

Nationwide Community Bank Stock Valuation & Deal Activity Last 12 Months



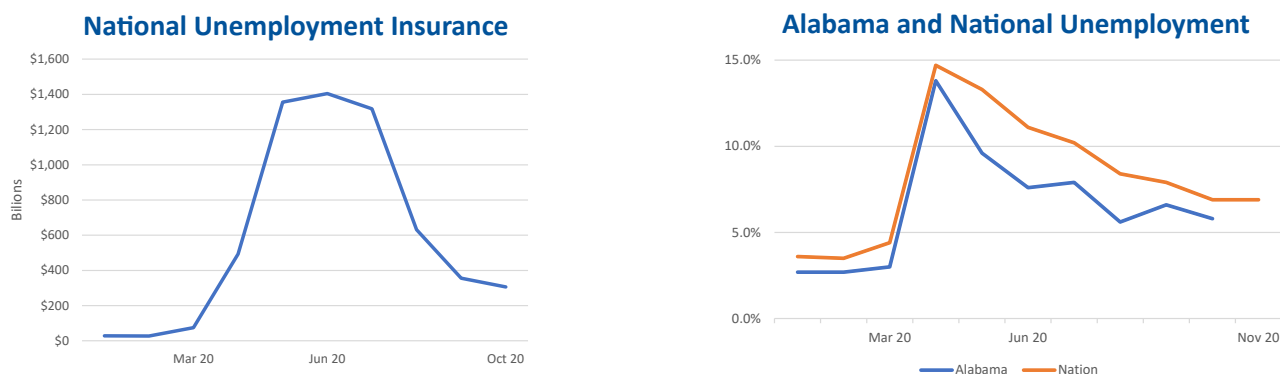
Falloff in stock and deal pricing from COVID credit risk and long term NIM pressure. Post COVID M&A volumes off from inability to accurately assess credit risk. Improving stock and most recent deal valuation reflect minimal realized credit issues, potential vaccine.

Note: Community banks are defined as having less than \$10B in assets, regional banks less than \$250B in assets.

ALABAMA COMMUNITY BANK INDUSTRY NEWS

- **Tax Code:** Incoming administration tax policy includes (i) increase in corporate rates from 21% to 28%, (ii) taxation of capital gains as ordinary income on greater than one million dollars, (iii) elimination of step up basis for capital gains and reducing estate tax exemption to \$3.5 million and increasing top estate tax rate to 45%. Implementation of these changes will be a challenge given probable divided Congress, however many bankers may want to consult their tax advisors (Source: <https://taxfoundation.org/joe-bide-tax-plan-2020/>).
- **Market Disruption:** PNC's \$11.7 billion purchase of BBVA/Compass will have a meaningful impact on Alabama banking.
- **Potential Branch Sales:** Approximately 20 PNC and BBVA branches throughout Alabama are within 2 miles of each other.
- **PPP:** New Stimulus Bill working its way through Congress includes \$288 billion for PPP.
- **Credit Union NIM:** Due to prevalence of fixed rate auto and mortgage loans, Credit Unions Year over Year NIM decline was 34 bps versus 60 bps for Banks. Industry wide, Credit Union NIM stands at 3.28% vs 2.63% for banks.
- **Ag Loans:** Excess liquidity from stimulus support has resulted in slowing Q3 Ag loan volume, down 2.7% from Q2 levels.
- **Mergers:** Mergers are gaining popularity in today's low valuation market as a way for Community Banks to build scale, capital, and potentially enhance long term return for shareholders. See <https://pwco.com/covid-capital-scale-opportunity-a-case-for-community-bank-mergers/> for a recent blog on this topic.
- **November Alabama M&A activity:** None.

Q3 ALABAMA ECONOMIC PERFORMANCE



Stimulus wind down caused falloff in National Unemployment Compensation however Alabama unemployment fell from 6.6% in September to 5.8% in October. Sources: FRED, Alabama Department of Labor, US Department of Labor, S&P Global Market Intelligence.