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Breakout 3: Leadership Talent Assessment: A Key to Unlocking Shareholder Value in Mergers

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First Financial Bankshares, Inc.

#A0BA24



Breakout 3: Leadership Talent Assessment A Key to Unlocking Shareholder Value in Mergers

Monday, January 29 | 10:30 AM - 11:10 AM

Speakers:

Michelle Hickox, EVP & CFO First Financial Bank
Elise Walton, Principal, Pearl Meyer

FIRST FINANCIAL BANKSHARES, INC.™

First Financial Bankshares, Inc.
(FFIN) Abilene, Texas

\$13 billion Assets
Trust AUM \$9 billion
12 Regions throughout Texas
1500 Employees
79 Branches
14 Acquisitions since 1997



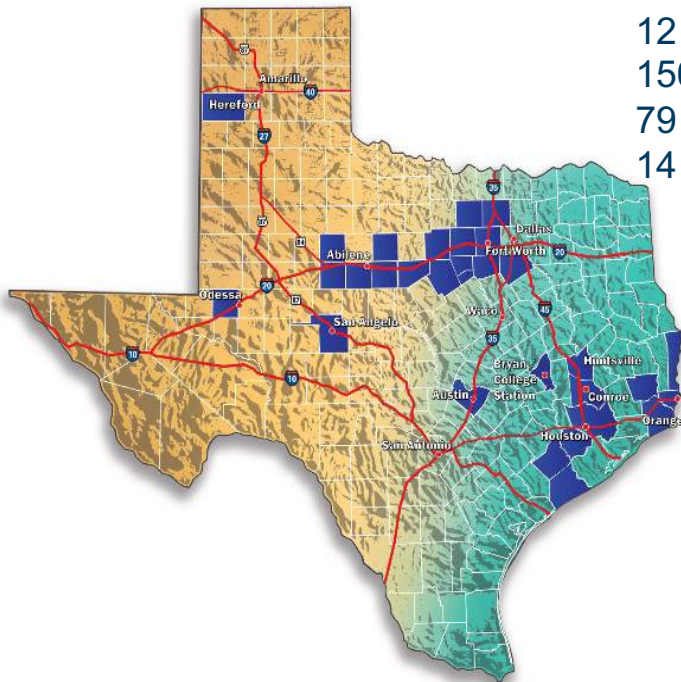
Michelle S. Hickox
EVP/CFO First Financial Bankshares, Inc.

Previously served as CFO of another **Texas based, publicly-traded** bank holding company where she played a key role in its initial public offering and ten acquisitions during her 10-year tenure.

Audit partner at RSM US LLP in Dallas, serving financial institutions throughout Texas.

Texas A&M University

Pearl Meyer



Elise Walton, PhD

Principal, Pearl Meyer Leadership Practice



Expertise

- Governance Design and Board Effectiveness
- CEO and Leadership Succession
- Executive Team Effectiveness
- Leadership Development
- Strategic Organizational Change

Education

BA, Bowdoin College

MA, Teachers College, Columbia University

PhD, Harvard Business School and Harvard University

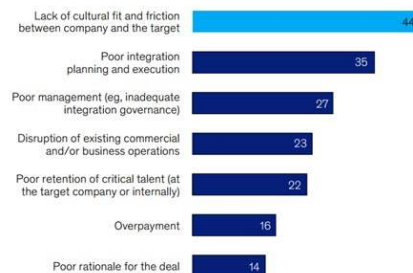
LOOKING FORWARD: MERGING

- ¼ expect to be active acquirers; 56% open but focused on organic growth
- After a rough start to 2023, banks focused on liquidity and stabilizing cash levels to meet depositors' demand; expect stronger activity in 2024
- Acquirers are willing to pay 1.2x to 1.5x; sellers want 1.5x to 1.75x
- Organic growth expected to be challenging
- Strengthen technology, add low-cost deposit base, grow geographic footprint, talent acquisition, cost savings
- FOCUS: potential value vs. acquisition price

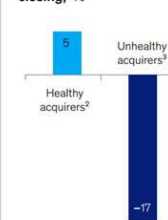
THE VALUE OF PLANNING

- Well planned mergers realize significant synergies; programmatic acquirers do better than peers
- Plan drives focus on the goal
- Planning requires alignment of parties
- Plan provides countermeasures to the known pitfalls of integration

Most common reasons that integrations fell short of leadership's expectations, past 5 years, % of respondents



Median change in excess TSR 2 years post deal closing,¹ %



CASE STUDY: Pre-Deal Organization Assessment

Building a window into executive and cultural

SIMILARITIES	DIFFERENCE IN EMPHASIS	
<ul style="list-style-type: none">▪ Customer First▪ Drive for superior and innovative products▪ Teamwork/respect▪ Accountability valued▪ Bring good ideas to the table/contribute	<ul style="list-style-type: none">▪ Long term performance▪ Profit▪ Realism▪ Precision▪ Reflection, precedent▪ BU Driven▪ Inclusive	<ul style="list-style-type: none">▪ Quarterly business results▪ Growth▪ Optimism▪ Speed▪ Experimentation▪ Geographic structure▪ Command and control
<ul style="list-style-type: none">■ Differences in emphasis offer the opportunity to drive positive change in both companies.■ Executives in both companies feel their company culture would benefit from becoming more like the other■ Subcultures in both companies vary with the nature of the business and have substantial cross-organization similarities (e.g., Services, PCs)■ <i>Organizational due diligence provides a window into executives at both companies</i>		

Selection Principles

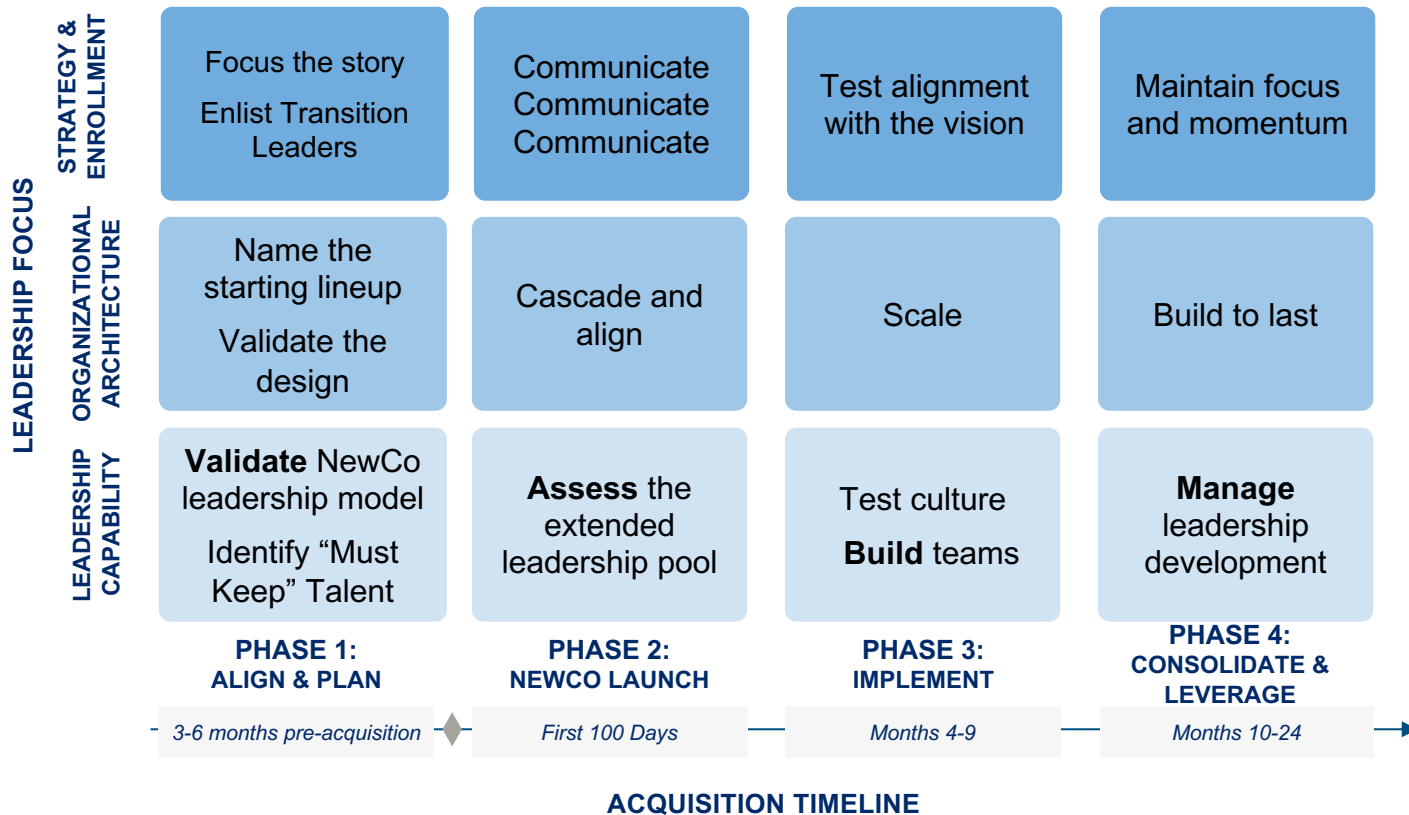
- Selection is critical to integration, culture and new T1 success - retaining top talent is a business necessity.
- Cornerstones of the process will be respect, accountability, trust, and cost effectiveness
- Business leaders in partnership with HR drive the selection process for their organization.
- Leaders will have available the necessary information to make informed decisions.
- Diversity of talent and mix (T2/T1) is essential.
- Set and communicate a clear timeline (at all levels, corporate, division, group, team)

Key Criteria

- Capability - right knowledge and skills; appropriate customer/industry function experience; high capacity to do the work.
- Performance - focuses on customer satisfaction; excellent performance history and contributions; future potential.
- Culture - Passion for Customers, demonstrates respect, integrity, trust, and teamwork; balances speed with process to drive sustainable results while building good working relationships.

Note: In some countries, Principles and Key Criteria will be subject to consultation as required by law

M&A Integration Leadership Playbook



LEADERSHIP: Build the starting lineup - design or mash Up?

Role	Key Experiences & Quals
CFO	Finance, Accounting, Treasury, Compliance, Brokerage and Thrift Industries, Capital Markets
CIO	Financial Services, Mechanical & Software Engineering, Fintech
Head of Commercial Banking	Commercial Banking, Business Banking, Commercial Lending, Treasury Management, Commercial Real Estate, Leasing
Chief Credit Officer	Commercial Banking, Technology, Life Sciences, Mid-sized Business, Credit Administration
Head of Retail Banking	Retail and Consumer Banking, Customer Service, Consumer / Business Services, Operations
Human Resources Director	Benefits, Executive Compensation, Employee Relations, Organizational & Leadership Development,
Head of Growth & Strategy	Revenue Growth, Risk and Operations In Retail, Consumer, Commercial and Business Banking, Commercial Lending, Credit, Treasury, Operations, Sales
Controller	Accounting, Financial Reporting, Accounting Policies, Internal Controls, CPA



Role	Key Experiences & Quals
CFO	National and Community Banks, Private Equity Fund Investments, Accounting, Auditing, CPA
CIO	Tech experience in Insurance, Healthcare, Legal Claims Administration Industries
Chief Commercial Banking Executive	Commercial Lending, National, Commercial and Retail Banking
Chief Credit Officer	Credit Risk Management, Commercial Banking, Bank Examination, FDIC, RMA Credit Risk Certification
Chief Risk Officer	Credit, Risk & Operations for Regional Banks
Mortgage Banking Sector	Mortgage Banking for Regional Banks, Certified Mortgage Banker
Head of Commercial Real Estate Lending	RE Finance for National, Commercial and Community Banks, Regional Commercial Real Estate Development
Chief People Officer	Leadership Development, Workforce Planning, Org. Design, Talent Acquisition, ER, Compensation, Benefits, DEI, Payroll SPHR and SHRM-SCP certifications
Chief Strategy Officer	Long Term Strategy, Digital Strategy, Retail And Community Banking, Residential Lending, Banking Operations, CFO
Head of Community Banking	Business Client, Merchant, Investment Services, Regional and Multi-national Banking; Regional Credit Union.
General Counsel	Legal Counsel within Regional Banking and Global Investment Management

LEADERSHIP: Selecting the right leader

EXPERIENCE + COMPETENCY + “FIT”

Role	Key Experiences & Quals
CIO A	Tech experience in Insurance, Healthcare, Legal Claims Administration Industries
Role	Key Experiences & Quals
CIO B	Financial Services, Mechanical & Software Engineering, Fintech

Growing the Business		
Strategy (Long Term)	Exec A	Exec B
Understanding Markets & Competition	4	5
Planning process to deliver strategy	4	3
Corp. Dev't / M&A	4	3
Results (Short Term)	Exec A	Exec B
Delivering shareholder return	5	4
Customer relationship management	3	4
Prioritization and decision making	4	3

Providing Enterprise Leadership		
Leadership / Personal	Exec A	Exec B
Learning agility	5	5
Self-awareness / emotional balance	2	3
Integrity / trust / character	5	5
Grace under pressure	4	4
Stamina and resilience	3	4

- Role
- Team
- Future



Lessons Learned

- Identify key team members during due diligence.
- Prepare to have employee agreements presented at announcement. Timing is everything
- Don't underestimate the number of employees that should be retained.
- Interview everyone on all teams as soon as possible. Don't default to acquiror's employees.
- Think outside the box in filling roles in merged company from existing staff.
- Don't assume executive level employees understand their role in the new combined organization.
- Communicate, communicate, communicate.

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Scan here to fill out
the evaluation for
this session.



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