



Bank7 Corp. to Acquire Watonga Bancshares, Inc.

Investor Presentation

October 7, 2021

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Strategic Rationale



Investment Highlights

Excellent core deposit franchise that can be leveraged by Bank7's loan origination capacities to drive immediate earnings accretion

- Core deposits equivalent to 97.5% of total deposits as of 6/30/2021
- Considerable liquidity for Bank7 to utilize for loan growth with 53.7% gross loans / deposits

Strategic expansion in core market

- Branch locations fit naturally within Bank7's existing footprint, with three branches on the western edge of the Oklahoma City metropolitan area
- Oklahoma City continues to be a strong market, with projected 2021 – 2026 population growth of 4.3% (compared to 2.9% nationwide) and an unemployment rate of 2.9% (compared to 3.5% statewide and 5.4% nationwide) as of July 2021

Conservatively-managed bank with multiple generations of family ownership and long history of low levels of problem loans

- Nonperforming assets equivalent to <0.1% of total assets as of 6/30/2021
- Net recoveries in the twelve months ended 6/30/2021 equivalent to 0.05% of average gross loans

Financially Compelling

- Aggregate Merger Consideration¹: **\$32.0M**
- Price / Estimated TBV at Close: **1.41x**
- Price / 2023e Earnings²: **8.5x**
- Core Deposit Premium: **4.6%**
- Total Risk Based Capital Ratio at Close: **~12.9%**
- 2022e Earnings Accretion³: **~7.3%**
- 2023e Earnings Accretion³: **~13.4%**
- TBV Earnback: **~3 years**
- Internal Rate of Return: **>15%**
- 2023 ROATCE Pickup: **~300bps**

1. Estimated merger consideration based on Watonga Bancshares, Inc.'s estimated tangible common equity at close.

2. Anticipated run-rate earnings including cost savings and other adjustments.

3. Assumes cost savings equivalent to 40.0% of WBI's noninterest expense, phased in 75% in 2022 and 100% in 2023.

Watonga Bancshares, Inc. (WBI) Overview



Company Overview

- Watonga Bancshares, Inc. (WBI) is the bank holding company for Cornerstone Bank, which established operations in 1928
- The Bank provides personal and business banking services out of 3 branch locations on the western edge of the Oklahoma City metropolitan area
- Experienced employee base with successful, long-term customer relationships in the Oklahoma City market

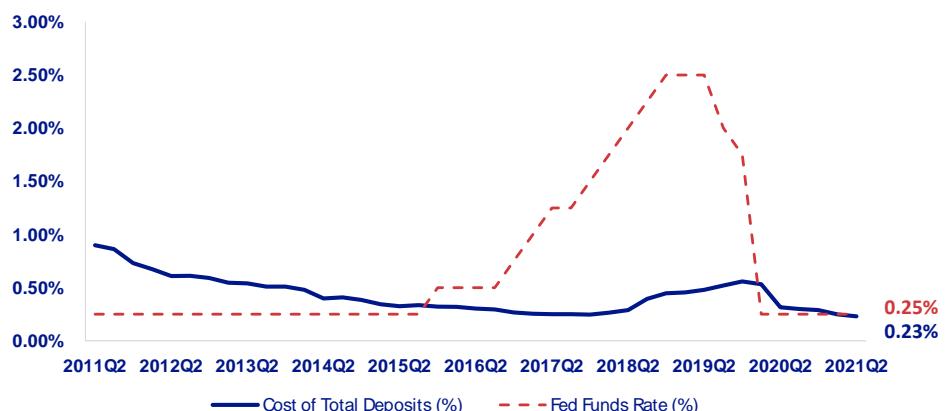
Company History

| | |
|-------------|--|
| 1928 | Founded in Watonga, OK as Watonga State Bank |
| 1992 | Purchased second branch location in Geary, OK |
| 2006 | Changed name to Cornerstone Bank |
| 2008 | Established third branch location in Mustang, OK |
| 2013 | Opened business banking center in Mustang branch |

Bank Level Financial Highlights

| | FY 2018 | FY 2019 | FY 2020 | Q1 2021 | Q2 2021 |
|--------------------------------------|---------|---------|---------|---------|---------|
| BALANCE SHEET | | | | | |
| Total Assets (\$M) | 207 | 220 | 221 | 229 | 241 |
| Gross Loans (\$M) | 81 | 91 | 109 | 112 | 116 |
| PPP Loans (\$M) | - | - | 3 | 5 | 3 |
| Total Deposits (\$M) | 192 | 200 | 195 | 204 | 215 |
| Gross Loans / Deposits (%) | 42.4 | 45.4 | 55.8 | 54.7 | 53.7 |
| Loan Loss Reserves / Gross Loans (%) | 1.27 | 1.00 | 0.97 | 0.94 | 0.91 |
| TCE / TA (%) | 6.56 | 8.14 | 10.14 | 9.67 | 9.43 |
| INCOME STATEMENT | | | | | |
| Net Income (\$M) | 1.7 | 1.7 | 0.9 | 0.5 | 0.5 |
| ROAA (%) | 0.83 | 0.78 | 0.42 | 0.98 | 0.82 |
| ROAE (%) | 13.0 | 10.1 | 4.6 | 9.8 | 8.7 |
| Net Interest Margin (%) | 3.22 | 3.28 | 3.53 | 3.94 | 3.44 |
| Efficiency Ratio (%) | 70.9 | 73.5 | 98.0 | 69.0 | 72.8 |
| Yield on Loans (%) | 5.25 | 5.50 | 5.36 | 5.98 | 5.39 |
| Cost of Deposits (%) | 0.35 | 0.50 | 0.36 | 0.25 | 0.23 |
| BANK LEVEL CAPITAL RATIOS | | | | | |
| Leverage Ratio (%) | 8.15 | 8.39 | 8.60 | 8.76 | 8.37 |
| Common Equity Tier 1 Ratio (%) | 15.44 | 15.54 | 15.08 | 15.11 | 14.99 |
| Total Risk-based Capital Ratio (%) | 16.40 | 16.32 | 15.92 | 15.93 | 15.79 |

Cost of Total Deposits (%)



Transaction Summary and Assumptions



Transaction Summary

| | |
|------------------------------|---|
| Transaction Structure | <ul style="list-style-type: none">▪ Consideration: 100% cash transaction▪ Purchase price equivalent to a \$9.25 million premium to WBI's tangible common equity at close▪ Implied aggregate merger consideration: \$32.0 million |
| Closing | <ul style="list-style-type: none">▪ Required approvals: WBI's shareholder approval (>50% of voting agreements already received) and customary regulatory approvals▪ Expected closing: Q4 2021 |

Key Assumptions

| | |
|--|---|
| Earnings Estimates | <ul style="list-style-type: none">▪ BSVN's earnings estimates per street consensus▪ WBI's earnings estimates per BSVN management |
| Cost Savings & Other Earnings Adjustments | <ul style="list-style-type: none">▪ Estimated \$2.6 million of pre-tax run-rate savings, or 40.0% of WBI's 2022e noninterest expense▪ Phased in 75% in 2022, 100% thereafter |
| Transaction Expenses | <ul style="list-style-type: none">▪ After-tax one-time merger costs of \$0.9 million (2.9% of deal value) |
| Fair Market Value Adjustments | <ul style="list-style-type: none">▪ Gross loan mark of approximately \$1.1 million, or 0.94% of gross loans excluding PPP<ul style="list-style-type: none">– Equal to 1.0x reserves▪ Fixed asset write-up of \$1.75 million, amortized straight line over 20 years |
| Core Deposit Intangible | <ul style="list-style-type: none">▪ 0.53% core deposit intangible (\$1.0 million), amortized sum-of-the-years digits over 10 years |

Financial Impact & Pricing



\$32.0M

Aggregate Merger Consideration

Valuation Metrics

1.41x

Price / Tangible Book Value²

Financial Impact¹

~7.3%

2022e Earnings per Share Accretion

8.5x

Price / 2023e Earnings³

~13.4%

2023e Earnings per Share Accretion

4.6%

Core Deposit Premium

~3 years

Tangible Book Value Earnback

Pro Forma Financial Highlights

~20%

~8.7%

~12.9%

>15%

Internal Rate of Return

**2023E
ROATCE**

**TCE/TA Ratio
at Close**

**TRBC Ratio
at Close**

~300bps

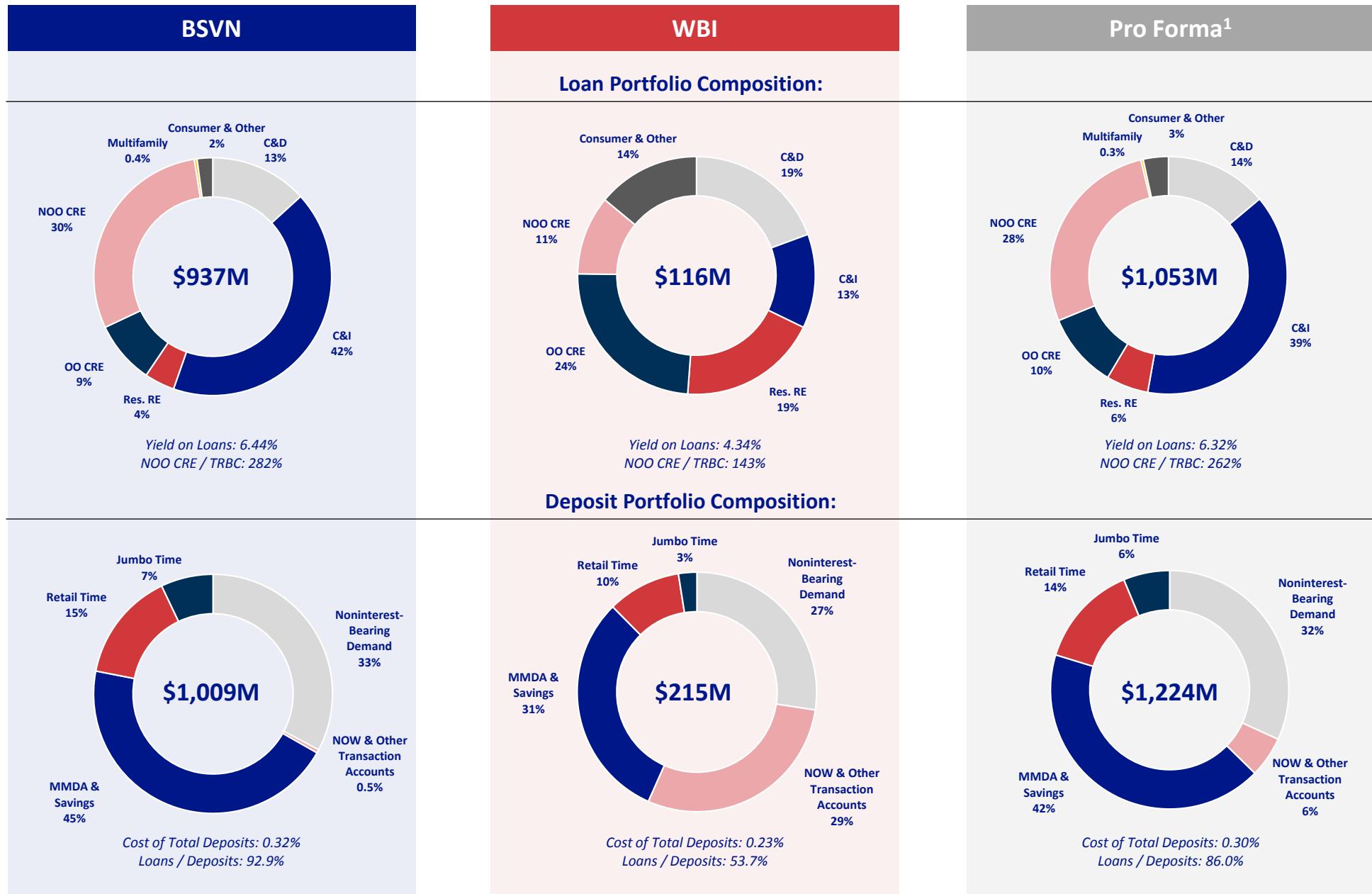
2023e ROATCE Pickup

1. Transaction impact metrics assume purchase accounting adjustments and other assumptions highlighted on the previous page.

2. Estimated tangible book value at close.

3. Anticipated run-rate earnings including cost savings and other adjustments.

Pro Forma Loan & Deposit Composition



Note: Bank level regulatory financial data as of 6/30/2021. Totals may not sum to 100% due to rounding.

1. Pro forma excludes purchase accounting adjustments.