

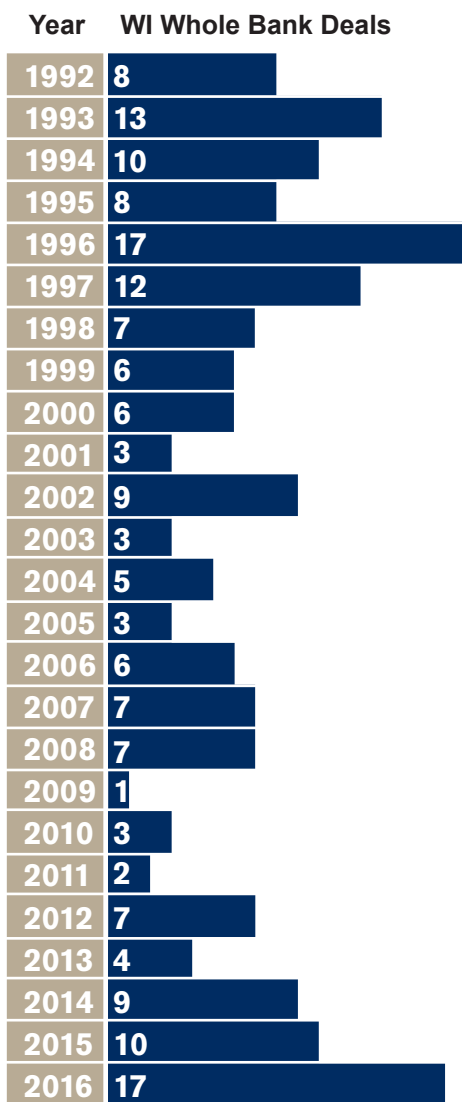
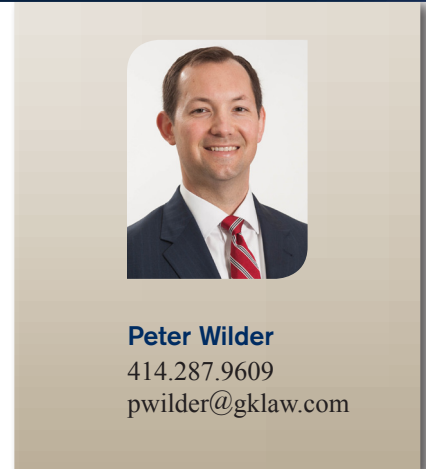


Bank Strategy Briefing

Ideas and analysis for community bank executives

WI bank M&A: 2016 year in review

The past year was the “year of consolidation” for Wisconsin banks. In total 17 whole bank deals were announced in Wisconsin during 2016, marking the busiest bank M&A year in Wisconsin in 20 years and the culmination of a 3-year run-up in bank M&A activity in our state.



Here are the takeaways from last year’s M&A activity:

- **Deal Rationale.** Most sellers have been motivated by the same pressures that have existed since the financial crisis—regulatory burden, depressed and stagnant interest rates, technology costs, succession issues, and/or a desire for shareholder liquidity. However, we have seen an uptick in banks interested in “strategic combinations” (e.g., stock-for-stock mergers with a friendly competitor)—rather than outright sales—as a way to remain independent and competitive.
- **Pricing.** Pricing was made public for 10 of the 17 mergers announced in 2016. As reported by SNL Financial, the mean price to tangible book value multiple at deal announcement for those mergers was 123.32%, with the highest multiple at 181.2% (Byline Bancorp, Inc.’s acquisition of Ridgestone Financial Services, Inc.) and the lowest multiple at 94.3% (Mackinac Financial Corporation’s acquisition of First National Bank of Eagle River). This pricing is in line with what we have seen over the last several years, with prices hovering between 100% and 150% of tangible book value depending on a variety of factors. (Keep in mind that comparing price to tangible book value ratios can be extremely misleading given that tangible book value varies among sellers.)
- **Out-of-State Players.** Six of the 17 mergers announced in 2016 involved out-of-state buyers, including those from Michigan (3), Illinois (2), and Indiana (1). Anecdotally, we have heard for several years that banks

in surrounding states have been looking in Wisconsin for acquisition targets because those banks see Wisconsin as an attractive market for expansion and as a bridge between other attractive markets they are already in or would like to expand to. Interestingly, very few Wisconsin banks have looked for acquisitions in other states in recent years.

- **Credit Unions.** While only one deal in 2016 involved a credit union as a buyer (Advia Credit Union's acquisition of Mid America Bank), Wisconsin has become a hotbed for credit union acquisitions of community banks, which is quickly becoming a trend. In fact, Wisconsin has been the site of more of these types of transactions than any other state over the last several years, and we continue to see serious interest from credit unions wishing to acquire Wisconsin community banks.

In our next edition of *Bank Strategy Briefing*, we will offer our predictions on the bank M&A landscape in Wisconsin for 2017.

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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.

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