core deposits, diversifying its commercial banking business and gaining a wealth management line with recurring fee income. Byline stated publicly that acquisitions would play an important role in its strategy. "This is one that added to the credibility of the company's M&A track record," says Terry McEvoy, managing director at Stephens.

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BEST BRANCH NETWORK ACQUISITION

BRANCH NETWORK WINNER

ACQUIRER:

People's Utah Bancorp

TARGET:

Banner Corp.

Summary Analysis

A branch network makes for a boring acquisition target. It's not a big bank deal that will result in significant scale or a business line that will complement the acquiring institution's strategy. It's not a sexy technology platform. But as deposits have grown increasingly attractive, branch acquisitions have emerged as a relatively low-risk way to acquire them.

The rationale behind branch deals has evolved, says Rick Childs, a partner at Crowe LLP. After the crisis, big banks rationalized their gargantuan branch networks; smaller banks gobbled them up. Now, instead of jettisoning one underperforming branch, sellers are divesting clusters of their network to get the best price. "There has been an evolution in the way we've thought about branch deals, both for the buyer and the seller," he says.

To analyze the best branch network acquisitions, Bank Director looked at deals involving multiple branches, based on the number of locations acquired and the deposits gained. We then examined deposit growth at the acquired branches and improvement in noninterest expense 12 months following the close of the deal, as well as average deposits per acquired location and whether the bank's loan-to-deposit ratio was too high or too low. We also examined how the deal affected the buyer's geographic footprint.

According to our analysis, People's Utah Bancorp's acquisition of seven branches from Walla Walla, Washington-based Banner Corp., with $11.8 billion in assets, is the best transaction of the bunch. The deal came about through conversations between the CEOs of the two organizations: Len Williams at People's Utah and Mark Grescovich at Banner, who wanted to

> "Those transactions tend to come together over long periods of time ... Our focus is on keeping relationships alive and when opportunities present themselves to help both sides, then we're interested in putting something together."
>
> **Len Williams** / People's Utah Bancorp

exit Utah to focus on California and Banner's native Pacific Northwest markets. "The banking community is a close-knit community; most of us tend to know each other here in the West," says Williams. "I've actually had dealings with Mark in the past ... so we kept the relationship alive, and [when] the opportunity presented itself, we made it work for both of us."

The in-market deal filled in the $2.3 billion asset bank's footprint around Provo and Salt Lake City, Utah. People's Utah, which is based in American Fork, acquired more loans than deposits, which benefited its loan-to-deposit ratio. What's more, Williams says he acquired commercial lenders and credit officers to help build the bank's commercial and industrial (C&I) capabilities. "It was a game-changer for us," due to the acquired sales culture and credit expertise, he says.

Deposits grew by 7.8% at the acquired locations. Noninterest expense improved by 11%.

In our second-ranked deal, Easton, Maryland-based Shore Bancshares, with $1.6 billion in assets, extended its branch footprint to the greater Baltimore area with its acquisition of three branches from $10.5 billion asset Northwest Bancshares, based in Warren, Pennsylvania. "It was a sizeable deal for them, and it [added] a new market, going across the Bay Bridge to more urban, faster-growing Baltimore area suburbs," says Casey Whitman, a managing director at Sandler O'Neill + Partners. "Shore, longer term, wanted to be in those markets; it's allowed them to grow more and have more growth potential by expanding over there and bring[ing] on more talent and open[ing] up more branches longer term."

Carroll County Bancshares strengthened the footprint in central Iowa for its subsidiary, Availa Bank, through its three-branch acquisition from Stark Bank Group, which ranked third. (Stark Bank Group's subsidiary is $856 million asset First American Bank, based in Fort Dodge, Iowa.) The relationship between the two banks resulted in a later opportunity for $1.1 billion asset Availa Bank to acquire three additional branches from First American Bank in a deal announced in March 2019. "[W]e have maintained a dialogue and when this opportunity arose, it seemed like it was a good fit for both sides," Availa Bank CEO Jeff Scharfenkamp said in a local news story.

MOST DEPOSIT GROWTH:

People's Utah Bancorp
7.8% increase at acquired locations

BIGGEST BRANCH NETWORK IMPACT:

First Eldorado Bancshares
114% network increase

MOST EFFICIENT ACQUIRED NETWORK:

Shore Bancshares
$69 million avg. deposits/branch

On its face, Flagstar Bancorp's acquisition of eight Desert Community Bank branches in California, from $43 billion asset East West Bancorp in Pasadena, comes across as a head scratcher. Why acquire so far from its Troy, Michigan home base?

The acquisition, which placed fourth in the ranking, represents a small portion of Flagstar's sizeable footprint today — it operates 160 branches in Michigan, Indiana, Wisconsin, Ohio and California. But in 2017, California was already a lucrative market for the $20.2 billion asset bank, which had previously acquired lending operations in the state.

Flagstar faces little competition in the acquired locations in the high desert region of California. And the market is a

How They Ranked: Best Branch Network Acquisition

	ACQUIRER NAME, LOCATION / ASSET SIZE	TARGET NAME, NO. OF BRANCHES	DEAL DATE	SCORE
1	**People's Utah Bancorp** American Fork, UT / $2.3 billion	Banner Corp. *7 branches*	Oct. 6, 2017	**1.89**
2	**Shore Bancshares** Easton, MD / $1.6 billion	Northwest Bancshares *3 branches*	May 19, 2017	**2.22**
3	**Carroll County Bancshares** Carroll, IA / $1.1 billion	Stark Bank Group Ltd. *3 branches*	Mar. 20, 2017	**3.33**
4	**Flagstar Bancorp** Troy, MI / $20.2 billion	East West Bancorp *8 branches*	Mar. 17, 2018	**3.44**
5	**First Eldorado Bancshares** Eldorado, IL / $473 million	MidCounty Financial Corp. *8 branches*	Aug. 21, 2017	**4.11**

SOURCES: S&P Global Market Intelligence, bank filings

good source of low-cost, stable deposits. "[Customer] attrition was fairly low. If anything, they actually started to grow deposits within the Desert Community Bank [division]," says Kevin Barker, a senior research analyst at Piper Jaffray.

Through its $473 million asset Legence Bank subsidiary, based in Eldorado, Illinois, First Eldorado Bancshares purchased eight branches from MidCountry Financial Corp., based in Macon, Georgia, in August 2017. The market extension doubled Legence Bank's branch network and strengthened its footprint in small and mid-sized towns in southern Illinois. The deal ranked fifth and boasts the highest average deposits per acquired branch, at $69 million.

In branch acquisitions, relationships tend to be the secret ingredient to getting the deal done. In the People's Utah acquisition, the two CEOs are friendly and struck a mutually beneficial deal. With Carroll County Bankshares, one branch acquisition with First American led to another two years later; Legence purchased branches from MidCountry in 2011.

With banks more inclined to sell multiple branches at once, "you target who is the likely buyer," says Childs. It's easier to work with a known entity.

Williams at People's Utah is on the lookout for more deals and has regular conversations with local community banks. "Those transactions tend to come together over long periods of time," he says. "Our focus is on keeping relationships alive and when opportunities present themselves to help both sides, then we're interested in putting something together."

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BEST TECHNOLOGY ACQUISITION

TECH ACQUISITION WINNER

ACQUIRER:
KeyCorp

TARGET:
HelloWallet

Summary Analysis

In the debate to build or partner to develop new technologies, some large banks are choosing a third option: acquiring the technology company along with its talent.

So far, it's a space dominated by the largest acquirers seeking bolt-on transactions that enhance their capabilities. Kara Baldwin, a partner at Crowe LLP, says that only the largest entities will be willing to buy technology companies. "You will find fewer of the mid-sized and smaller institutions that are willing to make these kinds of purchases, and would prefer to partner or purchase an already proven technology product."

These deals are few in number — just 13 technology companies were acquired by banks in the period examined by Bank Director, from Jan. 1, 2017, through year-end 2018, according to data from S&P Global Market Intelligence.

The top five technology acquisitions feature deals in which the technology company or product purchased fulfills innovation or strategic goals at the acquiring bank. We then examined and ranked these deals further based on their strategic impact on the organization, talent acquired and continued investment and growth of the asset. Bank analysts were also consulted.

KeyCorp's acquisition of HelloWallet topped our ranking, and it started out as a partnership. HelloWallet wasn't working with banks at the time, but Key saw the potential to extend the platform to its millions of customers, says Dennis Devine, president of Key's consumer banking division. After becoming HelloWallet's biggest customer, Key decided to acquire the platform, completing the transaction in June 2017.

"Key has approached the M&A environment as a means to add people, product, capabilities into the mix ... I'd view [these transactions] as small, low risk, bolt-on deals that [helped] the product suite."

Scott Siefers / Sandler O'Neill + Partners

Key has integrated financial wellness throughout its customer relationships, both digitally and in the branch. "That client impact is huge," says Devine. "It's not just banking; now we are offering advice to improve the wellness of our clients." That mission-driven focus inspires employees, he adds.

The Washington, D.C.-based HelloWallet team still works out of the same offices, which are decked out like a fintech company, not a bank, says Devine.

Given the high level of competition facing the industry, using technology to build stronger relationships based on the financial health of the customer is a key differentiator.

"We wanted to build a value proposition that was organized around, 'How do we create a motivation for our clients to want to have a dialogue about their entire relationship, where we can bring the power of data and analytics and digital tools so that there's value as soon as the client interacts with us,'" says Devine. "That's what financial wellness creates."

The advice builds the relationship; the relationship drives revenue for Key.

HelloWallet isn't the only KeyCorp acquisition to appear in our ranking: In June 2018, the bank acquired Bolstr, a small business lending platform. Key can now accept and process loans faster, with less paperwork. That deal wasn't as integral to the bank and placed fifth in our ranking.

"Key has approached the M&A environment as a means to add people, product, capabilities into the mix," says Scott Siefers, principal, equity research at Sandler O'Neill + Partners. "I'd view [these transactions] as small, low risk, bolt-on deals that [helped] the product suite."

Coming in second, JPMorgan Chase & Co.'s acquisition of the payment processor WePay, in November 2017, probably generated the biggest buzz among the deals analyzed for this ranking.

The deal made strategic sense for JPMorgan, says Brian Kleinhanzl, a managing director at Keefe, Bruyette & Woods. "They're trying to build out their payments and functionality within the payments space," he says. "Longer term, I think there are still questions about the payments space overall and the risk of being disintermediated in that space, so I think you have to hold judgment on the deal to see how the payments landscape unfolds."

JPMorgan is making the most of the talent gained in the transaction. WePay's executive team stayed on to lead the unit, and the big bank constructed a 10.17-acre innovation hub in Palo Alto, California, to house WePay and JPMorgan staff.

So far, WePay's culture and innovation have remained intact, according to WePay Chief Operating Officer Tina Hsiao. JPMorgan CEO Jamie Dimon told WePay staff, "'Don't let the big bank bog you down, because that's not the point,'" she told CNBC. "He encouraged us to continue to push through and influence them."

WePay isn't the ranking's only payments acquisition. U.S. Bancorp has made a series of acquisitions in that space, including ETS Corp., an acquisition made through U.S.

BIGGEST TALENT GAIN:

State Street/Charles River Systems
>700 employees

HIGHEST (KNOWN) PRICE:

State Street/Charles River Systems
$2.6 billion

TOTAL TECH ACQUISITIONS, 2016-2018:
(BY BANKS)

20

How They Ranked: Best Technology Acquisition

	ACQUIRER NAME, LOCATION / ASSET SIZE	TARGET NAME	DEAL DATE	SCORE
1	**KeyCorp** Cleveland, OH / $146.7 billion	HelloWallet *Financial wellness*	Jun. 30, 2017	**1.86**
2	**JPMorgan Chase & Co.** New York, NY / $2.7 trillion	WePay *Payments*	Nov. 30, 2017	**2.00**
3	**State Street Corp.** Boston, MA / $244.6 billion	Charles River Systems *Investment management*	Oct. 1, 2018	**2.71**
4	**U.S. Bancorp** Minneapolis, MN / $481.7 billion	ETS Corp. *Payments*	Aug. 22, 2018	**4.14**
5	**KeyCorp** Cleveland, OH / $146.7 billion	Bolstr *Small business lending*	Jun. 20, 2018	**4.29**

SOURCES: S&P Global Market Intelligence, bank filings

Bancorp's Elavon unit in August 2018. The fourth-ranked deal enhanced Elavon's e-commerce capabilities and added more merchants in new verticals as customers. Before the acquisition, ETS was a long-time vendor to the bank.

In presentations, U.S. Bancorp Chairman, President and CEO Andy Cecere has noted the lucrative role payments services play at the bank, since they are capital-efficient sources of fee income that also generate deposits. As of May 2019, payments comprised 29% of U.S. Bancorp's net revenue.

"[B]anking's always been lending and deposit taking, but a bigger component of banking or financial services is money movement and payments," said Cecere in May 2019. "Having Elavon as part of our pie of offerings is a great benefit to our customer base."

State Street Corp.'s October 2018 acquisition of Charles River Systems is the largest transaction analyzed in the ranking, with a purchase price of $2.6 billion. Whether the expected revenue synergies will justify the high price remains to be seen, says Kleinhanzl. The deal is expected to be accretive to 2020 earnings, and placed third in our ranking.

With the Charles River acquisition, the Boston-based bank offers the industry's first-ever front, middle and back-office investment management platform. It has since beefed up the platform's risk analytics capabilities through partnerships with Axioma and MSCI.

"It's a big bet on the future of the industry and moving to proprietary end-to-end solutions, and it remains to be seen if that's where the industry's going," says Kleinhanzl.

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BEST STRATEGIC NONBANK ACQUISITION

NONBANK ACQUISITION WINNER

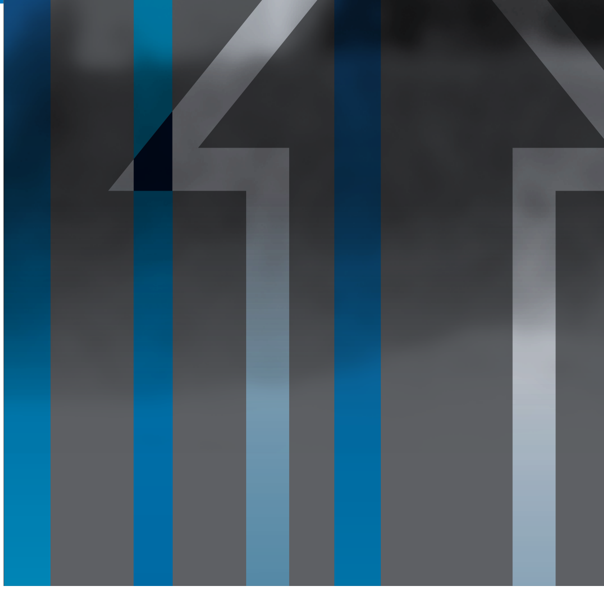
ACQUIRER:

Citizens Financial Group

TARGET:

Franklin American Mortgage Co.

Summary Analysis



As banks work to manage a challenging interest rate environment, gaining scale in fee-generating businesses can make a lot of sense. But doing so through acquisitions is as much an art as it is a science.

"You can't overlook any warning signs in due diligence and get deal fever," says Rick Childs, a partner at Crowe LLP. Unfortunately, too many banks pursue fee income without considering that the business might not be a good cultural match. Trying to fit a square peg in a round hole could result in added risk without adequate corresponding revenue.

The best strategic nonbank acquisitions examined by Bank Director feature buyers with existing expertise in the line of business they acquired. For these five, we examined the acquired business' strategic impact on the organization, how effectively the bank has grown that area of the business and how significant the acquisition was, relative to its portfolio of loans, deposits or assets under management at the time of the acquisition. We also consulted bank analysts.

These deals are impactful because the organizations already focused on these business lines, and each acquisition helped these banks scale or broadened their capabilities in a specific area, says Childs.

The acquisition of Franklin American Mortgage Co., a national mortgage servicing and origination firm based in Franklin, Tennessee, topped our ranking and brought significant and immediate scale to the mortgage line at $162.7 billion asset Citizens Financial Group, based in Providence, Rhode Island. It tripled Citizens' off-balance sheet mortgage servicing

"We're building a franchise that's built strong customer relationships, is able to flex when rates are low on the origination side and is able to scale in the right way when you hit a higher rate cycle."

Eric Schuppenhauer / Citizens Financial Group portfolio and doubled its origination platform, while also diversifying its mortgage business through the addition of correspondent and wholesale banking channels.

"It really gave them an important boost in their mortgage capabilities, and they bought it at the right time," says Scott Siefers, principal, equity research at Sandler O'Neill + Partners. "It was a prescient buy, because they've been able to beef up that capability, rates have now fallen, and you've got a very robust mortgage environment, so Citizens can now play in that space in a way that they couldn't before."

Eric Schuppenhauer, the president of the home mortgage unit, explains that the acquisition helped Citizens build a mortgage line that will weather rate cycles.

"We're building a franchise that's built strong customer relationships, is able to flex when rates are low on the origination side and is able to scale in the right way when you hit a higher rate cycle," says Schuppenhauer. "As you watch the mortgage industry unfold, we will be a real winner in this because we're building key capabilities, we're building digital capabilities, we're making sure that our operations are efficient so we [can] compete effectively in the marketplace, and we have an incredible liquidity source, because we're a bank."

Citizens has continued to invest in its mortgage operations through a suite of digital tools unveiled in June 2019, including a digital mortgage platform and an online real estate portal.

But cultural similarities ultimately made the deal work, says Schuppenhauer, who describes the Franklin American culture and its approach to risk discipline as "very bank-like."

Popular Inc., based in Hato Rey, Puerto Rico, scored second in the ranking with its well-timed transaction to gain significant scale in its auto finance unit through the acquisition of Reliable Financial Services, Wells Fargo & Co.'s auto finance unit in Puerto Rico. The deal, which closed in August 2018, added scale and took out the $52.5 billion asset bank's biggest competitor in the space just as Puerto Rico's auto market was heating up. "Right now, we're seeing

HIGHEST PRICE:

Popular Inc./Wells Fargo & Co.
$1.8 billion

HIGHEST GROWTH IMPACT:

Citizens Financial Group
27.9% growth in mortgage portfolio

GREATEST SIZE IMPACT:

Popular Inc./Wells Fargo & Co.
10.2% of total loans

strong auto sales in Puerto Rico," fueled in part by higher employment in the territory and the island's "love affair with cars," says Glen Manna, an equity analyst at Keefe, Bruyette & Woods. "[Reliable] was an absolutely fabulous franchise [that] combined the two largest auto finance units on the island ... It was basically a home run."

UMB Financial Corp., with $24 billion in assets, gained significant scale in the competitive health savings account (HSA) space through its acquisition of Wilmington, Delaware-based The Bancorp's remaining HSA accounts. Healthcare comprises a growing percentage of U.S. GDP, so these deposits represent a "stable, core, inexpensive, fast-growing deposit base," said CEO J. Mariner Kemper in an April 2018 earnings call. The third-ranked deal closed in June 2017, and the Kansas City, Missouri-based bank is now the fourth largest HSA bank in the U.S.

The nonbank acquisitions completed by $408.9 billion asset PNC Financial Services Group, based in Pittsburgh,

How They Ranked: Best Strategic Nonbank Acquisition

	ACQUIRER NAME, LOCATION / ASSET SIZE	TARGET	DEAL DATE	SCORE
1	**Citizens Financial Group** Providence, RI / $164.3 billion	Franklin American Mortgage Co. *Mortgage origination/servicing*	Aug. 1, 2018	**1.50**
2	**Popular Inc.** Hato Rey, PR / $52.5 billion	Wells Fargo & Co. *Portion of auto finance business*	Aug. 1, 2018	**1.88**
3	**UMB Financial Corp.** Kansas City, MO / $24.0 billion	The Bancorp *Health savings accounts*	Jun. 23, 2017	**3.38**
4	**PNC Financial Services Group** Pittsburgh, PA / $408.9 billion	ECN Capital Corp. *Commercial & vendor finance*	Mar. 31, 2017	**3.63**
5	**Fifth Third Bancorp** Cincinnati, OH / $171.1 billion	Retirement Corp. of America *Asset management*	Apr. 7, 2017	**4.25**

SOURCES: S&P Global Market Intelligence, bank filings

and $171.1 billion asset Fifth Third Bancorp, based in Cincinnati, don't significantly move the needle for these large institutions, but both advance strategic initiatives for the organizations.

PNC acquired Toronto-based ECN Capital Corp.'s U.S. commercial and vendor finance business in March 2017, including $1.1 billion in construction, transportation, industrial, franchise, and technology loans and leases. The deal, which placed fourth in our ranking, added to PNC's existing vendor franchise.

Fifth Third Bancorp's "Project North Star" initiative, announced in 2016, included a focus on strategic acquisitions that would enhance Fifth Third's wealth management platform. Its acquisition of Retirement Corp. of America, which closed in April 2017, added talent and expertise to push this strategy forward. "We are committed to providing innovative solutions that help our clients prepare for retirement," said Philip McHugh, head of regional banking, wealth and asset management, and business banking, in a January 2017 press release announcing the acquisition. "The Retirement Corp. of America's mission to provide their clients with the opportunity to achieve financial independence during the non-working years of their life is a natural complement to Fifth Third."

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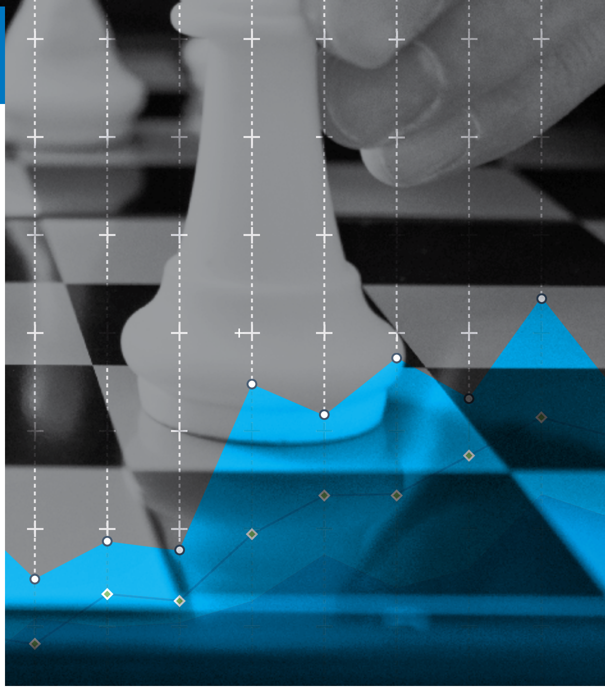
BEST M&A STRATEGY

Seacoast Banking Corp. of Florida

M&A STRATEGY WINNER



Summary Analysis

Mergers and acquisitions are a line of business at acquisitive banks, and those that excel at it are consistent in the execution of their strategy. "It comes down to your strategy, but also, how do you envision the deal results," says Kara Baldwin, a partner at Crowe LLP. "And then, could you execute on that?"

Strong acquirers know what they want. Then, they execute on it.

The leadership team at Seacoast Banking Corp. of Florida, based in Stuart, Florida, has focused on building an in-state franchise, almost doubling the size of the bank since 2015. Organic growth drives long-term value for shareholders, with M&A as an accelerant, according to CEO Dennis Hudson III. He views the bank's M&A strategy as "opportunistic," but there's no doubt that the $6.9 billion asset bank is realizing more tangible results and has completed more deals than other similarly self-described acquirers.

In favoring small, low-risk transactions, Seacoast benefits from a Florida market where most of the large banks based in the state have been gobbled up. What seems to set Seacoast apart from your standard opportunistic acquirer is the bank's ability to execute. Seacoast typically closes a deal on Friday and completes the integration over the weekend. When Monday morning rolls around, the acquired bank opens its doors as Seacoast.

"We've proven to the market, with the deals that we've done, that we're successful at wringing out cost and delivering value," says Hudson. "We have a whole series of playbooks that we run on every deal to help us quickly achieve the earnings accretion that we've advertised."

The bank engages early with the acquired team and uses robotic process

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>
> **Dennis Hudson III** / Seacoast Banking Corp. of Florida

automation to get the integration right; Seacoast doesn't rely on third-party vendors or the core provider. The bank also places a high value on data analytics. This means examining the acquired customer base, identifying high-value customers and putting a team in place to engage and guide them through the integration. For example, a small business that deposits checks weekly could be better served through the bank's digital channels; if Seacoast has to close their nearby branch as part of the integration, the bank is less likely to lose that business, which now interacts with them digitally.

"It's really all about the customers and the people and the organization at the end of the day, and then in terms of the execution, having clarity," says Hudson. Critical to success, he says, is "having clear expectations up front in terms of what we are going to accomplish, and then having a plan in place [so] there's a 99% probability that we will achieve that plan without damaging the customer base."

To examine the banks with the best M&A strategy, we focused on acquirers that purchased more than three banks from Jan. 1, 2016, to June 30, 2018. To identify the top five acquirers, we examined return on assets and return on equity as of the first quarter 2019, as well as share price appreciation from each bank's initial acquisition in the examined time period.

From there, we analyzed profitability growth at each bank, measured through earnings per share, return on average assets and return on average equity from year-end 2015 through year-end 2018. Over the same period of time, we looked at improvement in the bank's efficiency ratio and credit quality, measured in nonperforming loans as a percentage of loans, as well as growth in tangible book value per share. We also examined lending efficacy, based on the bank's loan-to-deposit ratio as of second quarter 2019, and incorporated input from bank analysts in the final scoring.

Seacoast topped the ranking and exhibited the highest level of EPS growth, at 109%, and ROAA growth, at 65.8%. It also grew tangible book value by 32.6%.

Naturally, Seacoast isn't the only bank skilled at serial acquisition. Ranked second, its larger Florida rival, Winter Haven-based CenterState Bank Corp., boasts similar metrics, growing EPS by 107% and TBV by 30.5%.

"CenterState has been quite the growth story over the last decade," says Brady Gailey, a managing director at Keefe, Bruyette & Woods. The bank has grown from $4 billion in assets at the end of 2015 to $17.4 billion as of the third quarter 2019. Its strategic acquisitions in Florida have given way to deals in Georgia and Alabama to create a southeastern U.S. franchise.

Kalispell, Montana-based Glacier Bancorp, which has a reputation for "buying good banks in good markets with good people," ranked third. The $13.7 billion asset bank seeks similar cultures and markets with the goal to retain key talent, says Andrew Liesch, a managing director at Sandler O'Neill + Partners. The leadership team develops long-term relationships with bank boards in desired markets so when they decide to sell, Glacier's on their mind.

MOST BANK ACQUISITIONS:

CenterState Bank Corp.
7 banks totaling $7.1 billion in assets

HIGHEST TBV PER SHARE:

Wintrust Financial Corp.
$47.71

LOWEST EFFICIENCY RATIO:

CenterState Bank Corp.
51.1%

How They Ranked: Best M&A Strategy

	ACQUIRER NAME, LOCATION / ASSET SIZE	# OF DEALS (1/1/16-6/30/18)	EPS GROWTH	SCORE
1	**Seacoast Banking Corp. of Florida** Stuart, FL / $6.9 billion	5	109.1%	**1.40**
2	**CenterState Bank Corp.** Winter Haven, FL / $17.4 billion	7	107.1%	**1.98**
3	**Glacier Bancorp** Kalispell, MT / $13.7 billion	4	40.9%	**2.45**
4	**Wintrust Financial Corp.** Rosemont, IL / $34.9 billion	4	100.0%	**2.54**
5	**Triumph Bancorp** Dallas, TX / $5.0 billion	4	29.3%	**3.71**

SOURCES: S&P Global Market Intelligence, bank filings

Wintrust Financial Corp., with $34.9 billion in assets, is the largest serial acquirer identified in our ranking but, like Seacoast, it prefers small, low-risk deals. "It's a strategy where if they can do a handful of deals — three [to] four deals — then collectively, those deals can become more meaningful," says John Rodis, director, banks and thrifts at Janney Montgomery Scott. The Rosemont, Illinois-based bank place fourth in the ranking.

Rounding out the top five is Dallas-based Triumph Bancorp, with $5 billion in assets. Historically, Triumph has largely been focused on one goal when it comes to acquiring banks: building its core deposit base through rural banks with low loan-to-deposit ratios, according to Brett Rabatin, a senior research analyst at Piper Jaffray. Since 2015, Triumph has acquired four institutions and nine branches in Colorado. These acquisitions fuel Triumph's commercial finance business lines, including its highly profitable transportation factoring portfolio.

No matter their strategy, serial acquirers that execute deals well demonstrate a high level of discipline, says Crowe Partner Rick Childs. "[These banks] treat M&A like it's a line of business," he says. That requires the appropriate resources, people, systems and advisors. "It's so intentional; it's part of their strategy and their growth plan, and they treat it accordingly."

RANKING BANKING®

WHO'S BEHIND THE BEST DEALS

"Advisors are a key part of the deal-making process and need to be engaged from the beginning."

Rick Childs / Crowe LLP

Summary Analysis

Most transactions wouldn't make it past a handshake if it weren't for the advisors working quietly and diligently behind the scenes.

"Advisors are a key part of the deal-making process and need to be engaged from the beginning," says Rick Childs, a partner at Crowe LLP.

These advisors include legal teams and investment advisors for both the buyer and seller, as well as other professionals who assist with modeling, accounting and due diligence. They give critical advice to their clients, and that honest guidance can be hard to find, says Alberto Paracchini, the CEO of $5.4 billion asset Byline Bancorp, based in Chicago. Good advisors are "almost like an extension of your organization and of your team," he says.

Unlike the other categories presented in the 2020 RankingBanking study, which analyzes and ranks the best M&A transactions, this final category doesn't disclose the best advisors or present a league table tallying the number of deals by firm. Instead, the accompanying table details the winning deals per category, along with the legal team and investment firm that advised the buyers.

The ranking identifies a wide variety of advisors working to execute these top deals. You'll find big international firms like Debevoise & Plimpton LLP and smaller shops like Brooks, Pierce, McLendon, Humphrey & Leonard LLP. Some even use in-house expertise, like Nashville, Tennessee-based FB Financial Corp.

"We don't always use an advisor," says Christopher Holmes, FB Financial's CEO. The $5.9 billion asset bank employs a former investment banker in house who can handle smaller, less complex transactions. Beyond that,

> "It's best to already have built a relationship with your advisors before diving into a deal. … It's important you find the right fit for your organization."
>
> **Kara Baldwin** / Crowe LLP

Holmes seeks outside help.

"We have an important relationship with a big, money-center type advisor and if it's a bigger, complex [transaction], we may get them," he says. Mid-sized deals tend to go to smaller firms with a working knowledge of that type of target. FB Financial ranked third in the market reaction category for its acquisition of American City Bank and Clayton Bank & Trust. Stephens and Alston & Bird advised on the deal.

"It's best to already have built a relationship with your advisors before diving into a deal," says Kara Baldwin, a partner at Crowe. "It's important you find the right fit for your organization."

James Ryan III says the team at Evansville, Indiana-based Old National Bancorp spends significant time with the bank's advisors so they understand its strategy, values and how the institution defines success. "We spent a lot of time educating them so when they're out, they [can] represent us," says Ryan, Old National's CEO. The $20.4 billion asset acquirer ranked fifth in the large bank category for its acquisition of Anchor Bancorp, in St. Paul, Minnesota. Keefe, Bruyette & Woods and Krieg DeVault advised on the deal.

"The key indicator is really the relationship," says Childs. "You are looking for an advisor with expertise, which seems like a given, but more importantly you are looking for an advisor who shares your vision."

Investment bankers play a key role in identifying potential targets for acquirers. They also model the financial aspects of the deal. But it's critical that the bank ensure that they're getting the correct information, says Jeffrey Ludwig, the CEO of Effingham, Illinois-based Midland States Bancorp. "You need to make sure you understand their models," he says. "They run the numbers, but we do a lot of work here to double check and make sure that the numbers they're running make sense."

The $6.1 billion asset bank ranked second in the mid-sized category for its acquisition of Belvidere, Illinois-based Alpine Bancorp. Barack Ferrazzano Kirschbaum & Nagelberg and Keefe, Bruyette & Woods advised on the deal.

Building trust is as critical with the bank's legal team as it is with its investment advisors.

"You have to find people on both the legal side of it, as well as on the financial side, that have the same type of alignment that you have with the transaction, and people that [will] be perfectly comfortable challenging you on your assumptions and giving you sound advice — and sometimes that may mean telling you that you should not pursue the transaction," says Paracchini at Byline. Byline placed fifth in the market reaction category for its acquisition of $1.2 billion asset First Evanston Bancorp, in Evanston, Illinois. Keefe, Bruyette & Woods and Vedder Price advised on the transaction.

Beyond trust, legal advisors bring invaluable knowledge and expertise to the table.

"I think the No. 1 piece of advice is [to] find a firm with deep experience in bank M&A," says Childs. "You need a firm [that] has the experience and the relationships with regulators. Resume and credentials matter."

Midland States values this expertise so much that Ludwig brought it in house. As the bank's corporate counsel and senior vice president, Douglas Tucker brings extensive experience in acquisitions, capital raising and SEC reporting. "He's helping us look at deals, structure deals, raise capital — more strategic types of things," says Ludwig. "[He] provides us with a good internal voice in the boardroom, and he's a good sounding board as a corporate counsel."

While advisors are critical, banks also need the in-house expertise to work with the advisors and frankly, keep them honest.

"As we've scaled larger, we've built a stronger team internally and that provides a greater challenge to the advisor," says Dennis Hudson III, the CEO of $6.9 billion asset Seacoast Banking Corp. of Florida. "Those firms are dealing with more people that are going to call them out if we catch them not being meticulous." The Stuart, Florida-based bank topped the category for best M&A strategy. Alston & Bird advised on the bank's three most recent deals.

Who's Behind the Best Deals

CATEGORY	WINNING DEAL	LEGAL ADVISOR (ACQUIRER)	INVESTMENT ADVISOR (ACQUIRER)
BEST LARGE BANK DEAL	Valley National Bancorp / USAmeriBancorp	Day Pitney	Keefe, Bruyette & Woods
BEST MID-SIZED BANK DEAL	CenterState Bank Corp. / HCBF Holding Co.	Alston & Bird LLP	Keefe, Bruyette & Woods
BEST COMMUNITY BANK DEAL	Texas State Bankshares / Blanco National Holdings	Undisclosed	Undisclosed
BEST MERGER OF EQUALS	Union Bank / Union Banc Corp.	Brooks, Pierce, McLendon, Humphrey & Leonard LLP	Banks Street Partners
BEST DEAL BY MARKET REACTION	Veritex Holdings / Sovereign Bancshares	Norton Rose Fulbright US	Stephens
BEST BRANCH NETWORK ACQUISITION	People's Utah Bancorp / Banner Corp.	Nolan, Taylor, Dorsey & Whitney	D.A. Davidson & Co.
BEST TECHNOLOGY ACQUISITION	KeyCorp / HelloWallet	Calfee, Halter & Griswold LLP	Internal
BEST STRATEGIC NONBANK ACQUISITION	Citizens Financial Group / Franklin American Mortgage Co.	Debevoise & Plimpton	Internal
BEST M&A STRATEGY	Seacoast Banking Corp. of Florida	Alston & Bird *3 of 5 deals*	Raymond James & Associates *2 of 5 deals*

SOURCE: S&P Global Market Intelligence

Acknowledgments

Data used in the 2020 RankingBanking analysis came from S&P Global Market Intelligence and the Federal Deposit Insurance Corp. Additional information was collected using publicly available information obtained via bank websites, filings and other outlets.

Bank Director would also like to thank the experts who contributed their opinions about these banks and the industry.

About Crowe LLP

Crowe LLP (www.crowe.com) is a public accounting, consulting and technology firm with offices around the world. Crowe uses its deep industry expertise to provide audit services to public and private entities. The firm and its subsidiaries also help clients make smart decisions that lead to lasting value with its tax, advisory, risk and consulting services. Crowe is recognized by many organizations as one of the best places to work in the U.S. As an independent member of Crowe Global, one of the largest global accounting networks in the world, Crowe serves clients worldwide. The network consists of more than 200 independent accounting and advisory services firms in more than 130 countries around the world.

About Bank Director

Since 1991, Bank Director has served as a leading information resource for the directors and officers of financial institutions. Through *Bank Director* magazine, its executive-level research, annual conferences and website, BankDirector.com, Bank Director reaches the leaders of the institutions that comprise America's banking industry. Bank Director is headquartered in Brentwood, Tennessee.

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