

WELLS FINANCIAL CORP

Form 425

April 05, 2017

relations conferences, or meetings with analysts or potential investors.

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ACQUISITION OF R: 1 G: 44 B: 86 R: 171 G: 4 B: 50







I. Transaction Summary





- Transaction gives CZWI a strong market presence in southern Minnesota opportunities in the Bank's key markets of Minnesota and Wisconsin
- Transaction provides CZWI with a stable low cost deposit base for organic growth
- At closing, the combined company's assets will equal \$940 million, while deposits will

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equal \$750 million • Immediately accretive to EPS1 as the transaction is expected to generate earnings accretion of over 50% in the first full year after closing • Tangible book value payback period of approximately 3 years • Continued focus on building a commercial banking model 5 Transaction Highlights 1 Excludes one-time merger costs

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6 Transaction Rationale Acquisition helps CZWI bridge “valuation gap” as its pro forma franchise will be nearly \$1.0 billion in assets Consistent with  
CZWI’s strategy of “re-formulating” its deposit base – core deposits vs. super market branches Continued loan portfolio diversification Intention to drive

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shareholder value through improved earnings and enhanced future EPS Strategic Rationale Financially Attractive Conservative credit mark – coverage of NPAs excluding restructured loans within market norms CZWI is familiar with market, and has completed past acquisition Tangible improvement in interest rate risk position Low Risk Integration Immediately accretive to EPS1 as the transaction is expected to generate earnings accretion of over 50% in the first full year after closing Attractive EPS accretion in subsequent years TBV Dilution Payback Period of approximately 3 years Operating synergies result in appreciable cost savings Q Excludes one-time merger costs

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<sup>7</sup> Transaction Terms <sup>1</sup> Based on 780,388 Wells Financial shares outstanding and exchange ratio of 0.7636, and CZWI share price of \$12.69 <sup>2</sup> Based on net income available to common shareholders of \$2.39 million for the twelve months ended 12/31/16 Wells Financial Corporation Transaction Value<sup>1</sup> \$39.8

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million Consideration 81% Cash, 19% Stock Price/TBV 124.6% Price/LTM EPS2 16.7x Required Approvals Customary regulatory and shareholder approval Expected Closing Q3 2017

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II. Wells Financial Corporation Overview





9 WEFP Overview Wells Federal Bank was founded in Q934 and is headquartered in Wells, MN Wells Financial Corp. was formed in Q995  
when Wells Federal Bank converted from a mutual to a stock company Strong core deposit base Maintains top market share amongst community

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banks in respective counties Led by President & CEO James Moll, and Patrick Scott, Treasurer & CFO 9 Branches concentrated in southern Minnesota Strong returns on both assets and equity Source: SNL Financial For the Twelve Months Ended In \$000s except for per share data

12/31/14	12/31/15	12/31/16	Balance Sheet	Total Assets	\$251,826	\$274,779	\$268,475	Total Gross Loans	\$185,915	\$200,920	\$200,331	Total Deposits
\$221,972	\$239,950	\$233,010	Loans/Deposits	82.99%	83.18%	85.40%	Capital	Common Equity	\$24,086	\$28,419	\$32,075	Total Equity/Assets
10.34%	11.95%		Tang. Common Equity/Tang. Assets	9.51%	10.25%	11.89%	Tangible Equity/Tangible Assets	9.51%	10.25%	11.89%	Profitability	
Measures	Net Interest Margin	3.54%	3.69%	3.70%	Non Interest Income/Average Assets	1.43%	1.51%	1.45%	Non Interest Expense/Average Assets	3.63%	3.57%	3.57%
Efficiency Ratio	72.11%	67.31%	70.83%	ROAA	0.52%	1.87%	0.88%	ROAE	4.93%	17.02%	7.54%	Net Income
\$2,387	Asset Quality	NPAs (excl TDRs)/Assets	1.85%	1.34%	1.29%	NCOs/Avg Loans	0.05%	0.13%	0.06%	Reserves/Loans	1.16%	0.99%
												0.95%

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Franchise Footprint 10Source: SNL Financial Sorted by Total Deposits U3 1st St SW Wells 53,143 1601 Adams St Mankato 48,604 2630 Bridge Ave Albert Lea 43,357 303 S Main St Blue Earth 26,273 501 1st Ave S Saint James 23,027 1015 Hwy 15 S Fairmont \$19,229 104 Main St N

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Minnesota Lake 12,735    496 W North St Owatonna 10,317    1618 S Minnesota Ave Saint Peter 9,182    Total Deposits \$245,867    Address City    R016  
Total    Deposits

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(\$000) % of Total    Constr & Dev 17,249 3.1%    Constr & Dev 8,653 4.3%    Constr & Dev 25,902 3.5%    1-4 Family Residential 198,313 36.1%    1-4 Family Residential 62,585 31.2%    1-4 Family Residential 260,898 34.8%    Home Equity 9,320 1.7%    Home Equity 25,274 12.6%    Home Equity 34,594 4.6%    Owner - Occ CRE 24,921 4.5%    Owner - Occ CRE 18,044 9.0%    Owner - Occ CRE 42,965 5.7%    Other CRE 30,903 5.6%    Other CRE 16,534 8.3%    Other CRE 47,437 6.3%    Multifamily 15,550 2.8%    Multifamily 2,030 1.0%    Multifamily 17,580 2.3%    Commercial & Industrial 25,988 4.7%    Commercial & Industrial 10,687 5.3%    Commercial & Industrial 36,675 4.9%    Consr & Other 227,065 41.3%    Consr & Other 56,524 28.2%    Consr & Other 283,589 37.8%    Total Loans \$549,309 100.0%    Total Loans \$200,331 100.0%    Total Loans \$749,640 100.0%    MRQ Yield on Loans: 4.68%    MRQ Yield on Loans: 4.60%    MRQ Yield on Loans: 4.66%    C&D 3.1%    1-4 Fam 36.1%    HELOC 1.7%    OwnOcc CRE 4.5%    Other CRE 5.6%    Multifam 2.8%    C&I 4.7%    Consr & Other 41.3%    C&D 4.3%    1-4 Fam 31.2%    HELOC 12.6%    OwnOcc CRE 9.0%    Other CRE 8.3%    Multifam 1.0%    C&I 5.3%    Consr & Other 28.2%    C&D 3.5%    1-4 Fam 34.8%    HELOC 4.6%    OwnOcc CRE 5.7%    Other CRE 6.3%    Multifam 2.3%    C&I 4.9%    Consr & Other 37.8%

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14 Pro Forma Deposits CZWI WEFP Combined Composition Composition Composition Deposit Type (\$000) % of Total Deposit Type (\$000) % of Total Deposit Type (\$000) % of Total Non Interest Bearing 51,045 9.5% Non Interest Bearing 24,854 10.5% Non Interest Bearing 75,899 9.8% NOW &

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Other Trans 112 0.0% NOW & Other Trans 30,954 13.1% NOW & Other Trans 31,066 4.0% MMDA & Sav 228,418 42.4% MMDA & Sav 127,975 54.1%  
MMDA & Sav 356,393 46.0% Time Deposits < \$100k 128,716 23.9% Time Deposits < \$100k 40,726 17.2% Time Deposits < \$100k 169,442 21.9% Time  
Deposits > \$100k 130,188 24.2% Time Deposits > \$100k 12,044 5.1% Time Deposits > \$100k 142,232 18.4% Total Deposits \$538,479 100.0% Total Deposits  
\$236,553 100.0% Total Deposits \$775,032 100.0% MRQ Cost of Deposits: 0.81% MRQ Cost of Deposits: 0.14% MRQ Cost of Deposits: 0.61% Loans /  
Deposits 102.0% Loans / Deposits 84.7% Loans / Deposits 96.7% Non Int. Bearing 9.5% MMDA & Sav 42.4% Time Deposits < \$100k  
23.9% Time Deposits > \$100k 24.2% Non Int. Bearing 10.5% NOW Accts 13.1% MMDA & Sav 54.1% Time Deposits <  
\$100k 17.2% Time Deposits > \$100k 5.1% Non Int. Bearing 9.8% NOW Accts 4.0% MMDA & Sav 46.0% Time Deposits <  
\$100k 21.9% Time Deposits > \$100k 18.4% Note: Financial Data as of 12/31/16, Regulatory data shown, does not include purchase accounting  
adjustments Source: SNL Financial

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15 Transaction Summary Transaction drives earnings growth and overall shareholder value for both CZWI and WEPF shareholders Significantly increases presence in the southern Minnesota market with the ability to leverage existing resources Pro forma institution is well equipped to deliver higher

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earnings      Bridges value gap much more quickly than on an organic basis; pro forma      company approaching \$1.0 billion in assets      Increases CZWI's ability  
to serve larger customers

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of 1995. All statements other than statements of historical fact, are forward-looking statements. In some cases, you can identify forward-looking statements by words such as “may,” “hope,” “will,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” “could,” “future” or terms or other words of similar meaning. You should carefully read forward-looking statements, including statements that contain these words, because they discuss the future expectations or state other “forward-looking” information about CZWI. Such statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of CZWI. Forward-looking statements speak only as of the date they are made and CZWI assumes no duty to update such statements. In addition to factors previously disclosed in reports filed by CZWI with the Securities and Exchange Commission (“SEC”), additional risks and uncertainties may include, but are not limited to: the possibility that any of the anticipated benefits of the proposed mergers will not be realized or will not be realized within the expected time period; the risk that integration of operations with those of CZWI will be materially delayed or will be more costly or difficult than expected; the inability to complete the mergers due to the failure of shareholder approval to adopt the respective merger agreements; the failure to satisfy other conditions to completion of the mergers, including receipt of required regulatory and other approvals; the failure of the proposed mergers to close for any other reason; the effect of the announcement of the mergers on customer relationships and operating results; the possibility that the mergers may be more expensive to complete than anticipated, including as a result of unexpected factors or events; and general competitive, economic, political and market conditions and fluctuations. As stated previously, additional factors affecting CZWI are discussed in CZWI’s Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K, filed with the SEC. Please refer to the SEC’s website at [www.sec.gov](http://www.sec.gov) where you can review those documents.

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sale, issuance or transfer of securities in any jurisdiction in contravention of any applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended. Additional Information About The Proposed Transaction and Where To Find It Investors are urged to read the Agreement and Plan of Merger between CZWI and Wells Financial Corp. (“Wells”) dated March 17, 2017, for a more complete understanding of the terms of the transactions discussed herein. This presentation does not constitute a solicitation of any vote or approval.

In connection with the merger, CZWI will be filing with the Securities and Exchange Commission (“SEC”) a Registration Statement on Form S-4 and other relevant documents. STOCKHOLDERS ARE URGED TO READ THE REGISTRATION STATEMENT ON FORM S-4 TO BE FILED BY CZWI WHEN IT BECOMES AVAILABLE AND ANY OTHER RELEVANT DOCUMENTS FILED BY CZWI WITH THE SEC, AS WELL AS ANY AMENDMENTS OR SUPPLEMENTS TO THOSE DOCUMENTS, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. The Registration Statement, including the proxy statement/prospectus, and other relevant materials (when they become available), and any other documents filed by CZWI with the SEC, may be obtained free of charge at the SEC’s website at [www.sec.gov](http://www.sec.gov). Documents filed by CZWI with the SEC, including the registration statement, may also be obtained free of charge from CZWI’s website <http://www.sn1.com/IRWebLinkX/corporateprofile.aspx?iid=4091023> by clicking the “SEC Filings” heading, or by directing a request to CZWI’s CEO, Stephen Bianchi at [sbianchi@ccf.us](mailto:sbianchi@ccf.us). The directors, executive officers and certain other members of management and employees of Wells may be deemed to be “participants” in the solicitation of proxies for stockholder approval. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of stockholder approval will be set forth in the proxy statement/prospectus and the other relevant documents to be filed with the SEC.

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