



# Bank Strategy Briefing

Ideas and analysis for community bank executives

## 2019 Mid-year bank M&A update: Godfrey & Kahn near the top of national rankings

Since launching *Bank Strategy Briefing* in January 2017, we have gone on record annually with our predictions on bank M&A activity, and our predictions have largely held true (so far!). [Our most recent assertion](#) that M&A activity in our region will remain elevated and perhaps accelerate further in 2019 is no exception, and our attorneys witnessed this trend first hand. **According to rankings maintained by S&P Global Marketing Intelligence, Godfrey & Kahn served as lead counsel on seven M&A transactions announced during the first half of 2019, which is the third highest total for law firms nationally.**

In our home state of Wisconsin, 14 whole-bank transactions have already been announced through June 30. This almost certainly foreshadows the most active M&A year in Wisconsin since at least 1992, breaking the mark of 17 set in 2016 and 1996, and is especially noteworthy given only 201 Wisconsin-based charters remained as of the start of the year (as compared to 243 and 439 as of January 1, 2016, and 1996, respectively).

Through June 30, 2019, there were 45 whole bank deal announcements in our focus states of Wisconsin, Iowa, Illinois, Minnesota, Michigan, and Missouri. On an annualized basis, this equates to 90 deal announcements as compared to 74 in 2018, a 22% increase. There is little doubt that we continue to be at a peak in the M&A cycle. Attached to the end of this *Bank Strategy Briefing* is a list of all whole-bank deals announced through June 30, 2019, in our focus states.<sup>1</sup>

We also predicted at the beginning of 2019 that there would be more opportunities for privately-held buyers, with publicly-traded bank holding companies retooling their M&A strategies in the wake of lower stock prices in late 2018 and early 2019. This prediction also appears to be supported by the data. In 2018, the buyer in approximately 38% of all announced deals in our focus states was a public or quasi-public company,<sup>2</sup> and that percentage has dropped to approximately 24% in the first half of 2019.

So, what do we expect the second half of 2019 to look like? Probably much like the first half as potential sellers weigh locking in a sale premium for shareholders now against the prospects of a looming recession.

However, if we had to give boards and executive management teams a single take-away message relating to M&A activity to focus on for the remainder of 2019 it would be this: plan with purpose and proceed with care. It is looking more likely that the economic environment in which M&A decisions are being made could shift in the next year or two, which will no doubt have an impact on deal activity for buyers and sellers. More than ever, we urge boards and management teams to actively and regularly discuss M&A strategies—whether it is to buy, sell, or remain independent—to ensure that these strategies continue to be relevant as conditions in the economy and M&A market change.



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<sup>1</sup> Data Source: S&P Global Market Intelligence. Data reflects whole-bank transactions announced from 1/1/19 through 6/30/19 where the seller was headquartered in WI, IA, IL, MN, MI, or MO.

<sup>2</sup> Measured as any bank holding company with a ticker symbol.

Buyer Name	Buyer		Target State	Buyer:	Target:	Deal Value (\$M)	Price/	Price/	Price/	Franchise
	State	Target Name		Total Assets (\$000)	Total Assets (\$000)		Book (%)	Tangible Book (%)	LTM Earnings (x)	Premium/ Core Deposits (%)
Abby Bancorp, Inc.	WI	State Bank	WI	503,344	27,931	NA	NA	NA	NA	NA
Bank First National Corporation	WI	Partnership Community Bancshares, Inc.	WI	1,735,754	305,356	39.469	182.66	184.6	14.95	7.78
Brodhead Bancshares, Inc.	WI	Farmers & Merchants Bank of Orfordville	WI	152,810	56,837	NA	NA	NA	NA	NA
Citizens Community Bancorp, Inc.	WI	F. & M. Bancorp of Tomah, Inc.	WI	975,409	194,606	22.376	104.37	104.37	16.05	0.78
First State BancShares, Inc.	WI	Pioneer Bancorp, Inc.	WI	303,042	156,186	NA	NA	NA	NA	NA
Forward Mutual Holding Company	WI	First National Bank of Park Falls	WI	459,448	145,212	NA	NA	NA	NA	NA
Frandsen Financial Corporation	MN	Peoples Bank Midwest	WI	1,678,578	361,838	NA	NA	NA	NA	NA
Greenwoods Financial Group, Inc.	WI	Fox River Financial Corporation	WI	177,941	94,864	NA	NA	NA	NA	NA
Lake Shore III Corporation	WI	First American Bank, National Association	WI	318,430	124,830	NA	NA	NA	NA	NA
NEB Corporation	WI	NBW Bank	WI	1,964,448	151,703	NA	NA	NA	NA	NA
Nicolet Bankshares, Inc.	WI	Choice Bancorp, Inc.	WI	3,041,091	440,541	72.333	184.02	184.02	14.49	19.62
S.B.C.P. Bancorp, Inc.	WI	Union Bancorp of Evansville, Inc.	WI	963,629	258,615	NA	NA	NA	NA	NA
Sword Financial Corporation	WI	Markesan Bancshares, Inc.	WI	755,829	126,766	6	57.66	57.66	NM	-4.43
Time Federal Savings Bank	WI	River Cities Bancshares Inc.	WI	585,827	256,311	NA	NA	NA	NA	NA
Bethany Bankshares, Inc.	MO	Fairport Bancshares, Inc.	MO	499,948	17,491	NA	NA	NA	NA	NA
Central Banccompany, Inc.	MO	Liberty Bancorp, Inc.	MO	13,194,170	540,649	104.288	171.6	NA	NA	NA
Citizens Bancshares Co.	MO	Summit Bank of Kansas City	MO	851,473	45,406	NA	NA	NA	NA	NA
Dickinson Financial Corporation II	MO	KCB Bank	MO	1,594,587	254,687	NA	NA	NA	NA	NA
Bancommunity Service Corporatio	MN	State Bank of Belle Plaine	MN	213,818	120,825	NA	NA	NA	NA	NA
Citizens Bank Group, Inc.	MN	Nicollet County Bank of Saint Peter	MN	454,144	178,467	NA	NA	NA	NA	NA
Financial Services of Lowry, Inc.	MN	First National Bank of Osakis	MN	51,708	67,554	NA	NA	NA	NA	NA
First Holding Company of Cavalier	ND	Northern Sky Bank	MN	362,890	73,683	NA	NA	NA	NA	NA
Forstrom Bancorporation, Inc.	MN	Farmers and Merchants State Bank of Sacred	MN	792,677	25,759	NA	NA	NA	NA	NA
Hopkins Financial Corporation	SD	First Minnesota Bank	MN	886,245	347,345	NA	NA	NA	NA	NA
Merchants Financial Group, Inc.	MN	First National Bank of Northfield	MN	1,756,341	205,585	NA	NA	NA	NA	NA
Private investors	MN	First State Bank of Grove City	MN	NA	23,763	NA	NA	NA	NA	NA
Security Bancshares Company	MN	State Bank of Hamburg	MN	514,356	24,608	NA	NA	NA	NA	NA
Walsh Financial, Inc.	MN	First National Bank of Buhl	MN	NA	26,349	NA	NA	NA	NA	NA
ChoiceOne Financial Services, Inc.	MI	County Bank Corp	MI	670,544	616,564	89.023	135.86	150.48	NA	5.71
TCF Financial Corporation	MN	Chemical Financial Corporation	MI	23,699,612	21,498,341	3551.897	NA	NA	NA	NA
Teachers Credit Union	IN	New Bancorp, Inc.	MI	3,171,994	117,804	21.253	128.43	128.43	48.17	NA
Waterford Bancorp, Inc.	OH	Clarkston Financial Corporation	MI	747,800	219,190	34.8	188.73	188.73	14.26	10.88
First Co Bancorp, Inc.	IL	Columbia National Bank	IL	1,633,546	47,701	NA	NA	NA	NA	NA
Katz Capital	FL	Camp Grove Bancorp, Inc.	IL	NA	19,342	NA	NA	NA	NA	NA
Midland States Bancorp, Inc.	IL	HomeStar Financial Group, Inc.	IL	5,637,673	375,439	9.906	95	95	7.1	-0.02
Private Investors - William H. Davis	OH	Anchor Bancorporation, Inc.	IL	NA	14,980	NA	NA	NA	NA	NA
Verve, a Credit Union	WI	South Central Bank, National Association	IL	961,373	295,913	NA	NA	NA	NA	NA
Waterman Acquisition Group, LLC	IL	Waterman State Bank	IL	NA	35,481	NA	NA	NA	NA	NA
Wintrust Financial Corporation	IL	Rush-Oak Corporation	IL	31,241,521	195,532	46	158.05	158.05	36.22	16.34
Wintrust Financial Corporation	IL	STC Bancshares Corp.	IL	32,358,621	276,603	44.922	146.24	146.24	22.33	7.53
Midstates Bancshares, Inc.	IA	Farmers & Merchants State Bank of Neola, Io	IA	378,742	60,856	NA	NA	NA	NA	NA
Midstates Bancshares, Inc.	IA	Kingsley State Bank	IA	401,013	191,086	NA	NA	NA	NA	NA
Old O'Brien Banc Shares, Inc.	IA	R & J Financial Corporation, Inc.	IA	139,969	77,315	NA	NA	NA	NA	NA
Pella Financial Group, Inc.	IA	Iowa State Savings Bank	IA	309,491	168,340	NA	NA	NA	NA	NA
Village Investment Company	IA	Farmers & Traders Bancorporation, Inc.	IA	348,301	20,765	NA	NA	NA	NA	NA

Bank Strategy Briefing is prepared by the Banking & Financial Institutions Practice Group at Godfrey & Kahn, S.C., Milwaukee, Wisconsin, as a service to the community banking industry. It features commentary focusing on strategic business and legal issues relevant to community banks. Each written edition contains 500 words or less and no more than 2 editions are published per month. Information found in Bank Strategy Briefing is for educational and informational purposes only and is not to be construed or relied upon as legal advice.