

Indiana Bank & Thrift Stock Update

quarterly analysis for IBA members courtesy of Michael A. Renninger, Renninger & Associates

Stock Analysis as of Sept. 30, 2024

Fed Announces Rate Cut & Large Bank Stock Prices Recovering



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Nine months into 2024, the average of the four broad market indices tracked increased 18.4% year to date while the average of the four bank & thrift indices tracked increased 15.3%. The median for Indiana-based NASDAQ banks is up 10.5% and the median for Indiana-based over-the-counter banks is up 3.4%.

The median stock price for the seven out-of-state banks with significant Indiana operations over \$100 billion in assets increased 20.4% and for the seven out-of-state banks under \$100 billion in assets increased 7.2%. Clearly, larger banks are experiencing a faster stock price recovery than smaller banks.

The Federal Reserve announced a 50-basis-point interest rate cut Sept. 18, 2024 - its first since initiating rate increases in March 2022 - citing increased unemployment and moderating inflation.

Mergers and acquisitions activity has picked up significantly in recent months as banks seek economies through growth. Perhaps the most consequential announcement involving an Indiana-based bank is German American Bancorp's acquisition of Heartland BancCorp, a \$1.9B bank with 23 branches serving the greater Columbus and Cincinnati markets. The acquisition will increase GABC's assets by 30% to \$8.1B and branch count by 32% to 96, and substantially expands its geographic market presence into Ohio. The all-stock transaction is valued at \$330.2 million, which represents 217.5% of tangible common equity and 16.4 times earnings. The pricing multiple, which is substantially higher than the mean of 123% of tangible book value for transactions announced over the prior year, is made possible by GABC's stock price trading at about 230% of tangible book value. As stated in the July 29, 2024, announcement, Heartland will be merged into German American but, interestingly, will operate under a co-branded name in Ohio.

The transaction follows the theme established in recent years with Indiana-based banks acquiring sizable banks in neighboring states. Old National acquired Nashville-based CapStar Financial Holding Inc. (\$3.3 billion in assets) on Apr. 1, 2024, and First Financial Corporation acquired Dayton, Tennessee-based Simply Bank (\$702 million) on July 1, 2024. In 2022, Old National merged with Chicago-based First Midwest Bancorp (\$21 billion), First Merchants acquired Farmington Hills, Michigan-based Level One Bancorp Inc. (\$2.5 billion), German American acquired Shelbyville, Kentucky-based Citizens Union Bancorp (\$1.1 billion), and Finward Bancorp acquired Chicago-based Royal Financial Inc. (\$533 million). In 2021, Horizon Bancorp acquired 14 Michigan branches (\$976 million) from Huntington/TCF and First Financial acquired Hawesville, Kentucky-based Hancock Bancorp Inc. (\$344 million).

The path to earnings growth and increased efficiency doesn't always mean acquisition. First Merchants announced on Aug. 27, 2024, the sale of five Illinois branches in the southeast Chicago area. Old Second National Bank will buy the branches (\$304 million in deposits) for a deposit premium of 7.5%. Like First Merchants, Merchants Bank of Indiana also sought to streamline operations by selling its four branches in central Illinois to two separate bank buyers in January.

The Size, Pricing and Profitability Reports for Indiana banks and thrifts as of Sept. 30, Aug. 31, July 31 and June 30, 2024, are available by [clicking here](#). These reports present stock price changes for the 29 Indiana banks and thrifts that are traded on the NASDAQ and Over-the-Counter markets over the prior two years, one year and year-to-date, in addition to pricing and performance metrics. Selected banks headquartered outside Indiana, four broad market indices, and four bank and thrift indices are also tracked.

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