

Bank  M&A

Better decision-making starts with advantaged insights

Create Your M&A Advantage

Marakon

Management Consulting at
Charles River Associates

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BankVQ is a data and analytics engine used to support growth strategies

Needs BankVQ Addresses



M&A Advantage – create your M&A advantage with advantaged screening and evaluation to identify win-win deals

Focus of this Document



Market Prioritization – select high value geographic market opportunities (existing and new) with new insight on who you beat and where you win



Market Growth Playbook – profile an individual market’s ‘winners and losers’, identify local market opportunities, and define your MSA playbook



Business Line Growth – strengthen and grow your Wealth Management and Mortgage business lines

Working With BankVQ

BankVQ’s Advantaged Analytics and Insights can be accessed through a range of working models to meet your needs

Custom Insights / Reports

An external perspective on strategic questions, leveraging unique insights and data from the BankVQ platform

Consulting “Lite”

Workshop-led model (new data, new insights, implications) tailored to your strategic need, supported by BankVQ analytics

Consulting Advisory

Partner to address strategic issues using both internal and external data via a traditional consulting model

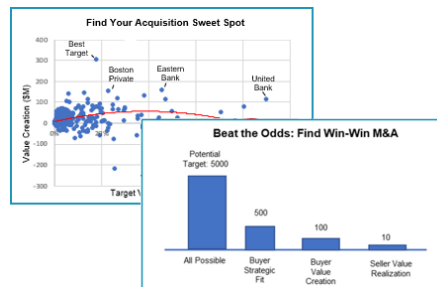
Coming 2023: an online subscription to the BankVQ platform will provide unlimited and on-demand access to data and analytics

M&A is core to banks who consistently outperform, yet for many banks M&A falls short. BankVQ M&A helps build advantaged M&A capabilities to inform high-value-at-stake decisions when time matters most.

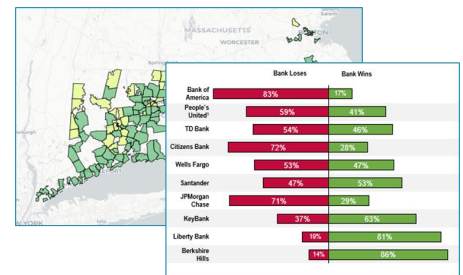
Use BankVQ M&A when...

- ✓ You want to compare and **evaluate alternative M&A strategies** (e.g., footprint expansion, business mix expansion) based on their value creation potential.
- ✓ You are seriously considering a bank to acquire and need to **quickly develop an in-depth strategic assessment**, including where they play, where they win, and who they beat.
- ✓ You want to **instantly profile a bank combination**, including footprint overlap, similarities and differences, regulatory tests, and quantified sources of synergy.
- ✓ You want an **objective valuation of the target and synergies** in relation to likely purchase price, and you'd like to understand the value to your bank in relation to other potential buyers.
- ✓ You want a **fast start on post-merger integration**, including cascading goals, pinpointing cost savings by local market, and identifying share opportunities and vulnerabilities.

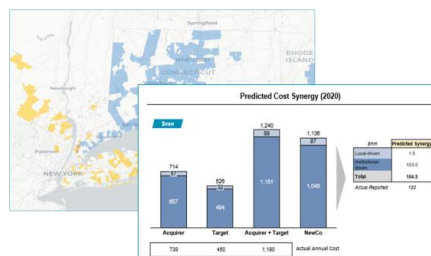
1. Strategy & Search



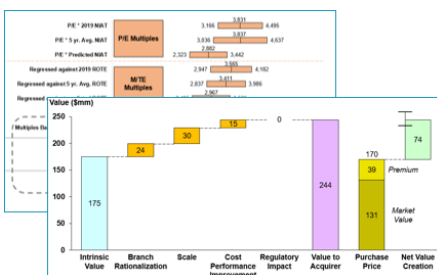
2. Candidate Profile



3. Combination Profile



4. Valuation



The Case for Banking M&A **4-5**

US bank consolidation is happening at an accelerating pace

Doing M&A well is worth a lot, yet for many banks M&A falls short

The BankVQ M&A Advantage **6-13**

Underpinned by predictive analytics to confidently pinpoint value accretive deals

Advantaged insights across the M&A spectrum:

- Strategy & Search: quickly screen based on alternative M&A strategies and value creation potential
- Candidate Profile: instantly develop in-depth profile of targets
- Combination Profile: instantly develop in-depth profiles of combinations
- Valuation: evaluate deal economics (valuation and synergy vs. premium paid)

Get a fast start on post-merger integration

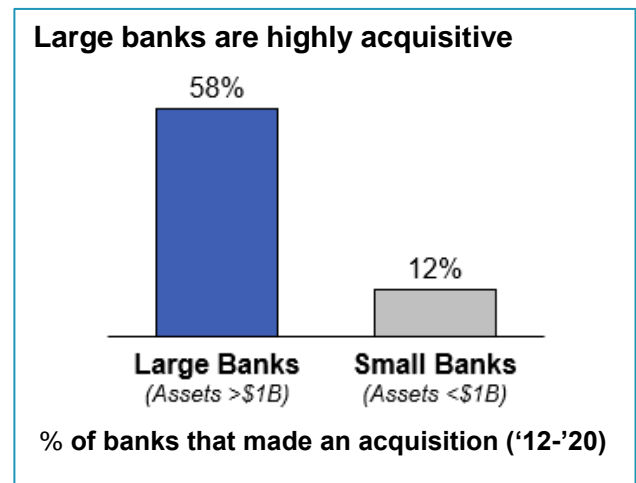
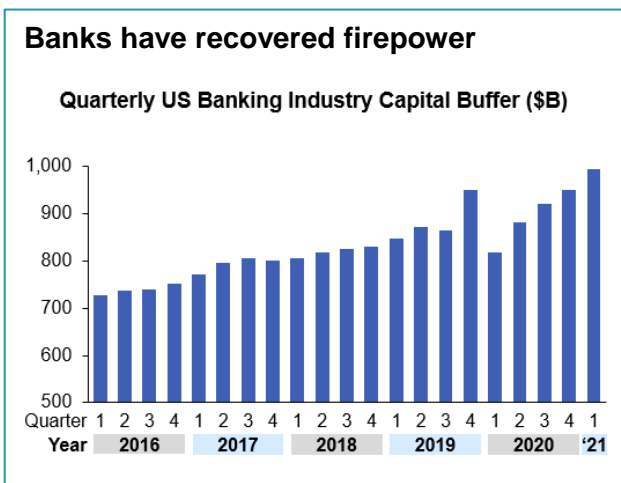
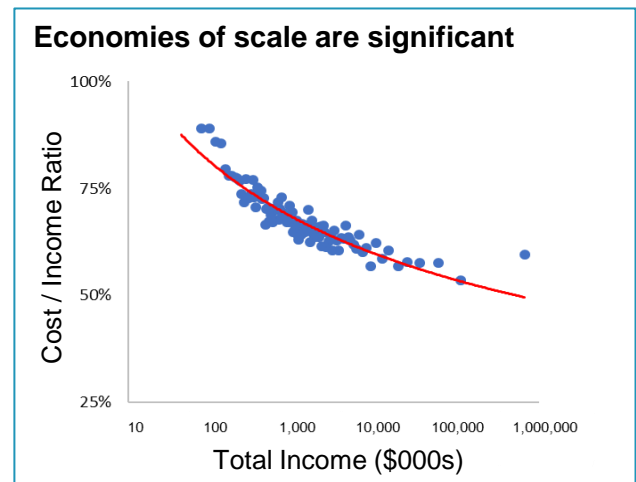
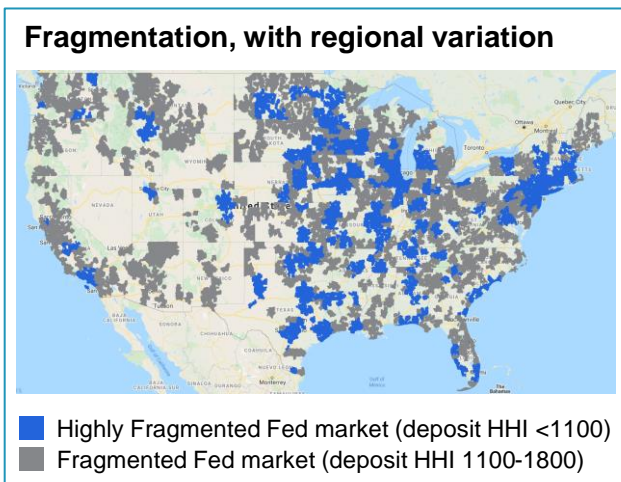
Learn More **14****About BankVQ and Marakon** **15-20**

US bank consolidation is happening at an accelerating pace

The strategic and economic logic underpinning consolidation is sound.

- The US banking market is highly fragmented with variation by region, and offers opportunity to build market position and improve market structure through M&A.
- Significant economies of scale exist at both the local and national level.
- Existing owners are often not the 'advantaged owner' (highest value owner).
- Banks currently have firepower (balance sheet capacity).
- Higher current valuations are conducive to getting deals done.

A high percentage of US banks (58% of banks with >\$1B in assets) have been acquisitive over the past decade and this is likely to increase looking forward.



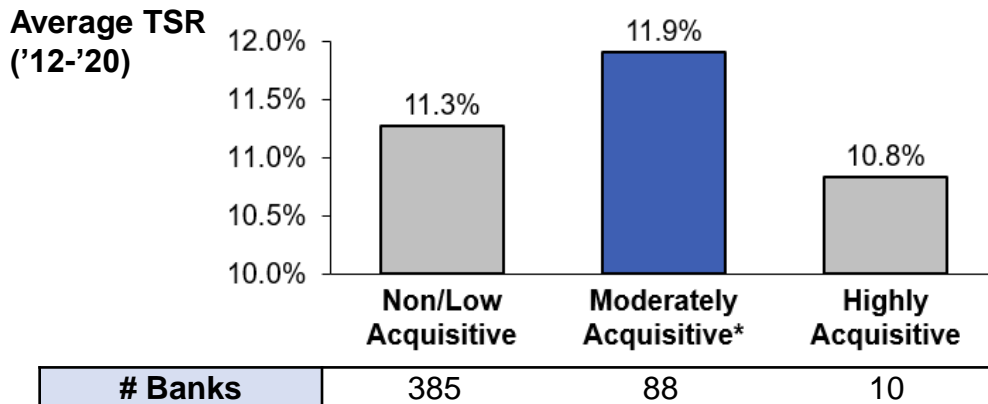
Doing M&A well is worth a lot, yet for many banks M&A falls short

M&A presents a dilemma for many banks.

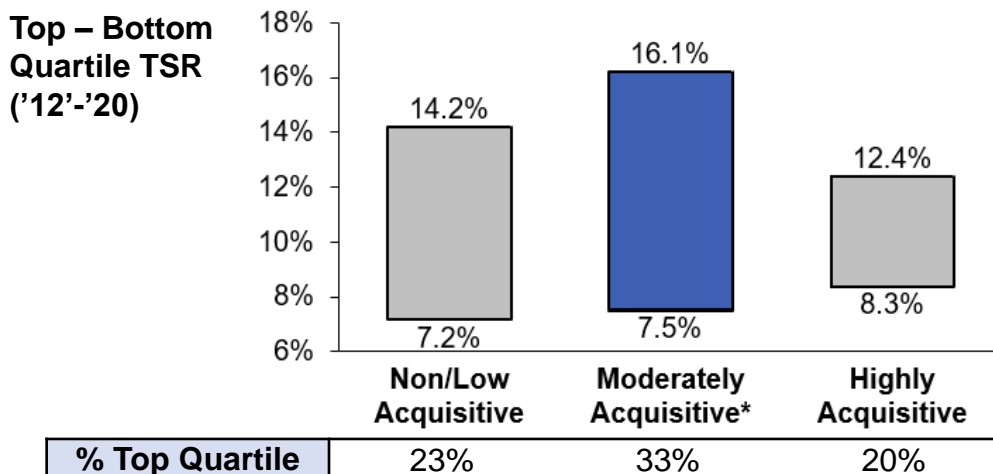
- Top performing banks tend to be acquisitive, but many acquisitive banks are underperformers
- Focusing on organic-only growth carries its own risk (e.g., slowly eroding competitive position), and misses the upside opportunity that M&A presents.
- Realizing the upside from M&A and avoiding the downside requires advantaged capabilities which are typically costly to build and maintain.
- Given cost and time requirements, many banks understandably use a suboptimal M&A approach that is guided, first, by what is for sale; second, for strategic fit; and, then lastly, for economics.

To address the dilemma, **successful acquirers focus on strategic fit and economics upfront to guide proactive development of value-creating M&A opportunities.**

Moderately acquisitive banks have generally outperformed...



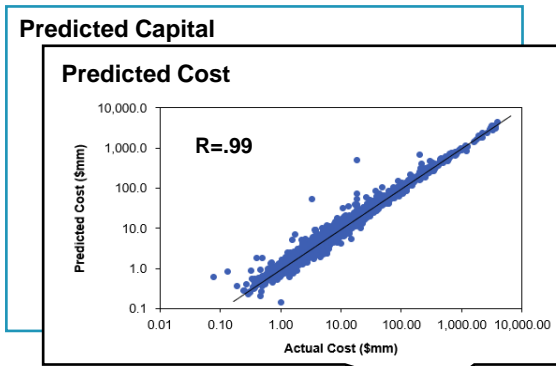
...but given wide variation, quality matters



*Deposits acquired as a % of bank (excluding acquisitions) is between 10%-65%

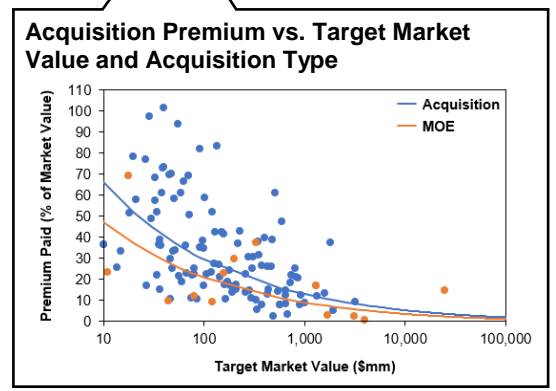
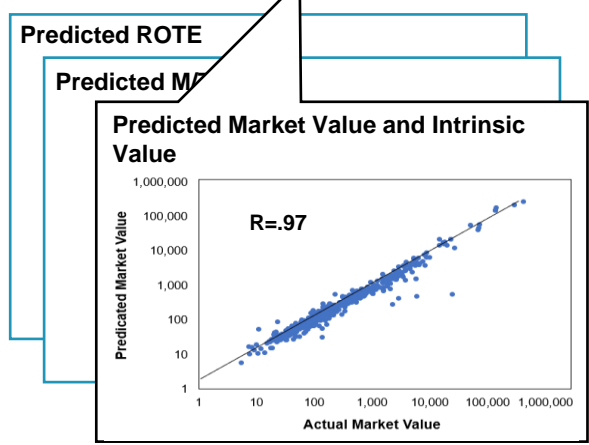
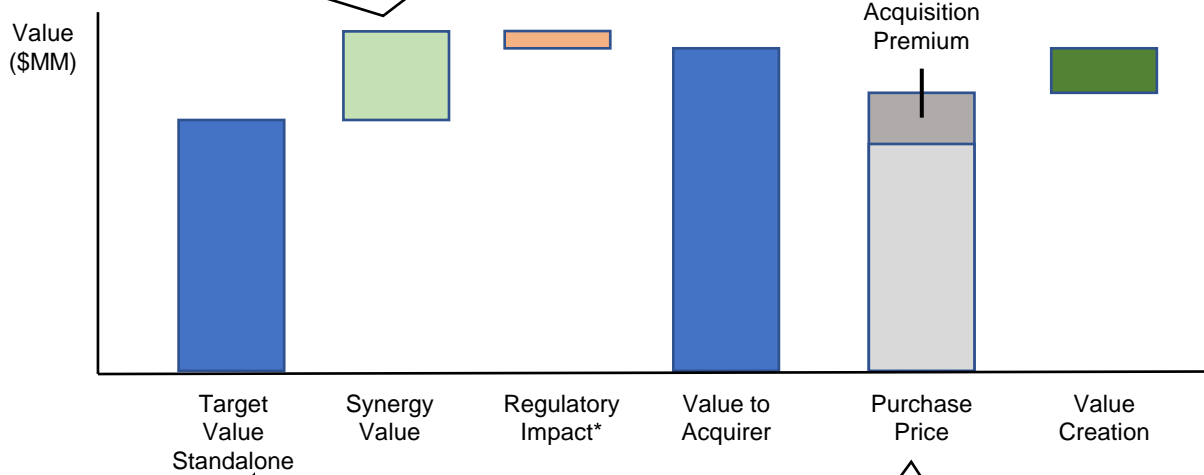
BankVQ M&A is underpinned by predictive analytics to confidently pinpoint value-accretive deals

- **Valuations of public and private companies** based on market multiples and intrinsic values (NPV of future cash flows).
- **Synergy estimates** underpinned by cost and capital prediction models.
- **Purchase price premiums** based on drivers of premiums paid in public deals.
- **Identification of performance improvement opportunities** for costs, capital, return on tangible equity (ROTE), and market share.
- **Confidence ranges** included for all predictive analytics.



Advanced analytics underpins each predictive model:

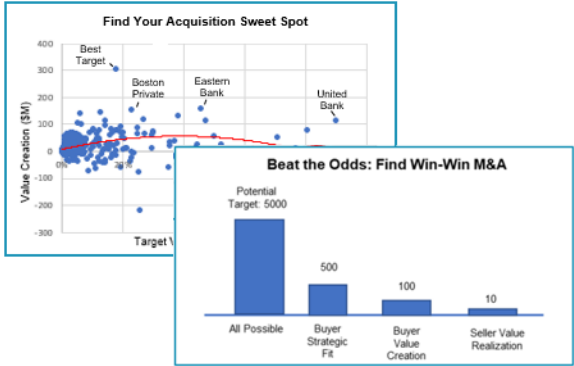
- Empirical analysis of 4000 banks x 20,000 local markets
- Banks segmented to capture differences in size, ownership, and footprint
- Drivers tailored to each predictive model to achieve best historical fit (e.g. scale, business mix, footprint, market position, cost position, capital position, risk position)



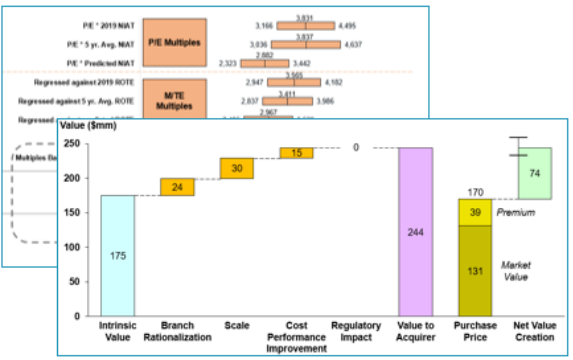
*Regulatory impact: estimated deposits to be shed to meet Fed market share and concentration test, plus regulatory capital impact from combination

Following pages provide detail on each step of BankVQ's M&A approach ...

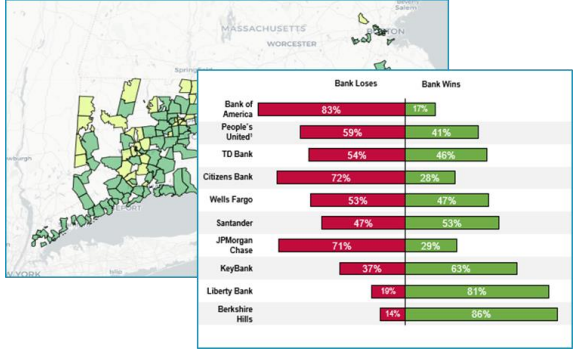
1. Strategy & Search



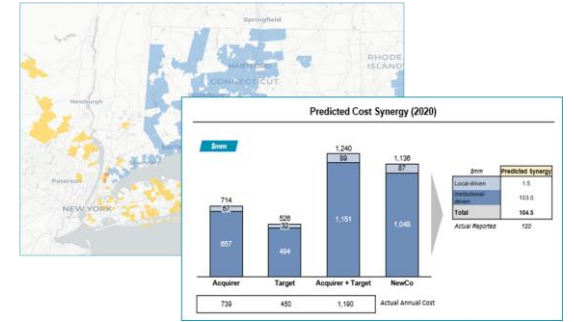
4. Valuation



2. Candidate Profile

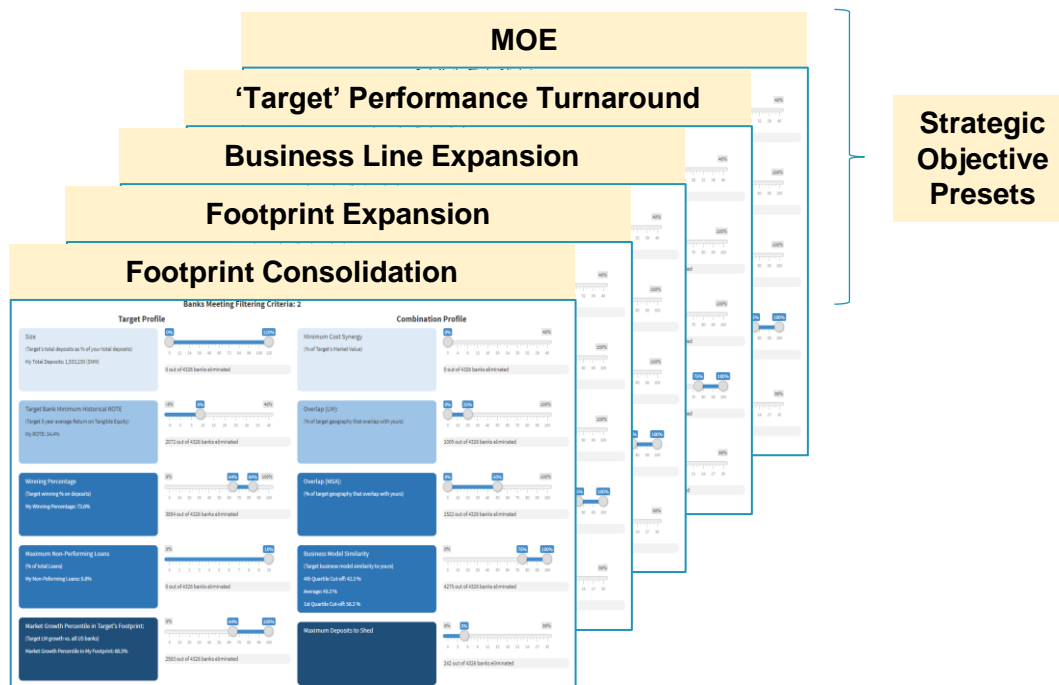


3. Combination Profile



Quickly screen based on alternative M&A strategies and value creation potential

- **Align M&A targets with your bank’s strategic objectives.**
- **Instantly screen through all possible bank combinations**, public and private (over 4000 banks, 10 million combinations).
- **Customize your screening** based on:
 - Strategic objectives: footprint expansion, business line expansion, cost synergy, etc.
 - Target size, ownership, and location
 - Business overlap/similarity: footprint overlap, business mix/demographic similarity
 - Target strategic position: footprint market growth, footprint market share, winning %
 - Target financial performance: ROTC, cost
 - Synergy and value potential: value creation to buyer, advantaged owner for each target

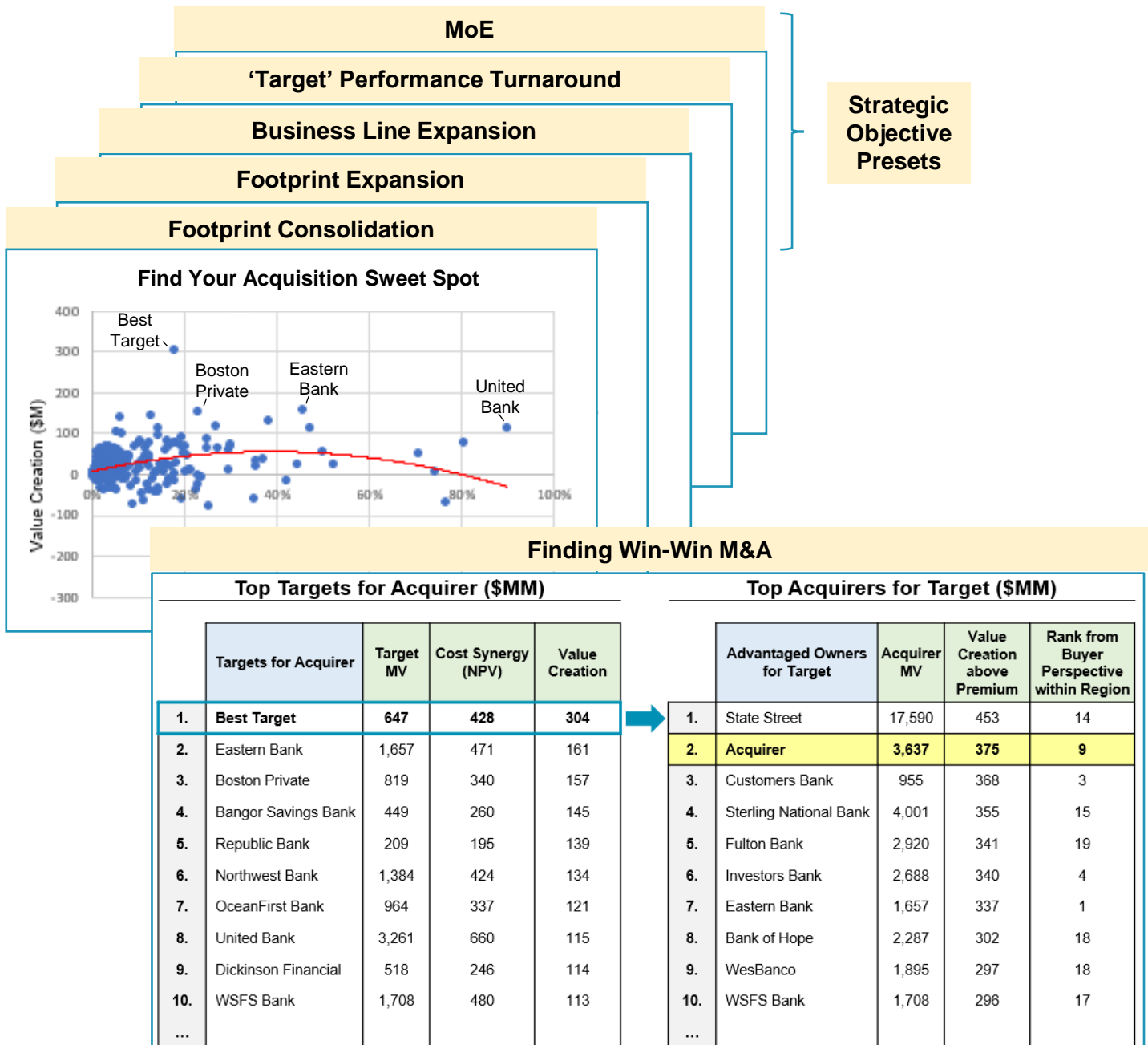


Screen Results:

- Summary of number of banks meeting screen criteria
- Number of banks that are expected to create value (synergy > premium paid)
- Quick profile of individual target banks
- ‘Advantaged owner’ test for individual target banks (Value to other potential acquirers vs your bank)

Identify your “sweet spot” for value accretive deals where you are an advantaged owner

- **Acquirer perspective:** which targets create value for your bank and what are their characteristics?
- **Target perspective:** who is the advantaged owner of my bank and what might they be willing to pay?
- **Combined perspective:** what are the win-win M&A opportunities for both acquirer and target?



Instantly develop in-depth profile of targets

- **Quick summary tearsheet** including footprint, business mix, financial performance, competitive performance, patterns of participation and winning, and an objective valuation
- **Information bespoke to the bank's footprint:** bank specific league table, bank footprint market share, footprint market growth, bank market coverage (by county, MSA, state, region)
- **In-depth understanding of strategic patterns:** where they play, where they win, and who they beat
- **Market share opportunities and vulnerabilities** by local market and competitor
- **Performance improvement opportunities:**
 - Benchmark performance vs. best-fit peers
 - Compare actual vs. predicted performance for cost, capital and ROTE

Target Tearsheet

Target: xxx
HQ: xxx

Valuation (Q1 2021)

Ownership Structure: Public
 Actual Market Value (\$M)¹: 4,146
 Intrinsic Equity Value (\$M): 4,707
 P / E Ratio²: 15.3x
 MV / TE Ratio¹: 1.3x
 5-yr TSR: 9.3%

Financial Profile (2020)

Assets (\$M): 29,740
 Loans (\$M): 21,860
 Tangible Equity (Tier-1 Capital, \$M): 3,198

Total Income (\$M): 1,001
 Net Income After Tax (\$M): 258
 Economic Profit: 0

Return on Tangible Equity (ROTE): 8.5%
 Cost / Income: 45.0%
 Tier-1 Capital Ratio: 13.4%
 NPL Ratio: 1.1%

Peer Benchmarking ('16-'20)

	Target	Peer Avg. ²
ROTE	12.0%	11.8%
Cost / Income	45.3%	51.4%

Footprint Map

Footprint Competitive Position

Market Share Rank in Footprint: [Visual representation]

Wins / Losses: [Visual representation]

Geographic Participation & Winning

County Rank Nationally	County Name	County Total Deposits (\$MM)	Sterling Rank in County	Local Market Deposits (\$MM)	Market Share % ¹	Coverage % ²	Footprint Share % ³	Winning % ⁴
11	Nassau County, NY	80,993	8	2,853	3.5%	43.6%	8.1%	42.9%
14	Queens County, NY	69,744	8	2,127	3.1%	45.7%	6.7%	54.3%
21	Suffolk County, NY	55,440	9	2,028	3.7%	29.7%	12.3%	48.6%
144	Rockland County, NY	12,643	2	1,774	14.0%	59.5%	23.6%	48.0%
22	Westchester County, NY	51,571	8	1,549	3.0%	21.9%	13.7%	27.9%
16	Kings County, NY	63,193	12	1,082	1.7%	21.7%	7.9%	51.1%
				930	9.2%	35.4%	26.0%	76.2%
				644	1.1%	7.6%	14.2%	81.8%
				383	0.2%	4.6%	4.1%	46.7%
				100	0.6%	6.2%	10.3%	22.2%
				55	1.4%	3.7%	37.2%	100.0%
				54	3.6%	3.6%	100.0%	100.0%

Demographic Participation & Winning

	Participation in National Quintiles (High Value = Q1)				
	Q5	Q4	Q3	Q2	Q1
Income	[Visual]	[Visual]	[Visual]	[Visual]	[Visual]
Education	[Visual]	[Visual]	[Visual]	[Visual]	[Visual]
Population Density	[Visual]	[Visual]	[Visual]	[Visual]	[Visual]
Age	[Visual]	[Visual]	[Visual]	[Visual]	[Visual]
% Foreign	[Visual]	[Visual]	[Visual]	[Visual]	[Visual]
Competitive Strength	[Visual]	[Visual]	[Visual]	[Visual]	[Visual]
Online Bank. Prop.	[Visual]	[Visual]	[Visual]	[Visual]	[Visual]

Head to Head Win Loss

	Bank Loses	Bank Wins
Bank of America	83%	17%
People's United ¹	59%	41%
TD Bank	54%	46%
Citizens Bank	72%	28%
Wells Fargo	53%	47%
Santander	47%	53%
JPMorgan Chase	71%	29%
KeyBank	37%	63%
Liberty Bank	19%	81%
Berkshire Hills	14%	86%

Instantly develop in-depth profile of combinations

- **Summary tearsheet** including combined footprint, business model similarities & differences, side-by-side financial performance, synergy value and deal value creation
- **Combined footprint** and profile of geographic overlap, including branch rationalization opportunities
- **Information bespoke to the combined bank's footprint:** bank specific league table, bank footprint market share, footprint market growth, bank market coverage (by county, MSA, state, region)
- **In-depth understanding of business model similarities and differences:** business mix (income, assets, deposits), demographic patterns and competitive patterns
- **Assess the regulatory impact** on deposits (market share and concentration tests) and regulatory capital requirements

Combination Tearsheet

Acquirer: xxx
Target: xxx

Valuation	
Target Actual Market Value (\$M)	4,145
Synergy Value (\$M)	530
Value to Acquirer (\$M)	4,675
Predicted Purchase Price (\$M)	4,202
Value Creation (\$M)	473

Synergy & Financials	
Cost Synergy: Local Market	1.5
Cost Synergy: Institutional Scale	103.0
Cost Performance Improvement	0.0
Total Annual Synergy	104.5

	Acquirer	Combined
Net Income After Tax (\$M)	245	582
Return on Tang. Equity (ROTE)	9.2%	10.2%
Cost / Income	62.1%	49.5%

Business Mix & Similarity		
	Acquirer	Combined
Consumer Income %	52%	36%
Comm. & Inv.-Bank. Income %	48%	64%
Non-interest Inc. % of Total Inc.	23%	18%
Fiduciary Inc. % of Total Inc.	0.77%	0.42%
Real Estate Loans / Loans	60%	59%
Loan / Deposit Ratio	78%	85%

Footprint Overlap Map

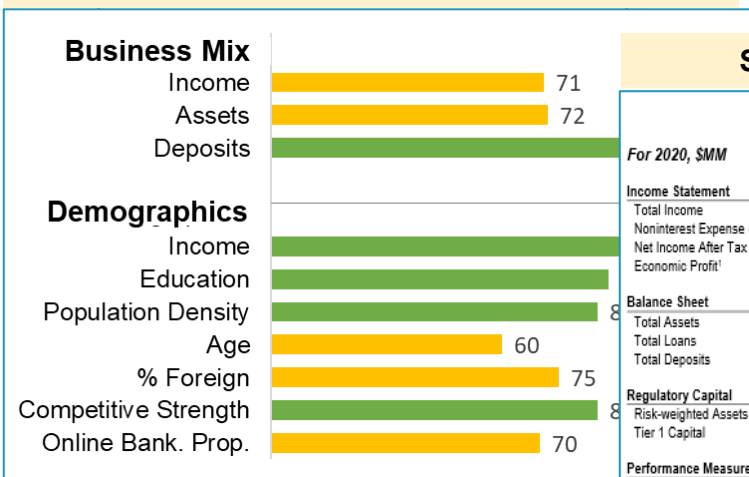
Combined Footprint & Overlap

36% local market overlap
Extension to 8 new MSAs

Footprint Competitive Position (LM De)		
	Acquirer	Combined
Market Share	9.4%	10.0%
Rank in Footprint	3	3
Wins / Losses	309 / 768	553 / 112
Winning %	40.2%	44.8%
Competitive Strength™	53 (61%ile)	58 (69%ile)

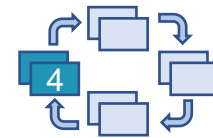
Footprint Participation: Geographic		
	Acquirer	Combined
MSAs	7	9
Overlap MSAs	7	1

Business Model Similarity



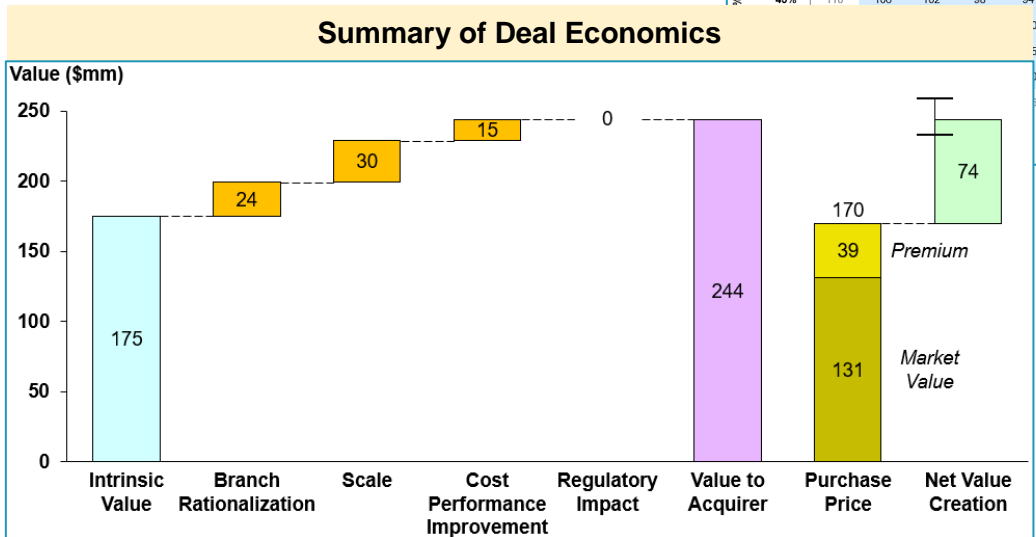
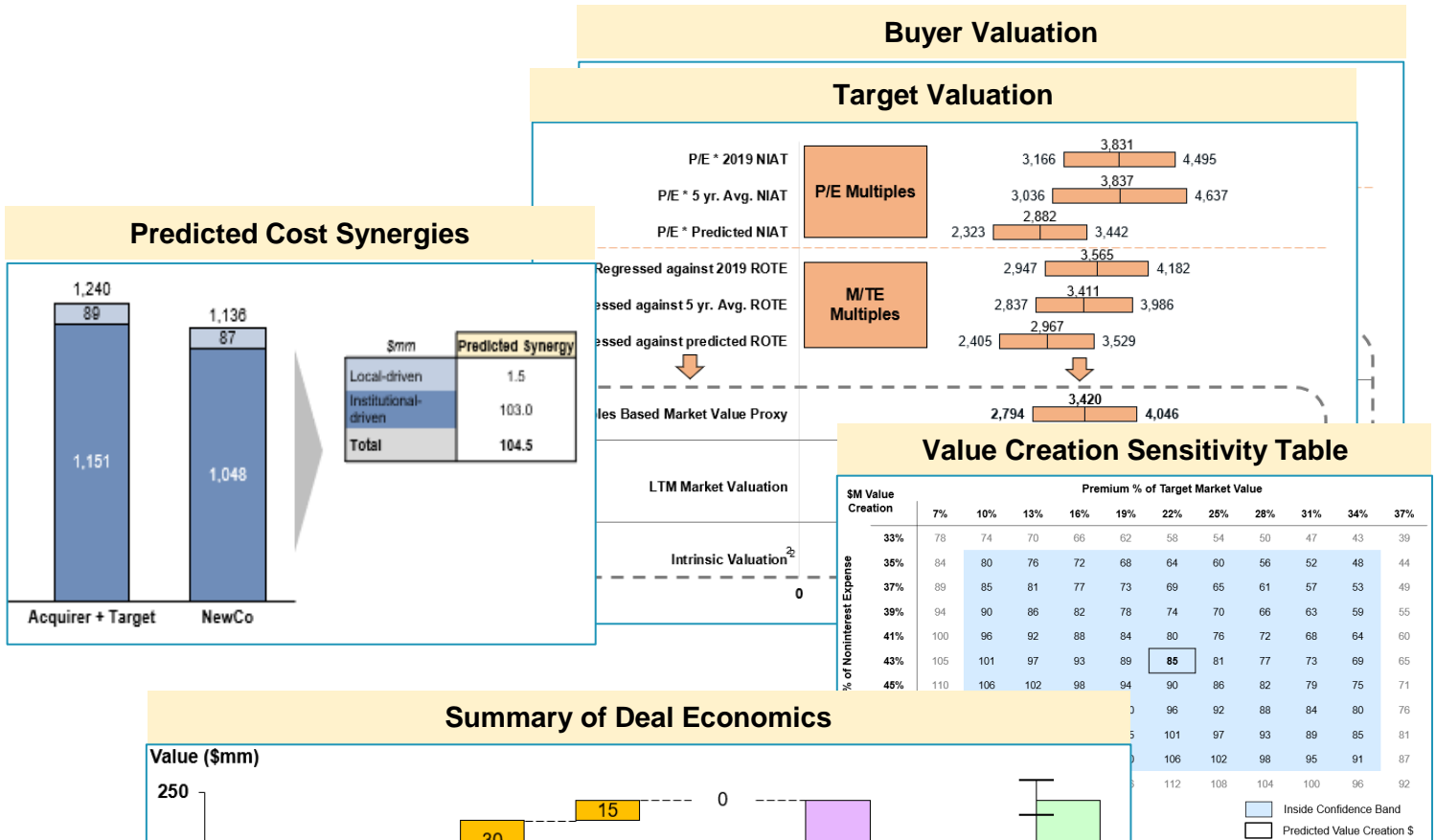
Side-by-Side & Combined Financials

	Acquirer	Target	Proforma (before synergy)	Cost Synergy	Proforma (post synergy)
For 2020, \$MM					
Income Statement					
Total Income	1,191	1,001	2,192		2,192
Noninterest Expense (ex. intangibles)	739	450	1,190	(120)	1,070
Net Income After Tax	245	258	504		594
Economic Profit ¹	26	6	31		121
Balance Sheet					
Total Assets	32,823	29,740	62,563		62,383
Total Loans	21,287	21,522	42,809		42,809
Total Deposits	27,644	23,308	50,952		50,952
Regulatory Capital					
Risk-weighted Assets	22,401	23,907	46,308		46,308
Tier 1 Capital	2,791	3,198	5,990		5,990
Performance Measures					
Noninterest Income % Total Income	23%	12%	18%		18%
Cost / Income Ratio	62%	45%	54%		49%
Loan / Deposit Ratio	77%	92%	84%		84%
Tier 1 Capital Ratio	12.5%	13.4%	12.9%		12.9%
NPL Ratio	0.9%	1.1%	1.0%		1.0%
ROA ¹	0.8%	0.9%	0.8%		1.0%
ROTE ¹	9.2%	8.5%	8.8%		10.4%



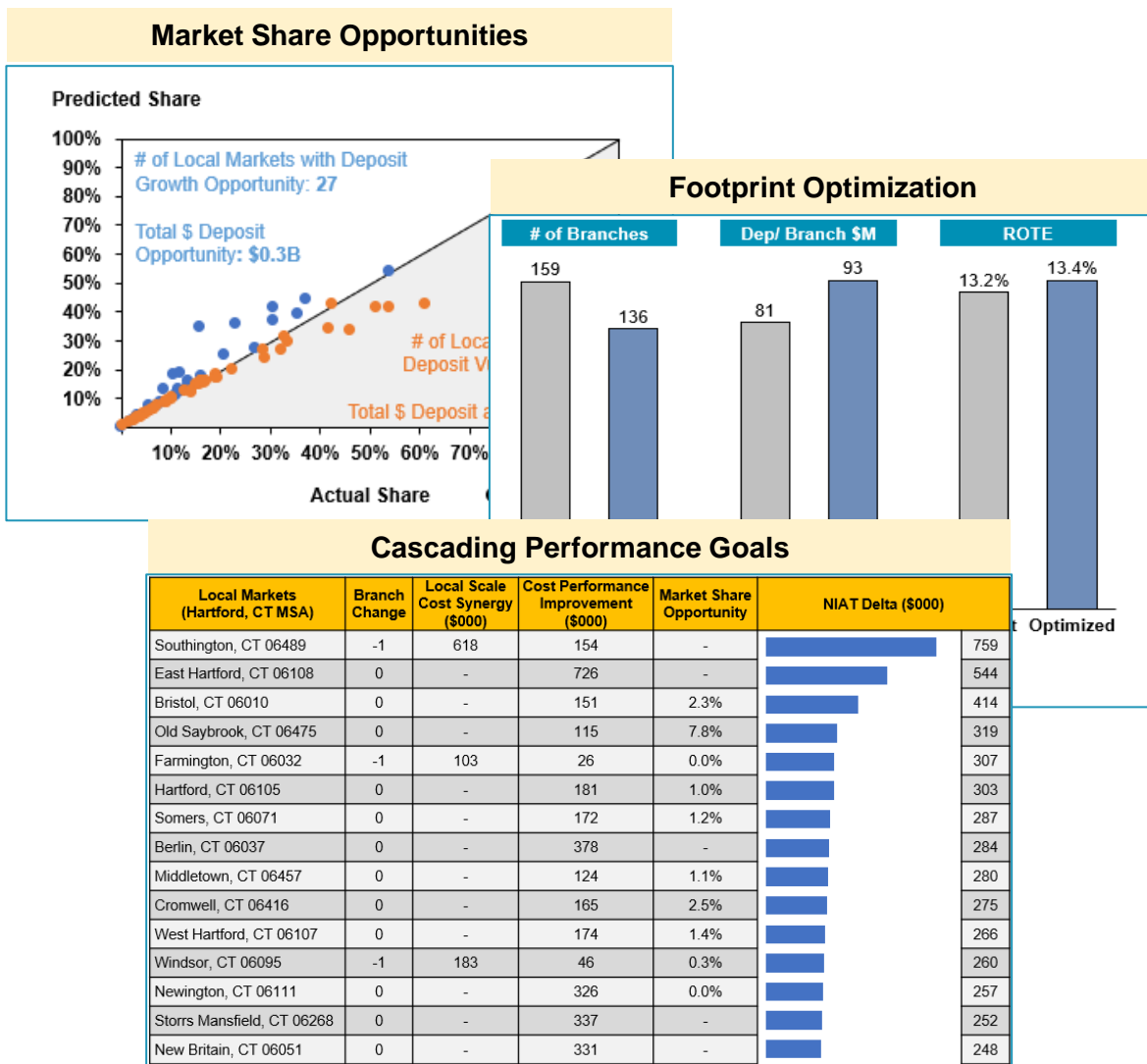
Evaluate deal economics: valuation and synergy vs. premium paid

- Instantly understand the **market value (and range) of the target standalone** based on a combination of market multiples.
- **Compare market value to intrinsic value** to understand whether the target is worth more or less than current market prices.
- **Predict synergies** from branch rationalization, scale economies, cost performance improvement, and risk and capital reductions.
- **Quantify value creation** based on intrinsic value plus synergy relative to purchase price.
- **Review confidence bands** to build conviction in deal economics.
- Know the value of the target to your bank vs. others to determine if you are the **advantaged owner**.
- **Estimate the value of regulatory impacts (deposit share/concentration, regulatory capital)**



Get a fast start on post-merger integration

- Develop your **value story and inform external and internal communications.**
- Inform **branch footprint choices** leveraging proprietary branch optimization model.
- Quickly nail down **synergy and performance improvement opportunities:**
 - Cost synergy by local market and overall
 - Market share improvement by local market and overall
 - Capital synergy and capital reduction
- Inform the **cascading of goals and development of local market plans.**
- Support the development of **proforma financials** for the combined entity.
- **Establish new peer set and performance standards** for the combined entity.



Learn More ...

- **Contact us to learn more about how the data and analytics inside BankVQ can help you**
 - ✓ **See the real-time analytics** powering the tool
 - ✓ **Explore specific opportunities** for your bank based on your strategic objectives
 - ✓ **Request a one-pager** on each of BankVQ's Primary Areas of Focus
 - ✓ **Discuss options for leveraging BankVQ at your bank**
- **Visit our website: www.bankvq.com**
- **Contact us directly:**

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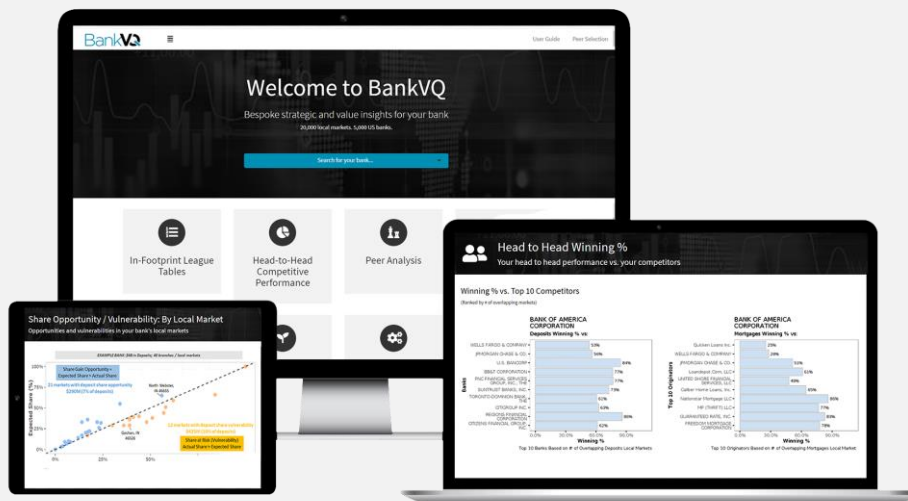
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BankVQ products & services are part of the banking practice of Marakon

- **BankVQ was born out of a recurring observation:** Banks have access to substantial data, but insight to inform strategic decisions is consistently lacking
- We developed BankVQ to **empower banks with advantaged, and readily accessible insight** – bespoke to your bank – to inform organic growth (across and within markets; across business lines), and M&A opportunities
- The underpinning analytics are built bottom-up with granular understanding of markets and competitors - **who wins where and why – and predictive financial models** for a bank or any bank combination (e.g., synergy) – all pre-analyzed
- **Marakon is best known for** integrating strategic insights with rigorous value-based financial analysis to guide decision-making. This sharp focus on maximizing value creation is at the core of BankVQ



Better decision-making starts with advantaged insights

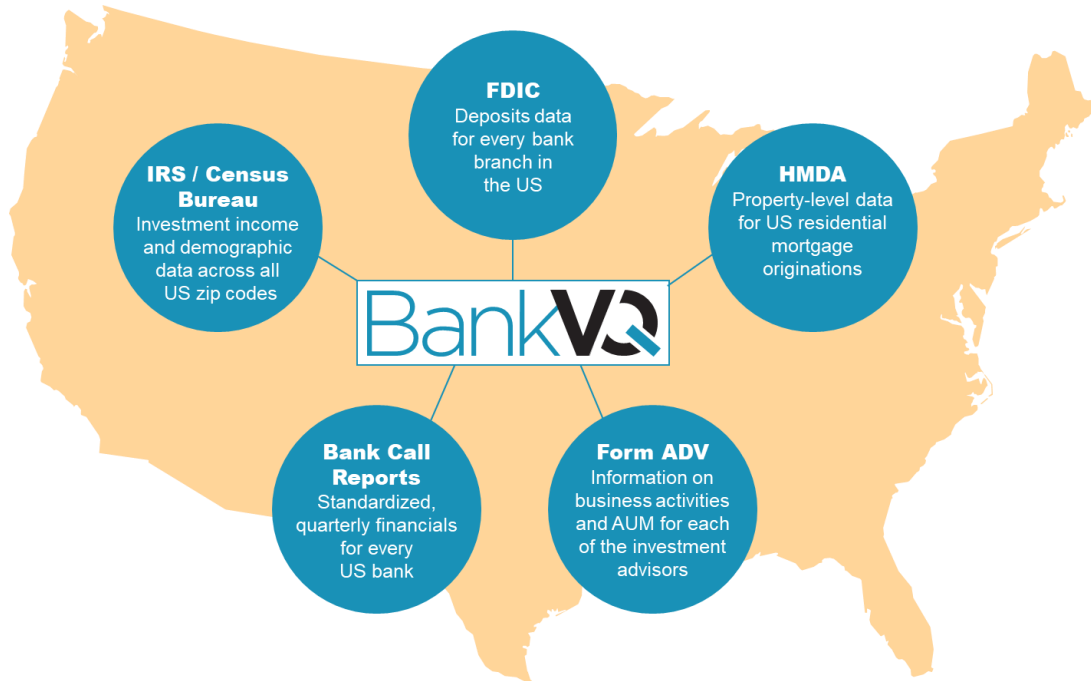


**Strategic Management. Performance Management.
Mergers and Acquisitions.**

The #1 resource for data analytics, bespoke for every bank

M&A Advantage	
Top Targets	'Top Targets' for your bank for different strategic objectives, ranked based on value creation
Combination Snapshots	Summary profile and deal valuation for any bank combination
Deal Evaluator	Detailed strategic and financial evaluation, including synergy potential, pricing and expected value creation
Best Buyers	'Best Buyers' for your bank given different strategic objectives, ranked based on value creation
Market Prioritization	
Patterns of Winning	New lenses and insight on your bank's competitiveness – where you play, where you win, who you beat
Market Prioritizer	New insights on strategic fit, growth opportunities and value across <u>existing</u> markets to inform capital and resource allocation
New Market Finder	Evaluation and prioritization of <u>new or adjacent</u> markets for expansion, including value creation from entry
'Bigfoot' Optimizer	Strategic optimization of all your <u>existing</u> local market footprint – where to close, turnaround or expand
Market Growth Playbook	
Market Winners and Losers	Understand drivers of win-loss across competitors in an MSA – who is winning, who is losing, and why
Deposit Share-Builder	Identification and quantification of market share opportunities and vulnerabilities by local market, counties and/or MSAs
MSA Playbook	Detailed strategic and competitive local market insight to inform the 'playbook' for how to <u>grow and win</u> in an MSA
Business Line Growth	
Mortgage Builder	Identifies opportunities for Mortgage growth based on patterns of winning
Wealth Builder	Prioritizes markets for the Wealth business based on where you win, where the wealth is, and who your competitors are


Underpinned by multiple public data sources, integrated at a local market level across 4000+ banks, 88,000 branches, 20,000 zip codes, and 10 million bank combinations, all pre-analyzed




Powered by proprietary measures of competitive performance and predictive analytics

 **Head-to-Head Analytics**


- Market Coverage and Footprint Share
- In-Footprint League Tables
- Footprint Growth and ROE
- Strategic Drivers of Winning

 **Market Growth Analytics**

- Market Prioritization
- Expected vs Actual Share
- Adjacent Market Entry Simulator
- Branch Footprint +/- Simulator

 **M&A Analytics**

- M&A Screen (Buyer & Seller)
- Advantaged Owner
- Combination Analytics
- Public and Private Bank Valuations and Purchase Prices

 **Performance Analytics**

- Expected vs. Actual Cost, Capital, ROTE
- In-Footprint League Tables
- Business Line Strength
- Peer Selection and Benchmarking

Marakon

Our Experience in Financial Services

Sample Clients



Business Areas Covered

- Retail Banking and Community Banking
- Consumer Finance
- Mortgage Banking
- Payments and Cards
- Private Client
- Small Business Banking
- Wealth and Asset Management
- Commercial Banking
- Investment Banking and Capital Markets
- Transaction Services
- Insurance and Reinsurance

Functional Expertise

- Corporate and Business Unit Strategy
- M&A and Divestitures (Strategic Due Diligence, Post-Merger Integration)
- Financial Resource Allocation and Risk (Capital, Liquidity, Balance Sheet)
- Customer and Product Proposition Design and Launch
- Customer Segmentation / Channel Management
- Performance Management (Goals, Measures and Rewards)
- Organizational Design

BankVQ products and services are part of the banking practice of Marakon, an advisory consultancy with 40 years of experience partnering with CEOs on strategic value growth

Marakon specializes in strategic portfolio management, value capture, and event driven advisory

Marakon works with executive teams to raise the level of strategic ambition, create clarity on the best strategic direction, and shift resources towards the generation of superior value growth, putting in place the standards, accountabilities, and performance management systems for making it happen on a consistent basis.

We also work with executive sponsorship to translate the new strategic direction into a transformation blueprint, mobilize the organization, steer the change effort, and maintain the execution standard required to ensure the optimal balance of pace, impact, and strategic consistency.

And when real life does not adhere to the strategic plan, due to shifting market dynamics or unforeseen opportunities emerge, we work with CEOs and management teams to understand alternative paths and drive towards the targeted outcome.

Marakon is part of Charles River Associates, a leading global consulting firm that offers economic, financial, and strategic expertise.

Charles River Associates (CRA) is a leading global consulting firm that offers economic, financial, and strategic expertise to major law firms, corporations, accounting firms, and governments around the world. Our experts bring a unique combination of cutting-edge research, state-of-the-art methods, and proven experience to bear on our clients' most complex challenges, creating a client-centric service model. CRA's clients include 80% of the Fortune 100, and 94% of the Am Law 100.

CRA specializes in management consulting and economic litigation. 81% of senior staff hold advanced degrees. Our senior-led teams include leading academic experts and business leaders with experience across industries. Because of our proven skills in complex cases and exceptional strength in analytics, client depend on our objective, fact-based advice for their high-profile, high-stakes matters, leading to practical, actionable solutions.

CRA brings extensive experience and expertise specific to banks and financial services, including competition (anti-trust), regulation/compliance (e.g., Fair Lending, Community Reinvestment, Labor), cyber risk, financial economics, and insurance economics.