

Indiana Bank & Thrift Stock Update

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

Stock Analysis as of Dec. 31, 2024

Large Banks Outpaced Smaller Banks in 2024



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The average of the four broad market indices tracked increased 21.8% over the course of 2024, while the average of the four bank and thrift indices tracked increased 25.3%. The median for Indiana-based NASDAQ banks increased 12.5% and the median for Indiana-based OTC banks decreased 0.5%. The median stock price for the seven out-of-state banks with significant Indiana operations over \$100 billion in assets increased 22.6% and for the seven out-of-state banks under \$100 billion in assets increased 13.2%.

While it is notable that the median Indiana-based OTC bank stock price was basically flat for the year when the larger banks increased significantly, there was also a wide disparity in individual bank price changes from 25% increases to 30% decreases.

Indiana-based NASDAQ banks traded at a median price to tangible book value multiple of 121% and a price earnings multiple of 13.2. The Indiana-based OTC banks traded at a more conservative median price to tangible book value multiple of 87% and a price earnings multiple of 10.2.

After announcing the first interest rate cut of 50 basis points in September 2024 since initiating rate increases in March 2022, the Federal Reserve cut interest rates by an additional 25 basis points in November, then again in December. The Federal Reserve signaled its expectation that future interest rates cuts may come less frequently than previously anticipated by the market. There is still optimism that bank profitability will increase as the yield curve normalizes, credit risks remain under control, inflation continues to moderate and regulatory pressures ease.

As discussed in [last quarter's report](#), several larger Indiana-based banks have become serial

acquirers of banks in neighboring states over the last three years. Old National is taking that trend to a higher level with the Nov. 25, 2024, announcement that it is acquiring Bremer Financial Corp. based in St. Paul, Minnesota. The acquisition will deepen Old National's current market presence in Minnesota and Wisconsin and expand into North Dakota. As Indiana's largest bank, Old National will grow from \$54 billion in assets to over \$70 billion. To put this in perspective, Bremer, with \$16.2 billion in assets, is nearly the size of the second and third largest Indiana-based banks.

Old National will pay \$1.4 billion for Bremer with approximately 22% of the consideration in cash and 78% in stock. The price represents just 98.5% of book value, 106.5% of tangible book value and 12.3 times earnings. These multiples are significantly below the median book value (120.2%), tangible book value (125.3%) and earnings multiples (17.0) for Midwest banking transactions in the prior 12 months.

The Size, Pricing and Profitability Reports for Indiana banks and thrifts as of Dec. 31, Nov. 30 and Oct. 31, 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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