



BISON BANKING BRIEF - POST-ELECTION EDITION

November 2024 | U.S. Banking Insights



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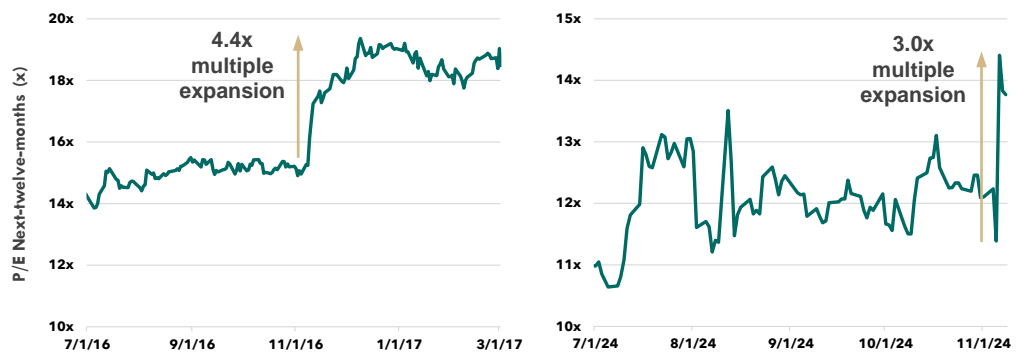
Post-Election Bison Banking Brief

Key Themes in U.S. Banking

Trump Bump 2.0

- On November 5th, Donald Trump was elected 47th President of the United States, causing a broad stock market rally – the S&P 500 closed 2.5% higher on November 6th making it the index's best post-election 1-day performance in history
 - The rally extended to bank stocks even further with KRE rallying 13.4% on November 6th
 - After Trump was elected in 2016, the S&P 500 and the KRE increased by 1.1% and 5.6% respectively on the first trading day post election
- Immediate effects can already be seen – two +\$100 million underwritten common offerings were announced within a week of the election
 - Valley National Bancorp (NASDAQ: VLY) based in Morristown, NJ, and Dime Community Bancshares, Inc. (NASDAQ: DCOM) based in Hauppauge, NY, decided to take advantage of steep increases in their stock prices following the election to increase their capital ratios and reduce their CRE concentration ratios
- The change in administration is also expected to bring a shift in regulatory guidelines and a streamlined approach to evaluating M&A transactions
 - While some government positions may be more difficult to overhaul on day 1, Trump is expected to name his nominees for the heads of OCC and CFPB early in his term
- Following the Fed's decision to reduce the Fed Funds rate by 50 bps in September, the bond yields have risen due to higher growth and inflation expectations – the 10-Year note was up 56 bps from 9/18 to 11/5
 - The election results and a 25 bp Fed rate cut increased the yield on the 10-Year by another 18 bps
 - Market sees Trump's economic policies as potentially adding to inflation in 2025 and beyond

Trump Bump in 2016 vs. 2024 – KRE P/E Ratio (NTM)



Q3 2024 Earnings Takeaways

Loan Growth Remains Elusive

- While banks continue to moderate underwriting standards according to the most recent Senior Loan Officer Opinion Survey that was published in October, loan growth seems elusive even for the larger regional banks. On the whole, U.S. banks only grew loans at a 4.9% annualized rate in Q3 2024

Deposit Costs Still High But Relief Is On The Horizon

- Cost of deposits in Q3 increased further to 2.28% from 2.13% in Q2 for publicly traded U.S. banks, as the effects of rate cuts haven't yet been reflected in 9/30 data
 - However, the number of banks offering 1-year CDs with rates above 4% declined significantly from 928 at 6/28/2024 to 600 at 11/1/2024. As CDs reprice lower, overall deposit costs are expected to follow

Asset Quality Continues Normalizing, But No Deterioration Yet

- Non-performing assets continued to tick higher in Q3 2024, albeit from historically low levels
- U.S. banks with the largest office CRE exposure continued shrinking their exposure to office loans, with the median reduction of almost 2% QoQ from Q2 2024



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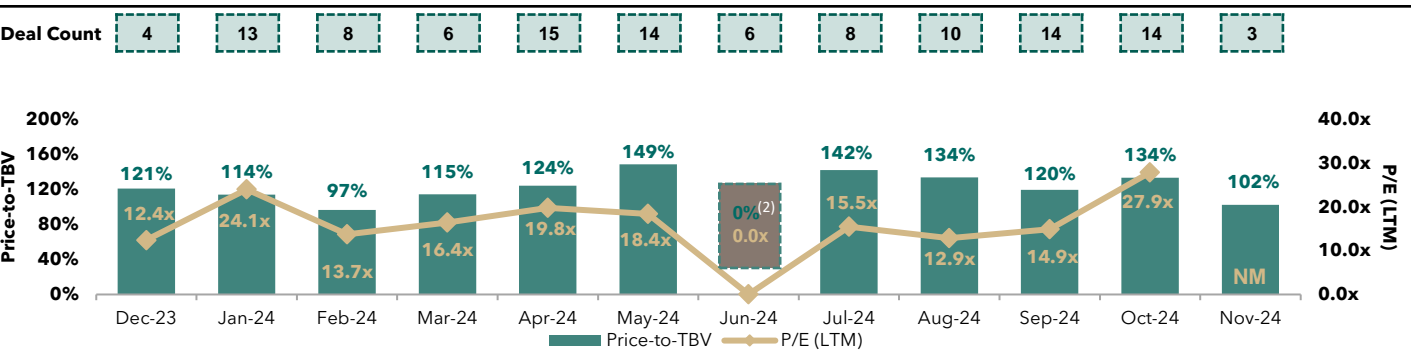
1 U.S. Bank M&A Activity

- M&A activity is incrementally increasing
 - M&A activity is below historical levels, but starting to see a slight increase in deal activity
 - On pace for 131 transactions in 2024 (based on data through October 31st), a 33% increase from 2023
- Credit unions continue to be active bank buyers with 20 transactions announced in 2024 YTD and account for over 18% of the YTD M&A transactions Nationwide
- Types of transactions should vary in the upcoming quarters including smaller 100% cash deals, predominately (or 100%) stock deals and strategic partnerships (100% stock)
- M&A conversations are picking up with momentum expected to continue into 2025, as more welcoming regulatory environment and higher valuations enable help bridge the gap between buyers and sellers

M&A By Region – Last Twelve Months⁽¹⁾

Region	Deal Value (\$M)	# of Deals	Deals w/ C.U. Buyer	Price-to-TBV	P/E (LTM)
Midwest	\$ 3,455	47	4	134%	15.4x
Southeast	\$ 1,984	22	4	133%	22.8x
Southwest	\$ 4,099	14	2	149%	19.8x
Mid Atlantic	\$ 2,666	13	2	102%	16.4x
West	\$ 1,005	14	9	106%	16.0x
Northeast	\$ 87	5	0	139%	17.2x
Total	\$ 13,296	115	21	128%	16.8x

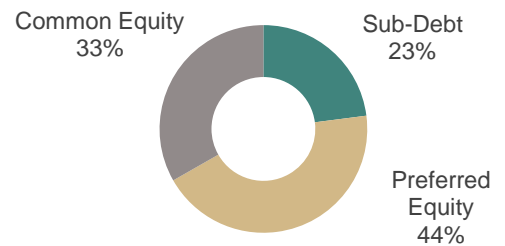
M&A Activity and Valuation Multiples – Last Twelve Months⁽¹⁾



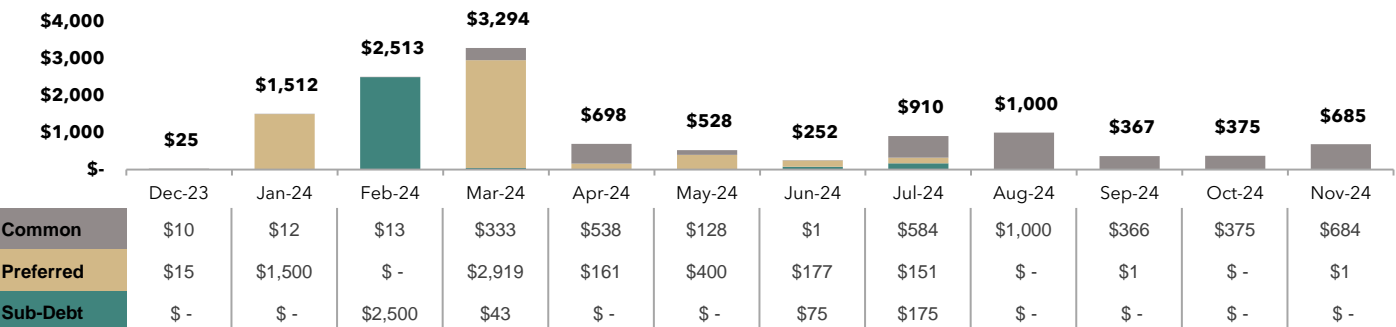
2 U.S. Bank Capital Offerings

- In November, the trend of increased bank common equity capital offerings that started in July continued at a strong pace in November with three offerings with average proceeds of \$228.1 million. The four most recent bank common equity offerings were a mix of offensive capital that was raised in conjunction with M&A transactions, and post-election capital raises that were looking to take advantage of higher bank valuations (i.e., Trump Bump 2.0)
 - In a sign that the bank sector is coming back in favor with investors, and particularly generalist investors, Goldman Sachs' prime brokerage trading desk reported that financials were the most popular and net bought sector for the week ending Friday, November 8th

Capital Offering Mix – LTM⁽³⁾



Capital Offering Activity – Last Twelve Months⁽²⁾



Source: S&P Capital IQ Pro; M&A and offering data as of 11/13/2024. Note: All dollars in millions, unless otherwise noted

(1) Median data for M&A transactions. Excludes terminated deals and FDIC-assisted transactions
 (2) Transaction economics for June 2024 deals are confidential or awaiting release to the public
 (3) Excludes mutual conversions














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Nationwide M&A League Table – Since 1/1/2024⁽¹⁾





Rank	Advisor	# of Deals	Deal Value (\$M)
1	Piper Sandler & Co.	21	\$ 2,336.7
2	Keefe, Bruyette & Woods	20	\$ 9,377.0
3	D.A. Davidson & Co.	13	\$ 320.6
3	Olsen Palmer LLC	13	\$ 25.0
5	Raymond James & Associates, Inc.	12	\$ 5,054.5
6	Performance Trust Capital Partners, LLC	11	\$ 302.7
6	McQueen Financial Advisors II, Inc.	11	\$ 231.2
8	Stephens Inc.	10	\$ 2,080.3
9	Janney Montgomery Scott LLC	7	\$ 685.2
10	Donnelly Penman & Partners Inc.	5	\$ 45.2
10	Hillw orth, LLC	5	\$ -
12	Morgan Stanley	3	\$ 2,112.3
12	MJC Partners, LLC	3	\$ 226.8
12	Mercer Capital Management, Inc.	3	\$ -
12	Angkor Strategic Advisors	3	\$ -
16	The Kafafian Group, Inc.	2	\$ 34.2
16	Commerce Street Capital, LLC	2	\$ -
16	Gerrish Smith Tuck Consultants, LLC	2	\$ -
19	BofA Securities, Inc.	1	\$ 1,990.1
19	Burke Stelling Group, LLC	1	\$ 270.1

Note: Ranked by number of deals

D.A. Davidson Bank M&A Transactions

 has agreed to be acquired by  SELL-SIDE ADVISOR	 has agreed to merge with  SELL-SIDE ADVISOR	 has agreed to acquire  BUY-SIDE ADVISOR
 has acquired six branches from  BUY-SIDE ADVISOR	 has agreed to be acquired by One America Bancorp Inc. SELL-SIDE ADVISOR	 has been acquired by  SELL-SIDE ADVISOR

D.A. Davidson Bank Capital Offerings

 has completed a follow-on offering of common stock \$143,750,000	 has completed a follow-on offering of common stock \$34,500,000 SOLE BOOKRUNNING MANAGER	 has partnered with a new investor \$53,000,000 FINANCIAL ADVISOR
 has completed a follow-on offering of common stock \$86,293,125	 has completed a public offering of subordinated notes \$74,750,000	 has completed a private placement of perpetual preferred stock \$80,750,000 LEAD PLACEMENT AGENT

Financial Institutions Investment Banking

Ramsey Gregg Co-Head of FIG IB Managing Director (714) 850-8349 rgregg@dadco.com	Tom Hayes Co-Head of FIG IB Managing Director (406) 268-3084 thayes@dadco.com	Chuck Stubbs Co-Head of FIG IB Managing Director (919) 740-4671 cstubbs@dadco.com	Jay Junior Managing Director (410) 369-1177 jjunior@dadco.com	Eugene Katz Managing Director (312) 525-2768 gkatz@dadco.com	Edward Losty Managing Director (303) 764-6030 elosty@dadco.com
-----------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------	------------------------------------------------------------------------------	--------------------------------------------------------------------------------

Stephen Nelson Managing Director (312) 525-2769 snelson@dadco.com	Nathan Ail Director (310) 500-3859 nail@dadco.com	Peter Losty Director (212) 882-3904 plosty@dadco.com	Michael Engellant Vice President (406) 268-3088 mengellant@dadco.com	Brett Theriault Vice President (312) 525-2773 btheriault@dadco.com
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Equity Capital Markets

Rory McKinney President Equity Capital Markets (310) 500-3865 rmckinney@dadco.com	Liam Healy Head of Institutional Equities (312) 934-2688 lhealy@dadco.com
John Backus Managing Director Institutional FIG Trading (212) 257-6051 jbackus@dadco.com	Tom Diffely Director of Institutional Research (503) 603-3049 tdiffely@dadco.com

FIG Equity Research

Jeffrey Rulis Managing Director Sr. Research Analyst (503) 603-3025 jrulis@dadco.com	Gary Tenner Managing Director Sr. Research Analyst (503) 603-3026 gtenner@dadco.com
Peter Winter Managing Director Sr. Research Analyst (212) 882-3917 pwinter@dadco.com	Manuel Navas Sr. Vice President Sr. Research Analyst (212) 223-5405 mnavas@dadco.com

Community Bank Group

Nick Bicking Sr. Vice President (614) 710-7060 nbicking@dadco.com	Tom Dooley Sr. Vice President (614) 710-7061 tdooley@dadco.com
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Josh Nolan Managing Director Equity Capital Markets (212) 882-3914 jnolan@dadco.com	Joseph Pattison Managing Director Institutional FIG Sales (503) 603-3008 jpattison@dadco.com
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Source: S&P Capital IQ Pro
 (1) Includes all whole bank and branch M&A transactions. Transaction league tables are as of 11/13/2024