
CREDIT UNION DIGEST

1st 2019 deal involving credit union buying bank lands in Florida

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By Ken McCarthy *Market Intelligence*

When VyStar CU agreed to acquire the assets of Perry, Fla.-based Citizens State Bank, it marked the first deal of the New Year involving a credit union buying a bank. At closing the deal would be the largest U.S. credit union ever to buy a community bank, according to S&P Global Market Intelligence data.

Jacksonville, Fla.-based VyStar is the 17th-largest credit union in the country with \$8.06 billion in assets as of Sept. 30, 2018. VyStar President and CEO Brian Wolfburg said in a July 2018 interview that the credit union planned to increasingly look for M&A opportunities as it marches toward \$10 billion in assets.

Prior to the VyStar deal, the largest credit union to acquire a bank was Lake Michigan CU with close to \$6 billion in assets.

U.S. credit unions announced nine deals to acquire banks in 2018. There were six credit union-buying-bank deals announced in 2017, although one of those was later terminated.

US credit unions buying banks in 2018

Listed by deal announcement date

Buyer	Target	Target state	Announcement date	Deal status	Target assets (\$M)
Advia CU	Golden Eagle Community Bank	IL	11/14/18	Pending	155.1
Sound CU	Bank of Washington	WA	09/21/18	Pending	205.7
IBM Southeast Employees' CU	Oculina Bank	FL	07/26/18	Pending	358.6
CU ONE	Hantz Bank	MI	05/04/18	Pending	228.6
Mid Oregon FCU	Certain assets and liabilities of High Desert Bank	OR	03/28/18	Completed on 06/18/18	20.5
LGE Community CU	Georgia Heritage Bank	GA	03/22/18	Completed on 09/28/18	94.7
Evansville Teachers FCU	American Founders Bank Inc.	KY	03/12/18	Completed on 10/31/18	113.4
Superior Choice CU	Dairyland State Bank	WI	02/20/18	Completed on 08/31/18	79.1
Achieva CU	Preferred Community Bank	FL	02/14/18	Completed on 09/30/18	117.6

Data compiled Nov. 14, 2018.

Analysis includes U.S. bank and thrift whole-company deal announcements between Jan. 1, 2018, and Nov. 14, 2018, where the buyer is a U.S. credit union.

Total assets as of most recent quarter available at deal announcement date.

Source: S&P Global Market Intelligence

Dennis Holthaus, managing director at boutique investment bank Skyway Capital Markets, said many credit unions now have excess capital and are eager to deploy it through growth strategies, including M&A. "It can be deployed organically, but the cost of organic growth is going up on the deposit side without loan rates necessarily keeping pace, resulting in more credit unions looking to grow through mergers," said Holthaus, who has advised on several credit union-bank deals, including VyStar's Citizens State Bank deal.

Holthaus pointed to positive economic trends in the Southeast and said that momentum is improving the value of community bank franchises, which in turn is motivating community bank boards and management

teams to explore the possibility of selling. Michael Bell, an attorney with Howard & Howard, said the Southeast in general and Florida in particular are very active spots for credit union-bank deal talks.

Bell has advised buyers in many deals involving credit unions buying banks, including the VyStar transaction. He expects that many more such announcements will be coming soon and predicted that 2019 should surpass 2018 in terms of the number of deals. The next credit union-bank deal will likely be announced as soon as the end of January, according to Bell.

"I have a couple competing for the next announcement, and I'm not sure which will be first," Bell said in an interview.

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