



Mergers & Acquisitions Expected to Rebound in 2021

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The Covid-19 pandemic brought M&A activity for community banks and credit unions to a halt in 2020. All expectations for 2021 are that M&A activity is likely to pick up significantly. Much of this activity is due to organizations that had planned to sell or start acquiring in 2020 to make up for lost time, but it will also be due to the changes in the industry as a result of the pandemic.

Electronic and mobile banking adoption accelerated as financial institutions closed branches or provided limited access during the pandemic. Today, not having a digital banking platform (internet and mobile apps) is no longer an option. Financial institutions need to re-assess branch networks in light of how customers/members bank today. Among the reasons that will drive many organizations to sell are:

- Long-term impact of low interest rates, today's compressed margin, and the future impact of rising rates
- Cost/Liability of data security
- Regulatory compliance costs
- Lack of management succession

Conversely, those organizations that have made the technology infrastructure investments, have staffing in place that can succeed in this volatile time, and are comfortable thinking outside the traditional banking box have great opportunities.

How We can Assist

Young & Associates, Inc. has been assisting banks and credit unions for over 43 years and have assembled a team of qualified professionals that can assist you in your acquisition or help you prepare to sell your organization and maximize your return.

The industry is fortunate in that we have many excellent investment bankers, law firms, and accounting firms that provide great advice on the pricing, structure, and regulatory requirements. But as anyone who has been through an acquisition or merger can tell you, it is the knowledge you gain during due diligence and post-merger integration that, in the end, will determine if the transaction was successful. Our services will supplement the services acquired from your investment banker, law firm, and accounting firm.

While due diligence and post-merger integration can be done by your staff, our breadth of knowledge, gained from decades of working for hundreds of banks and credit unions, brings a broader perspective. We deal with many of these issues regularly and can often be more efficient. We also understand that time is of the essence for due diligence and will make your engagement a priority to be completed in the time needed.

Due Diligence Assistance

Loan Due Diligence: We can provide a timely assessment of the underwriting, management, and quality of the target's loan portfolio. We have experts from all disciplines of lending, including ALLL analysis and credit process. We will help you understand the culture of the organization you are acquiring.

Interest Rate Risk and Liquidity Management Due Diligence: We can assist you in determining the target institution's level of interest rate and liquidity risk. This can then help you as you consider the combined organization's level of risk. This will help you answer the following question: Does the combined organization fit within your risk "comfort zone?"

Compliance Due Diligence: Many aspects of compliance, such as Fair Lending and BSA/AML, will become the acquirer's problem if there was an issue prior to acquisition. Having the target's compliance program reviewed prior to closing can help you understand the degree of compliance risk you will be assuming.

IT Due Diligence: This is an often overlooked but critical piece of information to understand how well or what IT-related issues a target bank may have that will need to be addressed post-acquisition.

Strategic Planning: We can help you assess how the acquisition will fit into your strategic direction. If your strategic plan involves potential acquisitions, have you put a plan/process in place to prepare for it, or will you put it together on the fly if an acquisition comes along? Analyzing how the target fits with your culture and your strategic direction is one of the most important aspects of a successful acquisition.

Succession Planning: While much of the attention in an acquisition analysis is on the financial aspects of the transaction, the quality and depth of the human resources of the target institution are the drivers of the target's current success or challenges. We can assist you with reviewing the target's succession plan or help you craft a new one for the combined organization.

Interagency Bank Merger Application Assistance

We can assist you with the delineation of the relevant geographic markets, evaluation of competitive factors in the proposed transaction, CRA assessment area data and mapping, demographic information, business environment data, information on traffic patterns, and other relevant market information.

We can also help you craft your business plan that is a required part of the application.

Post-Acquisition Integration

Post-acquisition integration is the key to whether your merger/acquisition is successful. You will have just spent many millions of dollars to buy an organization. Buying the organization is not the end result but the beginning of many months and years of hard work to get the return you expect.

There are several ways we can help you achieve the results you expect from the transaction:

- **Employee and Customer Communications**
- **Strategic, Capital, and Succession Plan Updates**, based on the combined organization
- **Re-assessment of your Branch Network**. Does it make sense to consolidate any branches, especially given the changes that the pandemic has brought along to digital banking adoption?
- **Periodic Loan Review and Compliance Review** will allow you to assess the quality of results at both the overall organization and the acquired organization.
- **Analysis of Workflow and Staffing** of the combined organization
- **Assessment of your Human Resources Management**. Retaining key members of the acquired organization's staff is often the biggest determinant of future success. This is especially true for your frontline commercial/ag/private bankers and key deposit/cash management personnel who are often the day-to-day face of the organization for your largest customers.

These are just some of the ways Young & Associates can work with you to have a long-term successful acquisition, based on your unique needs. Contact us today for more information on how we can assist you with your M&A efforts.

About Young & Associates, Inc.

Young & Associates, Inc. has provided consulting, training, and practical products for community financial institutions for over 43 years. We strive to provide the most up-to-date solutions for our clients' needs, while remaining true to our founding principles and goals – to ease the management of your organization, reduce the regulatory burden, improve your bottom line, and increase shareholder value.

To learn more about Young & Associates, Inc. and how we can assist your organization, visit our website or contact Dave Reno, Director – Lending and Business Development.

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