

4 KEY TAKEAWAYS

The Outlook for Industry Consolidation and Considerations for Deal-Making Given Uncertain Macro/Industry Backdrop and Potential Regulatory Considerations

[Kilpatrick Townsend's Gary Bronstein](#) recently joined [Jeffries'](#) Ken Usdin (Large-Cap Banks) and Casey Haire (Mid-Cap Banks) on the "Bank M&A Expert Call" to discuss the outlook for industry consolidation and considerations for deal-making given the uncertain macro/industry backdrop and potential regulatory considerations. The general outlook for industry consolidation, strategic shifts in CEO sentiment around future positioning, and regulatory considerations and prospects for framework changes were featured topics.

Mr. Bronstein's key takeaways, include:

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Most bank mergers are stock deals and because of declines in bank stock prices due to economic uncertainty, there has been a significant decline in deal volume. When buyer stock prices decline there is usually a lag in seller price expectations. Nevertheless, banks continue to seek scale to leverage the digital platform and enhance the customer experience.

In 2022, regulatory uncertainty has developed, especially for larger bank deals. The tone at the top at some of the federal banking agencies has changed resulting in increased scrutiny and slower processing of merger applications by regulators.

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Some Federal bank regulators have expressed concerns that bank mergers diminish competition, limit access to financial services in underserved communities and larger deals present systemic risk to the financial system. Recently, the regulators have required public hearing for large transactions providing community groups with leverage to require large investments by buyers in the community.

The CFPB's announced priorities is to promote access to financial services to minorities and underserved communities, equitable access to credit and fair, competitive and transparent financial markets. The CFPB has expressed concern about the potential impact of increased use of algorithms for underwriting credit. These priorities will likely result in increased enforcement actions against banks and fintech lenders which could preclude bank targets of these enforcement actions from buying other companies.

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For more information, please contact Gary Bronstein: gbronstein@kilpatricktownsend.com.