

# Capital Financing Strategies and Successful Use of Proceeds

*Presented to:*



*Presented by:*

**Loomis & Co., Inc.**

*and its wholly owned subsidiary,*

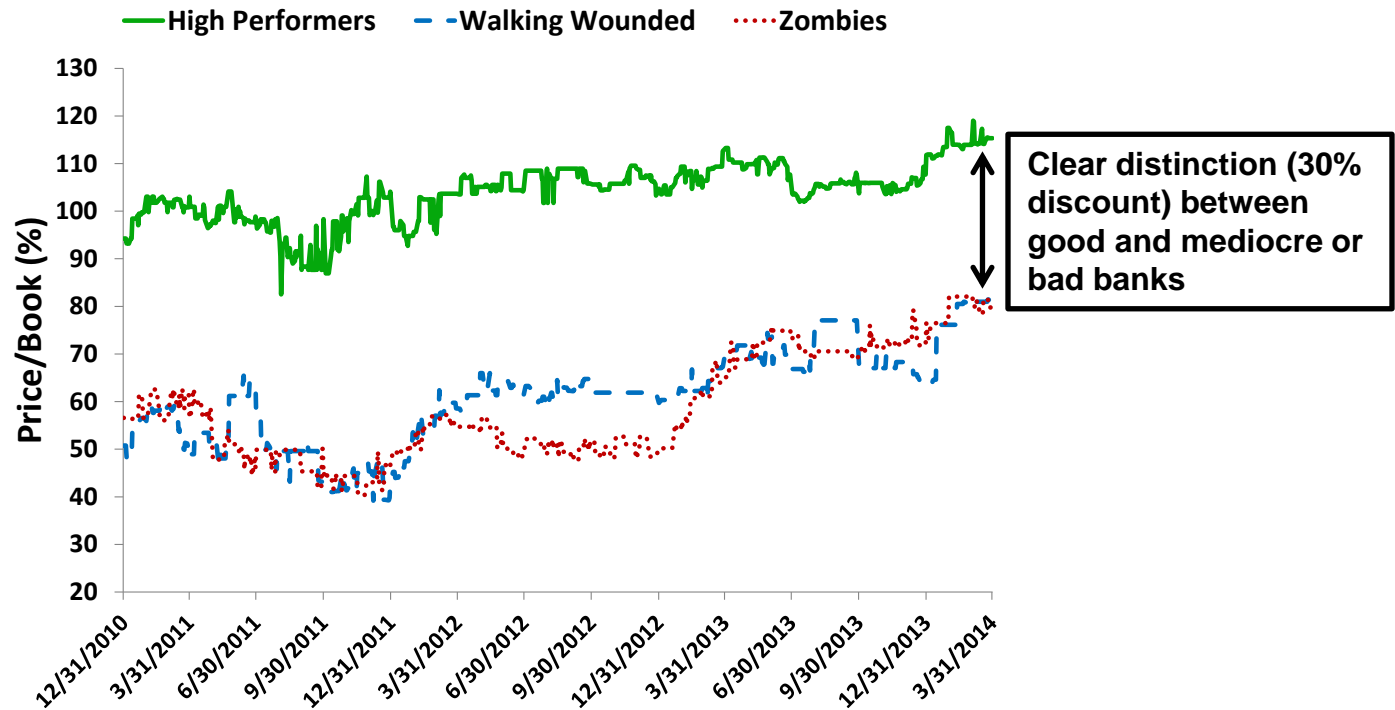
**NORTH**  
*Capital & Advisory, Inc.*  
**EAST**

May 15, 2014

# Market Update

## Bimodal Bank Equities Market

- High/Above Average Performers – Earnings & Clean Loans
- Walking Wounded – Little or No Core Earnings, Modest Loan Problems
- Zombies – Credit losses, Loan Problems



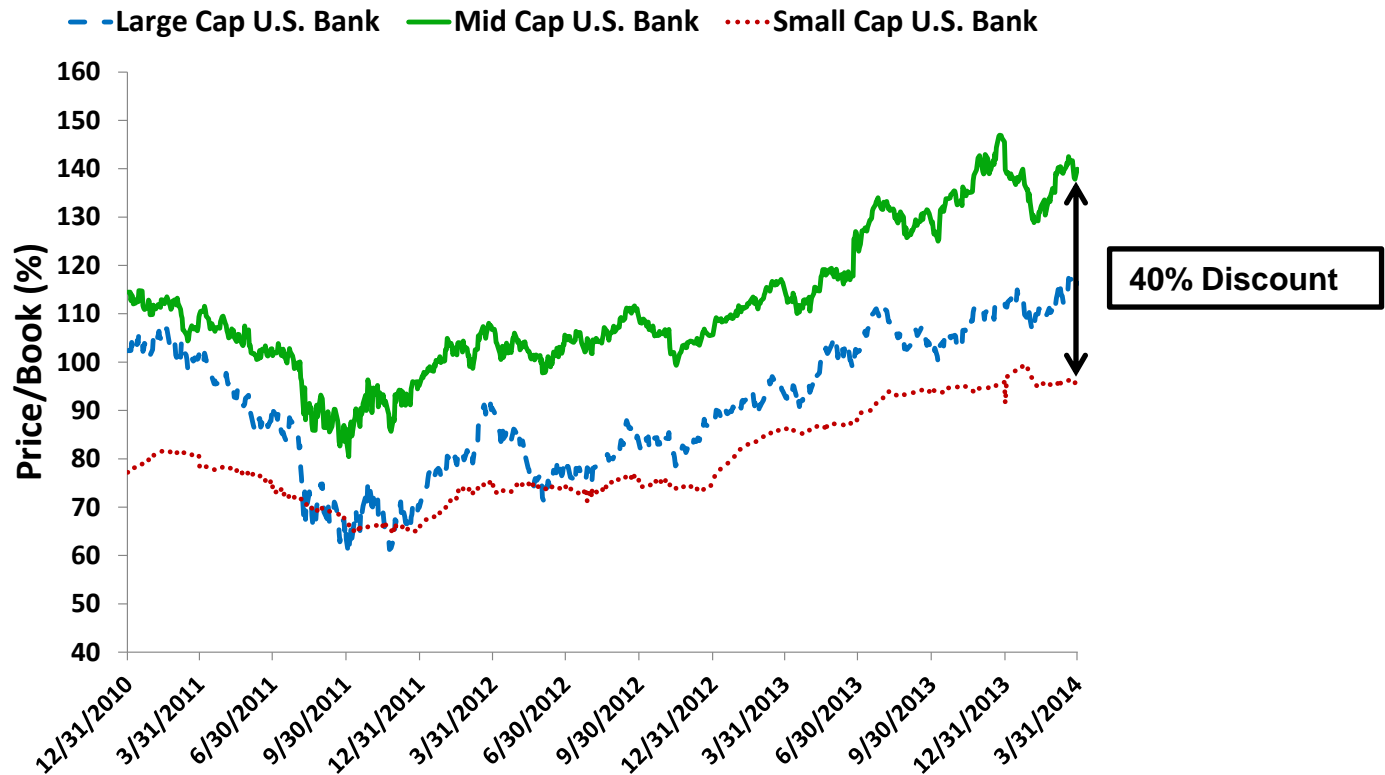
High performers: LTM ROAA > 0.75%, NPAs/ Assets < 2%; Walking Wounded: LTM ROAA 0 – 0.5%, NPAs/ Assets 3 – 5%; Zombies: NPAs/ Assets > 5%  
Index is the median of each bank sector.

Source: *Bankinsight*

# Market Update

## Segmented Performance

- Persistent pricing gap between regional banks and community bank, yet large banks priced close to community banks due to litigation and regulatory compliance costs.



Large Cap Bank: Total Asset > \$10Billion; Mid Cap Bank: Total Asset > \$1Billion; Small Cap Bank: Total Asset < \$1 Billion.  
Index is calculate based on the weighted average (by total asset) of each bank sector.

Source: *Bankinsight*

# Capital Planning

---

## Requisite Components

- **Asset Liability Management**
  - i. Changing mix or holding constant
- **Capital Raising Alternatives**
- **Contingency Plans**
  - i. Interest rate shock
  - ii. Sustained low interest rates
  - iii. Credit problems/stress tests
  - iv. Investment portfolio hits

# Capital Rationing

---

## Hierarchy

### Most Important

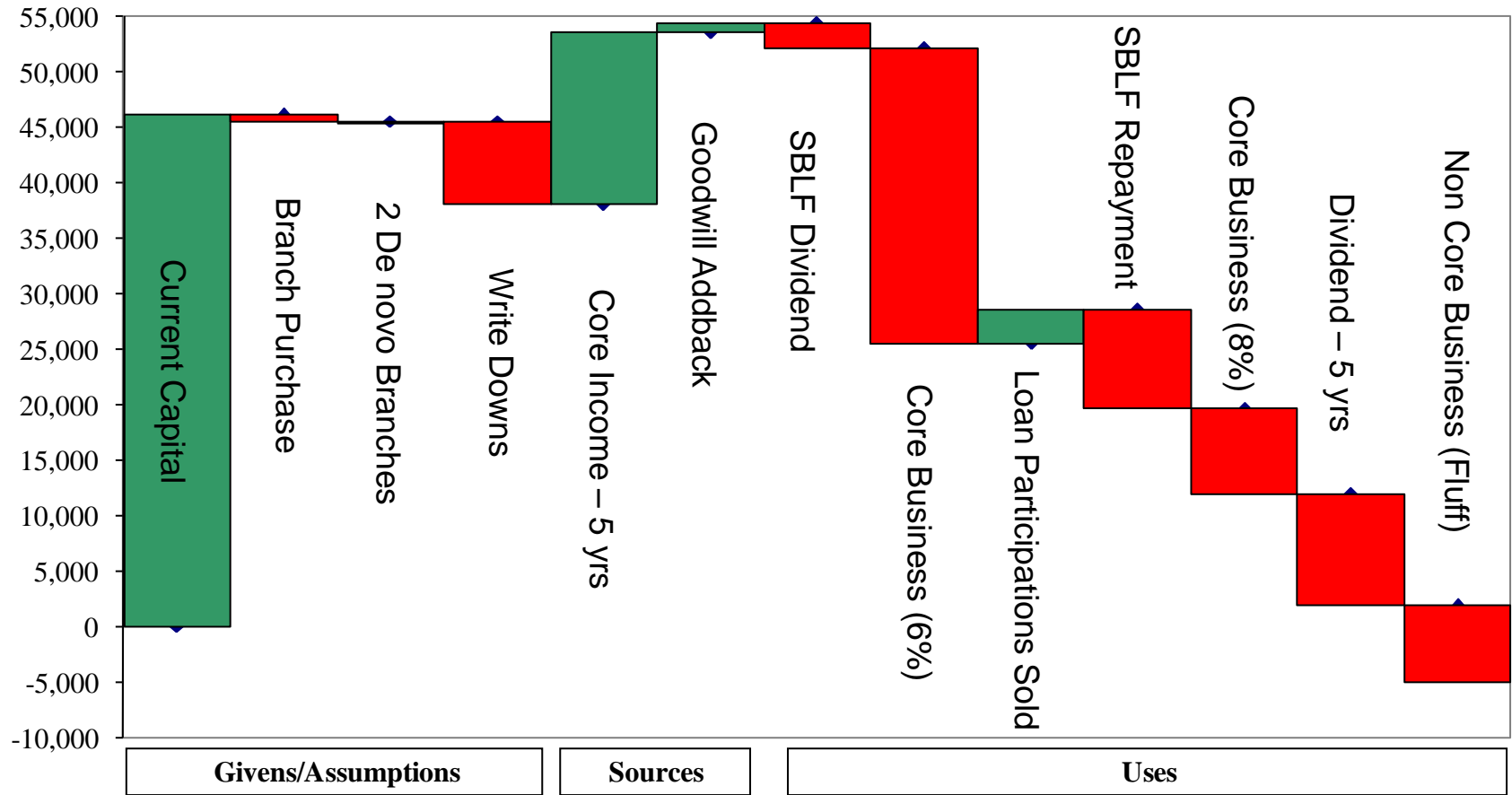


- Maintain 6.0% Capital Ratio
- Support Core Business Growth/ Consider Loan Participations
- Maintain 8.0% Capital Ratio
- Pay Back SBLF Before Rate Jumps
- Shareholder Dividend
- Non-Core Business – “Balance Sheet Fluff”

### Least Important

# Capital Rationing

## Example



# Selected Internal Capital Strategies

---

- **Unwind Wholesale Leverage**

- i. Poor risk adjusted ROE (Today 5 – 8% ROE)

- *Generally, credit & interest rate risk not fully factored in*

- *Competing (on MBS) with tax advantaged REITs, who bid yields down*

- **Cut or Eliminate Cash Dividend**

- i. Example - FNFG

- **Limit Growth to Most Profitable**

- i. Cherry pick loans or consider sizable loan participations

- ii. Lower deposit pricing to bottom quartile

# Contingency Planning

---

## Requisite Components

- **Extraordinary Loan Losses (Stress test)**
- **Rising Rate Impact on Net Interest Income**
- **Extended Low Rate Impact on Net Interest Income**
  
- **Banks @ 8% or more possibly handle internally & recover**
- **Banks @ 7% or less probably going to need outside capital**



# Critical Considerations

---

- **Structure**
- **Priority Claims**
- **Tier 1 Qualifying or Not**
- **Cost of Capital**
- **Distribution**
- **Size of Offering**

# Structure

---

- **Bank or BHC**
- **Mutual or Stock**
- **Existing use of preferred, SBLF, TARP, or TRUP's.**
- **Organic growth and earnings anticipated.**

# Capital Capacity Projection


	Actual 12/31/2013	Projected 12/31/2014	Projected 12/31/2015	Projected 12/31/2016	Projected 12/31/2017	Projected 12/31/2018
Total Bank Equity	23,140	24,574	26,105	19,110 *	20,862	22,730
LESS: Net unrealized gains on AFS secs.	-959	-959	-959	-959	-959	-959
LESS: Net unrealized loss on AFS equity secs.	42	42	42	42	42	42
LESS: Disallowed def tax assets	1,886	1,886	1,886	1,886	1,886	1,886
<b>Tier 1 Capital</b>	<b>22,171</b>	<b>23,605</b>	<b>25,136</b>	<b>18,141</b>	<b>19,893</b>	<b>21,761</b>
Allowance for Loan Losses	1,861	1,935	2,013	2,093	2,177	2,264
<b>Risk Based Capital</b>	<b>24,032</b>	<b>25,540</b>	<b>27,149</b>	<b>20,234</b>	<b>22,070</b>	<b>24,025</b>
<b>Average Total Assets</b>	<b>256,746</b>	<b>272,151</b>	<b>288,480</b>	<b>305,789</b>	<b>324,136</b>	<b>343,584</b>
<b>Risk weighted Assets</b>	<b>187,858</b>	<b>199,129</b>	<b>211,077</b>	<b>223,742</b>	<b>237,166</b>	<b>251,396</b>
<b>Net Income</b>	1,314	2,041	2,164	2,293	2,431	2,577
<b>Share Buybacks</b>	0	241	232	232	214	214
<b>Common Dividend **</b>	327	366	400	433	465	495
<b>Tier 1 Leverage Ratio</b>	8.64%	8.67%	8.71%	5.93%	6.14%	<b>6.33%</b>
<b>Tier 1 Risk Based Ratio</b>	11.80%	11.85%	11.91%	8.11%	8.39%	8.66%
<b>Total Risk Based Ratio</b>	12.79%	12.83%	12.86%	9.04%	9.31%	9.56%

		Asset Growth					
		2.0%	4.0%	6.0%	8.0%	10.0%	
Share Buyback 0.00% Yearly	ROAA	0.50%	6.39%	5.93%	5.52%	5.15%	4.82%
		0.75%	7.59%	7.09%	6.63%	6.23%	5.86%
		1.00%	8.79%	8.24%	7.75%	7.30%	6.90%
Share Buyback 1.75% Yearly	ROAA	0.50%	6.02%	5.60%	5.22%	4.87%	4.56%
		0.75%	7.22%	6.76%	<b>6.33%</b>	5.95%	5.61%
		1.00%	8.43%	7.91%	7.45%	7.03%	6.65%
Share Buyback 3.00% Yearly	ROAA	0.50%	5.78%	5.38%	5.02%	4.69%	4.40%
		0.75%	6.98%	6.54%	6.14%	5.77%	5.44%
		1.00%	8.19%	7.69%	7.25%	6.85%	6.49%

\* Redeem SBLF of \$8,623,000

\*\* Dividend Per Share increases from \$0.44 in 2013 to \$0.72 in 2018.

# Priority Claims

Form of Capital	Priority Claims	Benefits	Considerations
Senior Debt	<p style="text-align: center;">Highest</p>  <p style="text-align: center;">None</p>	<p>Issued by HC with proceeds down-streamed to Bank. Maturity must be minimum of 5 years. Counts as Tier 1 capital at Bank level, no capital treatment at holding co. level. Interest payments tax-deductible. No change in ownership.</p>	<p>Can you raise enough? Not permanent capital. Must be able to dividend funds from Bank to service debt. Will not solve capital issue at holding co. level. Limited market for small companies; usually obtained as loan from another financial institution</p>
Subordinated Debt		<p>May be issued by HC or Bank Maturity must be minimum of 5 years If issued by HC, considered Tier 2 capital at holding co., can be contributed to Bank as Tier 1. If issued by Bank, considered Tier 2. Interest payments tax-deductible. No change in ownership.</p>	<p>Can you raise enough? Not permanent capital. If Tier 2 capital, sub debt limited to 50% of Tier 1 capital; capital qualifications reduced 20% annually during last 5 years to maturity. Limited market for small companies, usually private placed with community financial institution or private investor.</p>
Trust Preferred Securities		<p>Issued by trust subsidiary of HC. Maturity typically 30 years. Counts as Tier 1 capital. Interest payments tax-deductible. Capital limit is 25% of Tier 1, net of goodwill. Callable at par after 5 years</p>	<p>Can you raise enough? Not permanent capital. Capital qualification is reduced 20% annually during last 5 years to maturity. Reflected on balance sheet as long term debt. Window for issuances remains closed for pooled securities.</p>
Preferred Stock		<p>Increases tangible equity without increasing common shares. Non-cumulative perpetual preferred counts as Tier 1.</p>	<p>Higher current cash cost relative to common stock issuance. Coupon paid in after tax dollars. Limited market for smaller institutions.</p>
Common Stock		<p>Tier 1 capital in the form most favored by regulators. Represents permanent capital. Can be issued in a variety of structures.</p>	<p>Concerns about dilution to existing shareholders. Current stock prices remain depressed. Potential concern over ability to effectively deploy excess capital.</p>

# Tier One Qualifying or Not

---

- **Limits on preferred, TRUP's (25% of pro forma Tier 1)**
- **Common**
- **Mutual capital certificates**
- **BHC debt downstreamed as bank equity**

# Mutual Capital Certificates

---

- **European and Canadian Model Precedents.**
- **H.R. 4252 introduced on March 14, 2014.**
- **Qualify as Tier 1 common equity capital by statute.**
- **Subordinate, unsecured, and not redeemable for 5 years.**
- **No voting or preemptive rights.**
- **Dividends payable, not cumulative, as Board authorizes.**
- **Prognosis is uncertain.**

- **Debt collateralized by subsidiary's stock, tax deductible interest expense at 5.50 – 6.50%.**
- **Downstreamed as equity to Bank, boosting its capital ratios.**
- **H.R. 3329 introduced October 23, 2013 to increase eligibility to banks under \$1.0 billion in total assets from \$500 million.**
- **Can't be an SEC registrant, nor engaged in significant non-banking activities.**
- **Debt to equity of 1 to 1, TRUP's counts up to 25% of equity.**
- **Debt must have maturity of less than 12 years.**
- **Cash flow match (debt service) must exceed 1.1 to 1.**
- **Consolidated capital importance is less significant.**

# Cost of Capital (Lowest to highest)

---

- **SBLF through 2016** (Approx. 1% after tax)
- **BHC debt downstreamed as bank equity** (3.5% - 4% after tax)
- **TRUP's** (5% - 6% after tax)
- **Preferred** (6.5% - 7% convertible, 8% - 9% fixed after tax)
- **Common** (12% - 15% after tax)



# Capital: Small Business Lending Fund (SBLF)

---

- **The Company's initial dividend rate payable on SBLF capital is, at most, five percent, and the dividend rate falls to one percent if the Bank's level of Qualified Small Business Lending (QSBL) increases by ten percent or more.**
- **Negatives:** Government money (the SBLF) → bad stigma.  
Rate balloons to 9% in 2016.
- **Positives:** Long term, patient investor.  
Cheaper source of capital, versus 12% for common.
- **Choices:** Keep, refinance, or retire.

# Recent Financings

## Convertible Preferred Issued since 2011

Fixed Rate														
Institution Name	City	State	Announcement		Dividend Rate	Offering Price	Callable?	Call Date	Gross			Market Price Before Announcement	Conversion Price Premium	
			Date	Description					Call Price	Amount Offered	Conversion Strike Price			
First Citizens Banc Corp	Sandusky	OH	9/13/2013	Depository shares representing 1/40th share of 6.500% non-cumulative redeemable convertible perpetual preferred stock	6.50	25.00	No		25	25,000	7.82	6.59	18.7%	
Community Financial Shares, Inc	Glen Ellyn	IL	7/17/2013	Series C convertible non-cumulative perpetual preferred stock, \$1.00 par value	NA	100.00	No		NA	119	1.00	1.25	-20.0%	
Southcrest Financial Group	Peachtree City	GA	1/22/2013	6.500% Series C non-cumulative convertible preferred stock	6.50	5.75	No		NA	5,544	5.75	N/A		
Cornerstone Bancshares, Inc	Mount Laurel	NJ	12/31/2012	5.000% Series C perpetual non-cumulative convertible preferred stock, no par value	5.00	NA	No		NA	NA	NA	2.29		
Community 1st Bank	Auburn	CA	12/20/2012	5.000% Series C non-cumulative perpetual convertible preferred stock, no par value	5.00	1,000.00	No		NA	2,800	2.75	3	-8.3%	
Community Financial Shares, Inc	Glen Ellyn	IL	11/13/2012	Series C convertible non-cumulative perpetual preferred stock, \$1.00 par value	NA	100.00	No		NA	13,341	1.00	1.01	-1.0%	
BOFI Holding, Inc	San Diego	CA	10/16/2012	6.000% Series C non-cumulative perpetual convertible preferred stock, \$0.01 par value	6.00	10,000.00	Yes	10/16/2015	10800	18,570	30.50	27.73	10.0%	
Hometown Bankshares Corporation	Roanoke	VA	6/30/2012	6.000% Series C non-cumulative perpetual convertible preferred stock	6.00	1,000.00	No		NA	14,000	6.25	4.95	26.3%	
OFG Bancorp	San Juan	PR	6/28/2012	8.750% Series C non-cumulative convertible perpetual preferred stock, \$1.00 par value	8.75	1,000.00	No		NA	84,000	11.77	10.46	12.5%	
Santa Clara Valley Bank, N.A.	Santa Paula	CA	4/10/2012	Series C redeemable convertible preferred stock, \$5.00 par value	NA	5.00	Yes		NA	1,135	2.50	5.28	-52.7%	
Wintrust Financial Corp	Rosemont	IL	3/13/2012	5.000% Series C non-cumulative convertible perpetual preferred stock, no par value	5.00	1,000.00	No		NA	126,500	41.13	33.98	21.0%	
BankUnited, Inc	Miami Lakes	FL	3/6/2012	Series A non-voting convertible preferred stock, \$0.01 par value	NA	NA	No		NA	NA	0.01	22.86	-100.0%	
BOFI Holding, Inc	San Diego	CA	11/2/2011	6.000% Series B non-cumulative perpetual convertible preferred stock, \$0.01 par value	6.00	1,000.00	Yes	9/7/2014	1080	7,000	16.15	14.56	10.9%	
BOFI Holding, Inc	San Diego	CA	9/30/2011	6.000% Series B non-cumulative perpetual convertible preferred stock, \$0.01 par value	6.00	1,000.00	Yes	9/7/2014	1080	1,065	16.15	13.51	19.5%	
BOFI Holding, Inc	San Diego	CA	9/1/2011	6.000% Series B non-cumulative perpetual convertible preferred stock, \$0.01 par value	6.00	1,000.00	Yes	9/7/2014	1080	8,667	16.15	14.18	13.9%	
BOFI Holding, Inc	San Diego	CA	9/1/2011	6.000% Series B non-cumulative perpetual convertible preferred stock, \$0.01 par value	6.00	1,000.00	Yes	9/7/2014	1080	3,450	16.15	14.18	13.9%	
Pacific Mercantile Bancorp	Costa Mesa	CA	8/22/2011	8.400% Series B-1 convertible noncumulative preferred stock, no par value	8.40	100.00	No		NA	3,700	5.32	4.09	30.1%	
Pacific Mercantile Bancorp	Costa Mesa	CA	8/22/2011	8.400% Series B-2 convertible noncumulative preferred stock, no par value	8.40	100.00	No		NA	7,500	5.32	4.09	30.1%	
First Community Bancshares, Inc	Bluefield	VA	5/23/2011	6.000% Series A non-cumulative convertible preferred stock, \$0.01 par value	6.00	1,000.00	Yes	5/20/2014	1000	18,921	14.49	13.81	4.9%	
Reliance Bancshares, Inc	Frontenac	MO	3/30/2011	7.000% Series C cumulative convertible perpetual preferred stock, no par value	7.00	1,000.00	No		NA	20	NA	1.1		
Waccamaw Bankshares, Inc.	Whiteville	NC	3/17/2011	9.000% Series B non-cumulative convertible perpetual preferred stock, no par value	9.00	30.00	No		NA	16,391	20.00	1.7	1076.5%	
United Community Banks, Inc	Blairsville	GA	3/16/2011	Series F convertible cumulative preferred stock, \$1.00 par value	NA	1,000.00	Yes	1/1/2016	NA	195,872	9.50	6.75	40.7%	
United Community Banks, Inc	Blairsville	GA	3/16/2011	Series G convertible cumulative preferred stock, \$1.00 par value	NA	1,000.00	Yes	1/1/2016	NA	151,185	1.90	6.75	-71.9%	
Taylor Capital Group, Inc	Rosemont	IL	1/28/2011	8.000% Series F non-cumulative contingent convertible preferred stock, \$0.01 par value	8.00	25.00	No		NA	25,000	10.00	11.75	-14.9%	
<b>Median Fixed Rate</b>		<b>24</b>			<b>6.00</b>					<b>11,004</b>			<b>12.5%</b>	
<b>Median Callable</b>		<b>9</b>			<b>6.00</b>					<b>8,667</b>			<b>10.9%</b>	
<b>Median Not Callable</b>		<b>15</b>			<b>6.75</b>					<b>13,341</b>			<b>15.6%</b>	

Source: SNL

# Recent Financings

## Convertible Preferred Issued since 2011 (continued)

Variable Rate										Gross			Market Price		Conversion
Institution Name	City	State	Announcement		Dividend Rate	Offering			Call Date	Call Price	Amount Offered	Conversion Strike Price	Market Price Before Announcement	Conversion Premium	
			Date	Description		Price	Callable?	Price							
Pascack Bancorp, Inc	Waldwick	NJ	4/24/2013	Variable rate series 2011C non-cumulative convertible preferred stock, no par value	6.00	20.00	No		NA	1,120	6.99	5.6	24.9%		
Broadway Financial Corporation	Los Angeles	CA	12/11/2012	Variable rate Series F non-cumulative mandatorily convertible preferred stock	9.00	NA	No		NA	NA	1.00	0.915	9.3%		
Broadway Financial Corporation	Los Angeles	CA	12/11/2012	Variable rate Series F non-cumulative mandatorily convertible preferred stock	9.00	NA	No		NA	NA	1.00	0.915	9.3%		
Broadway Financial Corporation	Los Angeles	CA	12/11/2012	Variable rate Series F non-cumulative mandatorily convertible preferred stock	9.00	NA	No		NA	NA	1.00	0.915	9.3%		
Newbridge Bancorp	Greensboro	NC	11/1/2012	Variable rate series B mandatorily convertible cumulative perpetual preferred stock, no par value	7.00	100.00	No		NA	42,246	4.40	4.26	3.3%		
Newbridge Bancorp	Greensboro	NC	11/1/2012	Variable rate series C mandatorily convertible cumulative perpetual preferred stock, no par value	7.00	100.00	No		NA	14,022	4.40	4.26	3.3%		
Yadkin Financial Corporation	Elkin	NC	10/25/2012	Variable rate Series A mandatory convertible cumulative perpetual preferred stock, no par value	15.00	1,000.00	No		NA	45,000	2.80	9.79	-71.4%		
Cecil Bancorp, Inc	Elkton	MD	4/20/2012	Variable rate series B mandatory convertible cumulative junior preferred stock, \$0.01 par value	9.00	17.20	No		NA	385	1.72	0.68	152.9%		
ConnectOne Bancorp, Inc	Englewood Cliffs	NJ	4/16/2012	Variable rate series C non-cumulative convertible preferred stock, no par value	3.25	1,000.00	No		NA	7,500	NA	N/A			
Cecil Bancorp, Inc	Elkton	MD	4/2/2012	Variable rate series B mandatory convertible cumulative junior preferred stock, \$0.01 par value	9.00	17.20	No		NA	2,446	1.72	0.75	129.3%		
Broadway Financial Corporation	Los Angeles	CA	2/14/2012	Variable rate Series F non-cumulative mandatorily convertible preferred stock	9.00	NA	No		NA	NA	1.00	1.5	-33.3%		
Broadway Financial Corporation	Los Angeles	CA	2/14/2012	Variable rate Series F non-cumulative mandatorily convertible preferred stock	9.00	NA	No		NA	NA	1.00	1.5	-33.3%		
ConnectOne Bancorp, Inc	Englewood Cliffs	NJ	12/31/2011	Variable rate series B non-cumulative convertible preferred stock, no par value	4.00	20.00	No		NA	1,181	NA	N/A			
Pascack Bancorp, Inc	Waldwick	NJ	7/25/2011	Variable rate series 2011C non-cumulative convertible preferred stock, no par value	6.00	20.00	No		NA	8,000	6.99	5	39.9%		
<b>Median Variable Rate</b>					<b>9.00</b>					<b>7,500</b>			<b>9.3%</b>		

Mandatorily Convertible										Gross			Market Price		Conversion
Institution Name	City	State	Announcement		Dividend Rate	Offering			Call Date	Call Price	Amount Offered	Conversion Strike Price	Market Price Before Announcement	Conversion Premium	
			Date	Description		Price	Callable?	Price							
FNBH Bancorp, Inc	Howell	MI	12/11/2013	Series B mandatorily convertible non-cumulative junior participating perpetual preferred stock, no par value	NA	NA	No		NA	500	0.70	1.2	-41.7%		
FNBH Bancorp, Inc	Howell	MI	8/8/2013	Series B mandatorily convertible non-cumulative junior participating perpetual preferred stock, no par value	NA	NA	No		NA	9,600	0.70	1.22	-42.6%		
FNBH Bancorp, Inc	Howell	MI	6/14/2013	Series B mandatorily convertible non-cumulative junior participating perpetual preferred stock, no par value	NA	NA	No		NA	7,500	0.70	2.5	-72.0%		
United Community Financial Corp	Youngstown	OH	1/15/2013	12.000% Series A perpetual mandatory convertible non-cumulative preferred shares, no par value	12.00	2,750.00	Yes	3/22/2013	2750	21,841	NA	3.18			
Jacksonville Bancorp, Inc	Jacksonville	FL	9/27/2012	5.000% Series A mandatorily convertible non-cumulative non-voting perpetual preferred stock, \$0.01 par value	5.00	1,000.00	No		NA	5,000	NA	20			
Jacksonville Bancorp, Inc	Jacksonville	FL	8/27/2012	5.000% Series A mandatorily convertible non-cumulative non-voting perpetual preferred stock, \$0.01 par value	5.00	1,000.00	No		NA	45,000	NA	23			
BNC Bancorp	High Point	NC	7/26/2012	Series B mandatory convertible preferred stock, no par value	NA	NA	No		NA	NA	NA	7.45			
BNC Bancorp	High Point	NC	5/31/2012	Series B-1 mandatory convertible cumulative non-voting preferred stock, no par value	15.00	1,000.00	No		NA	8,200	7.00	7.8	-10.3%		
BNC Bancorp	High Point	NC	5/31/2012	Series C mandatory convertible cumulative non-voting preferred stock, no par value	15.00	1,000.00	No		NA	38,885	7.00	7.8	-10.3%		
BNC Bancorp	High Point	NC	5/31/2012	Series C mandatory convertible cumulative non-voting preferred stock, no par value	15.00	1,000.00	No		NA	4,300	7.00	7.8	-10.3%		
BNC Bancorp	High Point	NC	5/31/2012	Series B-1 mandatory convertible cumulative non-voting preferred stock, no par value	15.00	1,000.00	No		NA	21,115	7.00	7.8	-10.3%		
Fresno First Bank	Fresno	CA	4/30/2012	5.000% Series C non-cumulative perpetual mandatorily convertible preferred stock, \$100 par value	5.00	100.00	No		NA	6,100	10.00	9.524	5.0%		
Summit Financial Group, Inc	Moorefield	WV	11/2/2011	8.000% Series 2011 non-cumulative mandatorily convertible preferred stock, due June 1, 2021	8.00	500.00	No		NA	809	NA	2.57			
Summit Financial Group, Inc	Moorefield	WV	7/27/2011	8.000% Series 2011 non-cumulative mandatorily convertible preferred stock, due June 1, 2021	8.00	500.00	No		NA	5,192	NA	3.51			
Carver Bancorp, Inc	New York	NY	6/29/2011	12.000% Series C mandatorily convertible non-cumulative non-voting participating preferred stock, \$0.01 par value	12.00	1,000.00	Yes	6/28/2013	1000	55,000	0.55	8.401	-93.5%		
MidSouth Bancorp, Inc	Murfreesboro	TN	3/25/2011	Series 2011-A mandatory convertible non-cumulative preferred stock, \$1.00 par value	NA	5.50	No		NA	1,001	2.50	14.55	-82.8%		
MidSouth Bancorp, Inc	Murfreesboro	TN	3/25/2011	Series 2011-A mandatory convertible non-cumulative preferred stock, \$1.00 par value	NA	5.00	No		NA	302	2.50	14.55	-82.8%		
Intermountain Community Bancorp	Sandpoint	ID	1/22/2012	Series B mandatorily convertible cumulative participating preferred stock, no par value	NA	50.00	No		NA	34,950	1.00	10.3	-90.3%		
First Bancshares Inc	Hattiesburg	MS	3/22/2013	6.000% Series D non-voting non-cumulative perpetual mandatorily convertible preferred stock, \$1.00 par value	6.00	10.25	No		NA	20,000	NA	10			
<b>Median Mandatorily Convertible</b>					<b>10.00</b>					<b>7,850</b>			<b>-42.1%</b>		

Source: SNL

# Recent Financings

## Preferred Issued since 2011 excluding TARP and SBLF

Non-Cumulative										
Institution Name	City	State	Announcement		Dividend Rate	Callable?	Call Date	Call Price	Mandatory	
			Date	Description					Redemption?	
Boston Private Financial Holdings, Inc.	Boston	MA	4/16/2013	6.950% Depository shares representing 1/40th share of series D non-cumulative perpetual preferred stock, \$1.00 par value	6.95	Yes	6/15/2018	25	No	No
Webster Financial Corporation	Waterbury	CT	11/27/2012	6.400% Depository shares representing 1/1000th interest in series E non-cumulative perpetual preferred stock	6.40	Yes	12/15/2017	25	No	No
First Horizon National Corporation	Memphis	TN	1/24/2013	Depository shares each representing 1/4000th interest in 6.200% series A non-cumulative perpetual preferred stock	6.20	Yes	4/10/2018	25	No	No
Banc of California, Inc.	Irvine	CA	6/5/2013	8.000% Depository shares representing 1/40 share of series C non-cumulative perpetual preferred stock, \$0.01 par value	8.00	Yes	9/15/2018	25	No	No
M&T Bank Corporation	Buffalo	NY	5/11/2011	6.875% Depository shares representing 1/10 interest in series D non-cumulative perpetual preferred stock	6.88	Yes	6/15/2016	1,000	No	No
First Republic Bank	San Francis	CA	11/15/2012	Depository shares representing 1/40th share of 5.625% series C non-cumulative perpetual preferred stock, \$0.01 par value	5.63	Yes	12/29/2017	25	No	No
First Republic Bank	San Francis	CA	4/16/2013	Depository shares representing 1/40th share of 5.500% series D non-cumulative perpetual preferred stock, \$0.01 par value	5.50	Yes	6/29/2018	25	No	No
Regions Financial Corporation	Birmingham	AL	10/25/2012	Depository shares each representing a 1/40th interest in series A 6.375% non-cumulative perpetual preferred stock	6.38	Yes	12/15/2017	25	No	No
Astoria Financial Corporation	Lake Success	NY	3/12/2013	Depository shares representing 1/40th of 6.500% series C non-cumulative perpetual preferred stock, \$1.00 par value	6.50	Yes	4/15/2018	25	No	No
Cullen/Frost Bankers, Inc.	San Antonio	TX	2/12/2013	5.375% Series A non-cumulative perpetual preferred stock, \$0.01 par value	5.38	Yes	3/15/2018	25	No	No
TCF Financial Corporation	Wayzata	MN	12/12/2012	6.450% Series B non-cumulative perpetual preferred stock, \$0.01 par value	6.45	Yes	12/19/2017	25	No	No
First Republic Bank	San Francis	CA	10/21/2013	Depository shares representing 1/40th share of 7.000% series E non-cumulative perpetual preferred stock, \$0.01 par value	7.00	Yes	12/28/2018	25	No	No
Taylor Capital Group, Inc.	Rosemont	IL	11/14/2012	8.000% Series A non-cumulative perpetual preferred stock, \$0.01 par value	8.00	Yes	2/15/2018	25	No	No
Associated Banc-Corp	Green Bay	WI	9/6/2011	8.000% Depository shares representing a 1/40th share of the series B non-cumulative perpetual preferred stock	8.00	Yes	9/15/2016	25	No	No
EverBank Financial Corp	Jacksonville	FL	10/12/2012	Depository shares representing 1/1000 interest 6.750% series A non-cumulative perpetual preferred stock, \$0.01 par value	6.75	Yes	1/5/2018	25	No	No
SunTrust Banks, Inc.	Atlanta	GA	12/13/2012	Depository shares representing 1/4000 interest in series E non-cumulative 5.875% perpetual preferred stock, no par value	5.88	Yes	3/15/2018	25	No	No
Zions Bancorporation	Salt Lake City	UT	4/22/2013	Depository shares representing 1/40th share of 5.750% series H non-cumulative perpetual preferred stock, no par value	5.75	Yes	6/15/2019	25	No	No
City National Corporation	Los Angeles	CA	11/5/2012	5.500% Depository shares each representing 1/40 interest in a share of series C non-cumulative perpetual preferred stock	5.50	Yes	11/13/2017	25	No	No
First Republic Bank	San Francis	CA	5/24/2012	Depository shares representing 1/40th share of 6.200% series B non-cumulative perpetual preferred stock, \$0.01 par value	6.20	Yes	6/1/2017	25	No	No
Texas Capital Bancshares, Inc.	Dallas	TX	3/21/2013	6.500% Series A non-cumulative perpetual preferred stock, \$0.01 par value	6.50	Yes	6/15/2018	25	No	No
BCB Bancorp, Inc.	Bayonne	NJ	11/4/2013	6.000% Series B noncumulative perpetual preferred stock, \$0.01 par value	6.00	No		NA	No	No
BCB Bancorp, Inc.	Bayonne	NJ	1/3/2013	6.000% Series A noncumulative perpetual preferred stock, \$0.01 par value	6.00	No		NA	No	No
OFG Bancorp	San Juan	PR	10/19/2012	7.125% Series D non-cumulative perpetual preferred stock, \$1.00 par value	7.13	Yes	11/16/2017	25	No	No
TCF Financial Corporation	Wayzata	MN	6/18/2012	7.500% Depository shares representing 1/1000th series A non-cumulative perpetual preferred stock, \$0.01 par value	7.50	Yes	6/25/2017	25	No	No
Zions Bancorporation	Salt Lake City	UT	4/30/2012	Depository shares representing 1/40th share of 7.900% series F non-cumulative perpetual preferred stock, no par value	7.90	Yes	6/15/2017	25	No	No
Bank of Stanly	Albemarle	NC	8/13/2013	5.300% Series C noncumulative perpetual preferred stock	5.30	No		NA	No	No
FirstMerit Corporation	Akron	OH	1/28/2013	Depository shares representing a 1/40th interest in a share of 5.875% series A non-cumulative perpetual preferred stock	5.88	Yes	2/4/2018	25	No	No
First Republic Bank	San Francis	CA	1/17/2012	Depository shares representing 1/40th share of 6.700% series A non-cumulative perpetual preferred stock, \$0.01 par value	6.70	Yes	1/30/2017	25	No	No
Northwest Bancorporation, Inc.	Spokane	WA	12/28/2012	5.500% Series D preferred stock	5.50	No		NA	No	No
Capitol Bancorp Ltd.	Lansing	MI	10/2/2012	6.000% Series A non-cumulative perpetual preferred stock, no par value	6.00	Yes	6/30/2013	100	No	No
Capitol Bancorp Ltd.	Lansing	MI	10/2/2012	6.000% Series A non-cumulative perpetual preferred stock, no par value	6.00	Yes	6/30/2013	100	No	No
CMS Bancorp, Inc.	White Plain	NY	5/24/2013	6.000% Series A noncumulative perpetual preferred stock, \$0.01 par value	6.00	Yes	5/22/2013	NA	No	No
Cornerstone Financial Corp.	Mount Laur	NJ	12/28/2011	7.000% Series B perpetual non-cumulative non-voting convertible preferred stock, no par value	7.00	Yes	12/27/2014	20	No	No
Exchange Bank	Santa Rosa	CA	7/9/2012	9.000% Series B non-cumulative perpetual preferred stock, no par value	9.00	Yes	8/13/2012	1,000	No	No
First Community Financial Partners, Inc.	Joliet	IL	7/9/2012	9.000% Series C preferred stock, \$1.00 par value	9.00	Yes	8/10/2012	1,000	No	No
Jacksonville Bancorp, Inc.	Jacksonville	FL	9/27/2012	10.000% Series B Non-cumulative non-voting perpetual preferred stock, \$0.01 par value	10.00	No	9/27/2012	NA	No	No
Mid Penn Bancorp, Inc.	Millersburg	PA	9/26/2012	7.000% Series B non-cumulative non-voting non-convertible perpetual preferred stock, \$1.00 par value	7.00	Yes	12/28/2012	1,020	No	No
<b>Median Non-Cumulative</b>					<b>6.45</b>					

Source: SNL

# Recent Financings

## Preferred Issued since 2011 excluding TARP and SBLF (continued)

Variable Rate										
Institution Name	City	State	Announcement		Dividend Rate	Callable?	Call Date	Call Price	Mandatory Redemption?	
			Date	Description						
Zions Bancorporation	Salt Lake City	UT	5/13/2013	Variable rate series I non-cumulative perpetual preferred stock, no par value	5.80	Yes	6/15/2023	1,000	No	
Zions Bancorporation	Salt Lake City	UT	1/28/2013	Depository shares representing 1/40th share of variable rate series G non-cumulative perpetual preferred stock	6.30	Yes	3/15/2023	25	No	
Zions Bancorporation	Salt Lake City	UT	8/5/2013	Variable rate series J non-cumulative perpetual preferred stock, no par value	7.20	Yes	9/15/2023	1,000	No	
F.N.B. Corporation	Hermitage	PA	10/29/2013	Depository shares each representing a 1/40th interest in variable rate series E non-cumulative perpetual preferred stock	7.25	Yes	2/15/2024	25	No	
First Niagara Financial Group, Inc.	Buffalo	NY	12/7/2011	Variable rate series B perpetual non-cumulative preferred stock, \$0.01 par value	8.63	Yes	2/15/2017	25	No	
Fifth Third Bancorp	Cincinnati	OH	5/13/2013	Depository shares representing a 1/25th share of variable rate series H non-cumulative perpetual preferred stock	5.10	Yes	6/30/2023	1,000	No	
Fifth Third Bancorp	Cincinnati	OH	12/4/2013	Depository shares representing a 1/1000th share of variable rate series I non-cumulative perpetual preferred stock	6.63	Yes	12/31/2023	25	No	
City National Corporation	Los Angeles	CA	10/31/2013	Depository shares representing 1/40th share of variable rate series D non-cumulative preferred stock, \$1.00 par value	6.75	Yes	11/7/2023	25	No	
Synovus Financial Corp.	Columbus	GA	7/18/2013	Variable rate series C non-cumulative perpetual preferred stock, no par value	7.88	Yes	8/1/2018	25	No	
Exchange Bank	Santa Rosa	CA	7/9/2012	Variable rate series A non-cumulative perpetual preferred stock, no par value	5.00	Yes	8/13/2012	1,000	No	
First Financial Holdings, Inc.	Columbia	SC	2/22/2013	Variable rate series A senior cumulative perpetual preferred stock, \$0.01 par value	5.00	Yes	7/26/2013	1,000	No	
Marquette National Corporation	Chicago	IL	7/9/2012	Variable rate series A cumulative perpetual preferred stock, \$0.01 par value	5.00	Yes	8/10/2012	1,000	No	
Premier Financial Bancorp, Inc.	Huntington	WV	7/9/2012	Variable rate series A cumulative perpetual preferred stock, no par value	5.00	Yes	8/10/2012	1,000	No	
Trinity Capital Corporation	Los Alamos	NM	7/9/2012	Variable rate series A senior cumulative perpetual preferred stock, no par value	5.00	Yes	8/10/2012	1,000	No	
Yadkin Financial Corporation	Elkin	NC	4/12/2012	Variable rate series T cumulative perpetual senior preferred stock, no par value	5.00	Yes	9/18/2012	1,000	No	
Yadkin Financial Corporation	Elkin	NC	4/12/2012	Variable rate series T-ACB cumulative perpetual senior preferred, no par value	5.00	Yes	9/18/2012	1,000	No	
<b>Median Variable Rate</b>					<b>5.45</b>					

Cumulative										
Institution Name	City	State	Announcement		Dividend Rate	Callable?	Call Date	Call Price	Mandatory Redemption?	
			Date	Description						
Capitol City Bancshares, Inc.	Atlanta	GA	4/30/2012	3.000% Series C cumulative preferred stock, \$100 par value	3.00	Yes	4/24/2012	100	No	
Covenant Bancshares, Inc.	Chicago	IL	11/8/2012	2.000% Series A cumulative perpetual preferred stock, \$25,000 par value	2.00	Yes	4/29/2011	25,000	No	
Covenant Bancshares, Inc.	Chicago	IL	8/28/2012	2.000% Series A cumulative perpetual preferred stock, \$25,000 par value	2.00	Yes	4/29/2011	25,000	No	
Covenant Bancshares, Inc.	Chicago	IL	8/28/2012	2.000% Series A cumulative perpetual preferred stock, \$25,000 par value	2.00	Yes	4/29/2011	25,000	No	
Covenant Bancshares, Inc.	Chicago	IL	5/30/2012	2.000% Series A cumulative perpetual preferred stock, \$25,000 par value	2.00	Yes	4/29/2011	25,000	No	
Covenant Bancshares, Inc.	Chicago	IL	5/30/2012	2.000% Series A cumulative perpetual preferred stock, \$25,000 par value	2.00	Yes	4/29/2011	25,000	No	
Covenant Bancshares, Inc.	Chicago	IL	5/30/2012	2.000% Series A cumulative perpetual preferred stock, \$25,000 par value	2.00	Yes	4/29/2011	25,000	No	
Covenant Bancshares, Inc.	Chicago	IL	5/30/2012	2.000% Series A cumulative perpetual preferred stock, \$25,000 par value	2.00	Yes	4/29/2011	25,000	No	
Marquette National Corporation	Chicago	IL	7/9/2012	9.000% Series B cumulative perpetual preferred stock, \$0.01 par value	9.00	Yes	8/10/2012	1,000	No	
Trinity Capital Corporation	Los Alamos	NM	7/9/2012	9.000% Series B cumulative perpetual preferred stock, no par value	9.00	Yes	8/10/2012	1,000	No	
<b>Median Cumulative</b>					<b>2.00</b>					

Source: SNL

# Recent Financings

Common Equity in New York & New England since 2010, Total Assets < \$4B

Institution Name	Announce Date	Funding Type	Offering Price	Gross Amount Offered (\$000)	Price/ Tangible Book Value	Offering Amount/ Common Equity
Bridge Bancorp, Inc.	10/1/2013	Common Equity	20.75	34,756	164.4%	29.2%
Coastway Bancorp, MHC	8/22/2013	Common Equity (Conversion)	10.00	48,271		175.3%
Bankwell Financial Group, Inc.	5/16/2013	Common Equity		7,300		
ES Bancshares, Inc.	3/28/2013	Common Equity		905		8.2%
ES Bancshares, Inc.	3/28/2013	Common Equity	2.00	1,095	44.4%	10.0%
First Bancorp, Inc.	3/25/2013	Common Equity	16.25	10,750	140.9%	7.5%
Sunnyside Bancorp, Inc.	3/12/2013	Common Equity (Conversion)	10.00	7,935	65.4%	127.7%
Patriot Federal Bank	2/20/2013	Common Equity	6.50	5,000		
Suffolk Bancorp	10/22/2012	Common Equity	16.44	929	123.1%	0.6%
Suffolk Bancorp	9/20/2012	Common Equity	13.50	24,071	96.1%	17.3%
Sterling Bancorp	8/7/2012	Common Equity	7.35	46,000	99.5%	10.3%
Northeast Bancorp	5/16/2012	Common Equity	8.00	500	50.3%	0.8%
Tompkins Financial Corporation	3/27/2012	Common Equity	40.00	35,000	176.2%	11.7%
Northeast Bancorp	3/19/2012	Common Equity	8.00	42,452	49.6%	68.9%
Northeast Bancorp	3/19/2012	Common Equity	8.00	7,048	49.6%	11.4%
Lyons Bancorp, Inc.	3/5/2012	Common Equity	26.00	5,000	93.4%	13.9%
ES Bancshares, Inc.	2/9/2012	Common Equity	3.00	131	65.7%	1.2%
Meetinghouse Bancorp, Inc.	1/17/2012	Common Equity (Conversion)	10.00	6,613	62.5%	126.4%
Bridge Bancorp, Inc.	12/15/2011	Common Equity	17.50	24,098	148.4%	29.3%
Georgetown Bancorp, Inc.	11/28/2011	Common Equity (Conversion)	10.00	11,000	95.7%	55.3%
Bridge Bancorp, Inc.	11/21/2011	Common Equity		9,400		11.4%
Bridge Bancorp, Inc.	11/21/2011	Common Equity		600		0.7%
SBM Financial, Inc.	9/9/2011	Common Equity	100.00	60,000		
Wellesley Bancorp, Inc.	7/20/2011	Common Equity (Conversion)	10.00	22,497	55.8%	104.9%
Empire Bancorp Inc.	7/6/2011	Common Equity	8.00	1,341		
BSB Bancorp, Inc.	6/2/2011	Common Equity (Conversion)	10.00	89,930	69.8%	190.6%
Financial Institutions, Inc.	3/7/2011	Common Equity	16.35	40,000	147.8%	25.3%
Sterling Bancorp	3/3/2011	Common Equity	9.60	33,600	143.5%	8.0%
First Connecticut Bancorp, Inc.	1/25/2011	Common Equity (Conversion)	10.00	171,925	68.0%	181.0%

Source: Bankinsight

# Recent Financings

## Common Equity in New York & New England since 2010, Total Assets < \$4B (continued)

Institution Name	Announce Date	Funding Type	Offering Price	Gross Amount Offered (\$000)	Price/ Tangible Book Value	Offering Amount/ Common Equity
Bankwell Financial Group, Inc.	12/31/2010	Common Equity		4,250		11.6%
FBNBY Bancorp, Inc.	12/31/2010	Common Equity	8.48	1,546		
FBNBY Bancorp, Inc.	12/31/2010	Common Equity	8.48	343		
Northeast Bancorp	12/31/2010	Common Equity	13.93	13,454	90.4%	28.5%
Northeast Bancorp	12/31/2010	Common Equity	13.93	2,721	90.4%	5.8%
Northeast Bancorp	12/31/2010	Common Equity	13.93	13,065	90.4%	27.7%
ES Bancshares, Inc.	12/17/2010	Common Equity	4.00	792	85.7%	7.7%
FBNBY Bancorp, Inc.	10/22/2010	Common Equity	8.23	1,500		
Rockville Financial, Inc.	9/16/2010	Common Equity (Conversion)	10.00	171,099	177.3%	105.4%
SI Financial Group, Inc.	9/9/2010	Common Equity (Conversion)	8.00	52,356	109.9%	64.5%
Empire Bancorp Inc.	8/11/2010	Common Equity - Terminated		15,000		
First of Long Island Corporation	7/12/2010	Common Equity	24.00	30,000	136.1%	23.4%
Intervest Bancshares Corporation	6/30/2010	Common Equity	1.95	20,670	8.6%	11.0%
First of Long Island Corporation	6/23/2010	Common Equity		60,000		49.4%
Intervest Bancshares Corporation	5/25/2010	Common Equity	5.00	4,250	22.0%	2.3%
Evans Bancorp, Inc.	5/3/2010	Common Equity	12.00	13,500	91.7%	28.8%
Community National Bank	4/27/2010	Common Equity	10.00	18,021	105.6%	39.1%
Herald National Bank	3/31/2010	Common Equity	3.00	16,921		
Sterling Bancorp	3/15/2010	Common Equity	8.00	60,000	122.8%	14.3%
Naugatuck Valley Financial Corporation	2/22/2010	Common Equity (Conversion)	8.00	33,384	111.7%	66.4%
Peoples Federal Bancshares, Inc.	2/16/2010	Common Equity (Conversion)	10.00	66,125	62.4%	128.0%
Oneida Financial Corp.	2/9/2010	Common Equity (Conversion)	8.00	31,500	170.2%	53.3%
Herald National Bank	1/7/2010	Common Equity	3.00	1,033		
ES Bancshares, Inc.	1/6/2010	Common Equity	5.00	375	116.4%	4.0%
<b>Median (All)</b>					<b>93.4%</b>	<b>23.4%</b>
<b>Median (All Excluding Conversions/Terminated)</b>					<b>94.8%</b>	<b>11.4%</b>
<b>Median (\$5 million or less)</b>					<b>85.7%</b>	<b>4.9%</b>
<b>Median (\$10 million or less)</b>					<b>75.7%</b>	<b>6.7%</b>

Source: Bankinsight

# Distribution (Least costly to issue to highest)

---

- **Private placement**
- **Rights offering**
- **Reg. A**
- **Public offering**



# Size of Offering (Think Nibble, Not Gulp)

---

- **Overall dilution**
- **Absorption of demand – never absorb it all!**
- **Local participation = better price.**
- **Pricing: larger size  $\neq$  better price.**

# Capital: Common, Ideas for Small Banks

## Bank & Thrift Common Offerings (Including Conversions)

Between 2007 and 2013

Total Assets	Number	% of	Pricing % of	Pricing % of	% Issued	Number	% of	Pricing % of	Pricing % of
		Total	Market	Book			Total	Market	Book
< 100 Million	29	4%	102.6%	68.5%	< 25%	425	61%	95.0%	86.5%
100 Million - 250 Million	87	12%	102.7%	90.5%	25% - 50%	118	17%	87.7%	87.4%
250 Million - 500 Million	87	12%	102.5%	84.8%	> 50%	157	22%	90.9%	86.0%
500 Million - 5 Billion	323	46%	90.9%	88.0%					
> 5 Billion	174	25%	93.8%	89.2%					
<b>Total</b>	<b>700</b>		<b>94%</b>	<b>87%</b>	<b>Total</b>	<b>700</b>		<b>94%</b>	<b>87%</b>

### Takeaways:

1. 421 banks in the country did 700 public offerings since 2007. 348 banks did 618 public offerings in non-mutual conversion transactions (1.8 offerings per entity, on average).
2. Of all offerings, 75% were smaller banks and 61% offered less than 25% of shares.
3. Banks raising capital should expect a block trade discount of 5 - 13 %.

# Capital: Common, Ideas for Small Banks

## Bank & Thrift Rights Offerings

% Issued	2003 - Current				2007 - Current			
	Number	% of Total	Pricing % of Market	Pricing % of Book	Number	% of Total	Pricing % of Market	Pricing % of Book
<25%	42	45%	83%	75%	33	54%	82%	66%
25% - 50%	24	26%	89%	104%	13	21%	82%	84%
>50%	28	30%	82%	99%	15	25%	72%	88%
<b>Total</b>	<b>94</b>		<b>87%</b>	<b>89%</b>	<b>61</b>		<b>83%</b>	<b>74%</b>

### Takeaways:

1. 10% (61 of 618) of all public offerings since 2007 are rights offerings (excludes conversions).
2. Most rights offerings involve less than 25% of current outstanding shares being offered.
3. Pricing is approximately 87% of market and 89% of book value since 2003, and 83% of market and 74% of book value since 2007.

# Historical Pricing of Rights Offerings

- Bank & Thrift Rights Offering

<b>Median of Pricing % of Market</b>			
	Before	12/31/2007	92.3%
1/1/2008	to	12/31/2008	76.7%
1/1/2009	to	12/31/2009	75.3%
1/1/2010	to	12/31/2010	70.6%
1/1/2011	to	12/31/2011	73.4%
1/1/2012	to	12/31/2012	83.2%
1/1/2013	to	12/31/2013	86.4%

<b>Median of Pricing % of Book</b>			
	Before	12/31/2007	141.7%
1/1/2008	to	12/31/2008	40.6%
1/1/2009	to	12/31/2009	20.0%
1/1/2010	to	12/31/2010	39.5%
1/1/2011	to	12/31/2011	39.4%
1/1/2012	to	12/31/2012	54.1%
1/1/2013	to	12/31/2013	62.0%

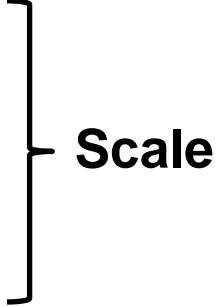
# Viabile Options

---

- **Yield equity**
- **Small BHC bank stock loans**
- **Rights offerings (nibbling, Reg. A)**
- **Carefully structured public offerings**
- **Accretive capital merger deals**

# Productive Uses for Capital

---

- **Whole bank acquisitions**
  - **Branch acquisitions**
  - **Non-interest income generators**
- Scale
- 

# Acquisition Premiums

---

## WHOLE BANK ACQUISITIONS

<u>Likely Purchase Price</u>	<u>Likely Value</u>	<u>Multiple</u>	<u>Comments</u>
1.2 – 2.1x TBV	1.5 – 2.5x	25% – 2x	Reflects Execution Risk

## BRANCH ACQUISITIONS

0.5 – 2.0%	6.0 – 10.0%	5 – 12x	Reflects Substantial Opportunity
------------	-------------	---------	----------------------------------

## NON-INTEREST INCOME

4 – 7x EBITDA	6.5 – 10x	1.4 – 2.0x	Reflects Less Volatility
---------------	-----------	------------	--------------------------

# Capital Financing Strategies and Successful Use of Proceeds

*Presented to:*



*Presented by:*

**Loomis & Co., Inc.**

*and its wholly owned subsidiary,*

**NORTH**  
*Capital & Advisory, Inc.*  
**EAST**

May 15, 2014