

Current Issues in M&A

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Northeast Capital & Advisory, Inc.

NYBA

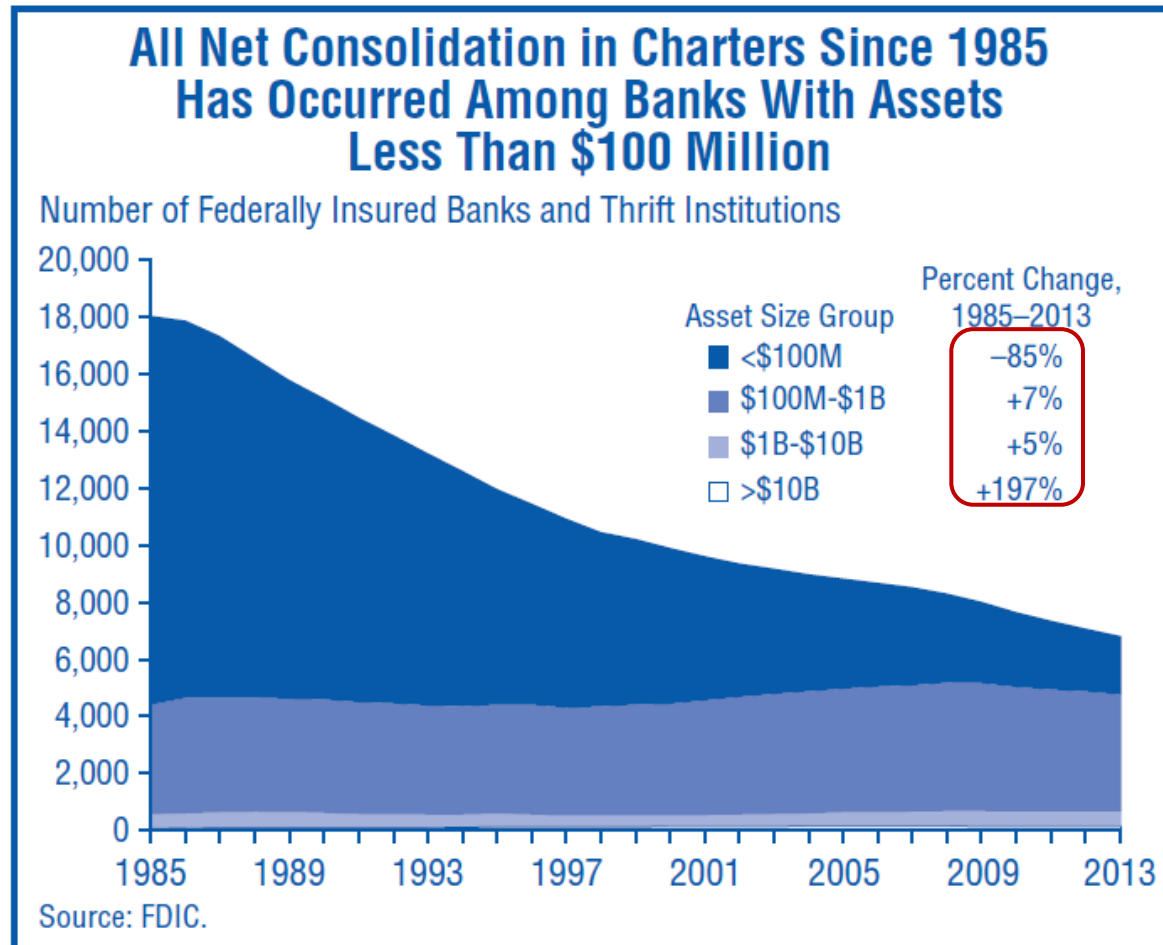
October 30, 2014

NORTH
Capital & Advisory, Inc.
EAST
a subsidiary of Loomis & Co. Inc.

Why M&A is Important

It's been persistent and has infinite legs!

Size also matters!



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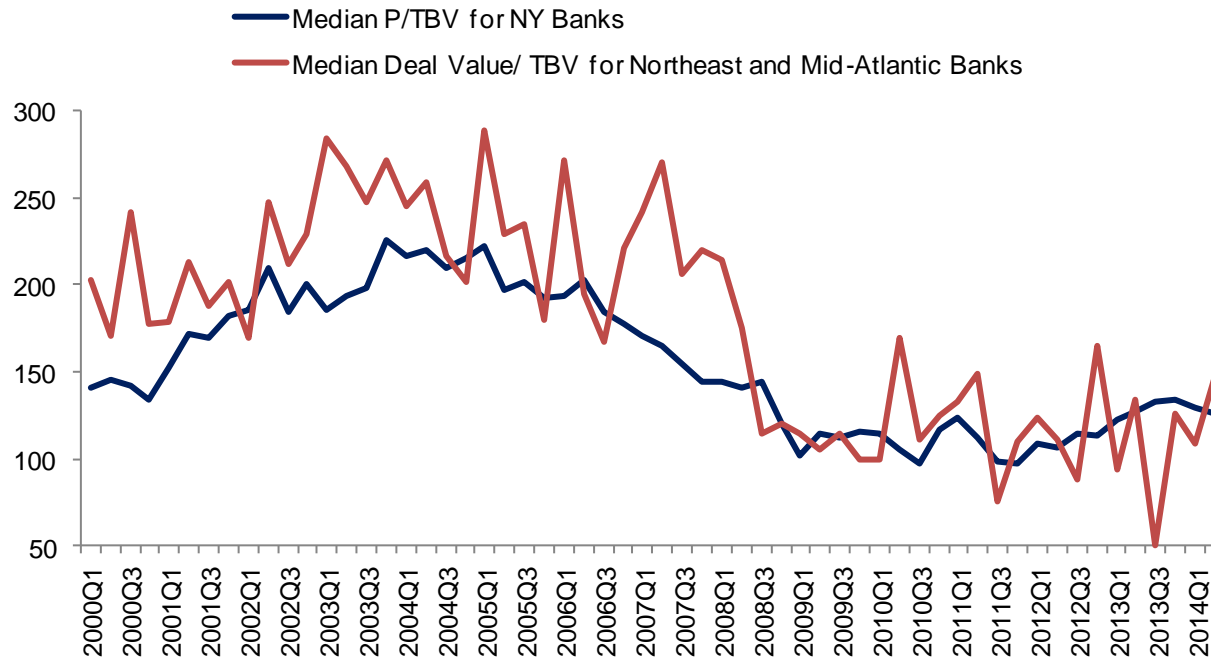
(\$000)	2013	2014		
Base Compliance Costs	100	250		
Capitalization	7.00%	7.00%		
Assets	100,000	100,000	200,000	250,000
ROA % (Before Compliance)	0.80	0.80	0.80	0.80
Net Income (Before Compliance)	800	800	1,600	2,000
Compliance Cost (After Tax)	60	150	150	150
Net Income (After Compliance)	740	650	1,450	1,850
Equity	7,000	7,000	14,000	17,500
ROE %	10.57	9.29	10.36	10.57

Market Segmentation is Critical

	NY Banks	Median P/ TBV*	Median P/ LTM EPS*
\$10B+	19	172.0	15.9
\$750M-\$10B	45	137.8	14.2
\$250M-\$750M	50	104.4	17.7
<\$250M	52	76.2	13.9

*Publicly traded institutions as of October 7, 2014

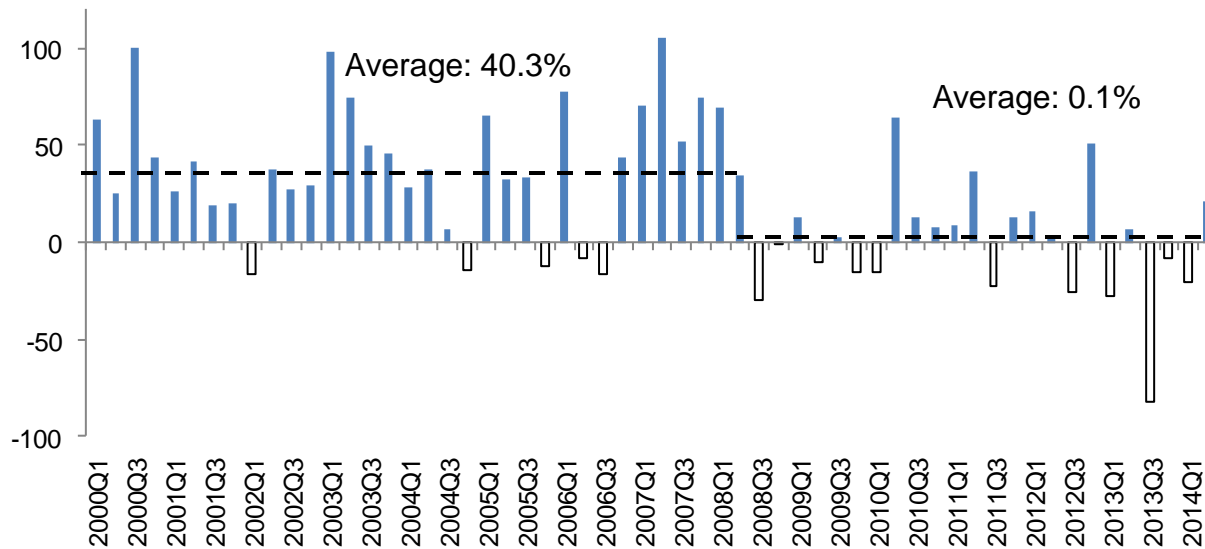
Median Quarterly Pricing Multiples



Data Source: SNL Financial

Market Segmentation is Critical

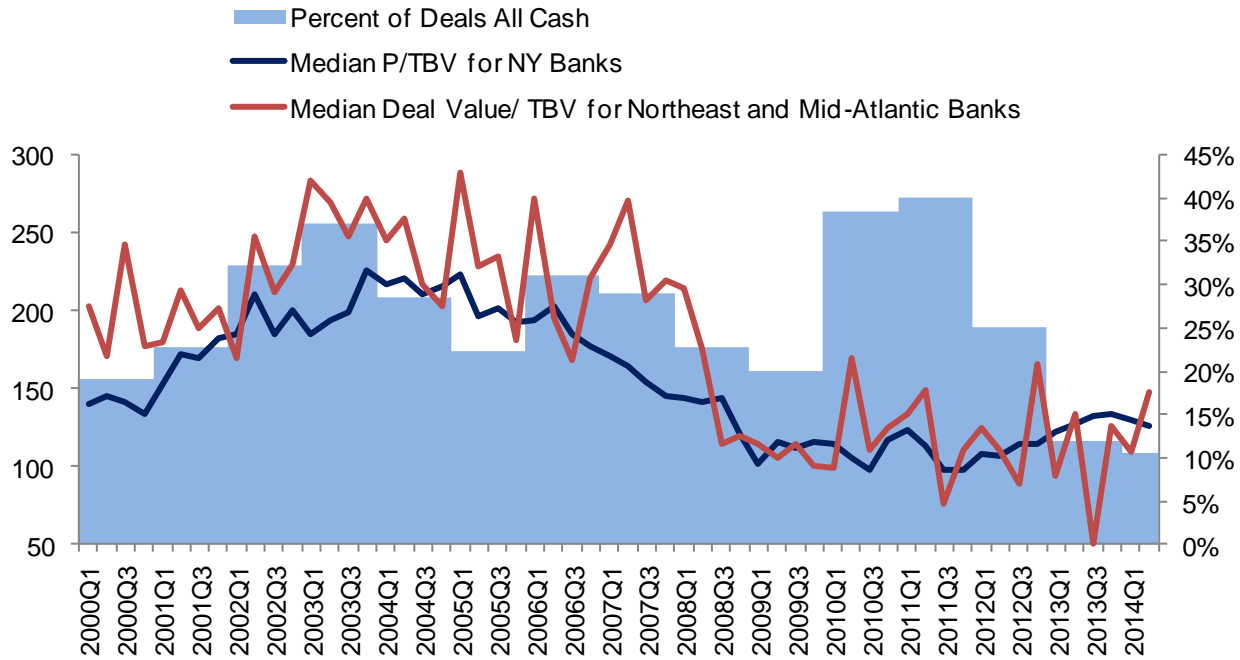
Median Deal Premium Less Median Trading Multiple



Deal multiples for Northeast and Mid-Atlantic banks, trading multiples for NY publicly traded banks
Data Source: SNL Financial

Market Segmentation is Critical

Percent of Deals All Cash



Deals refer to Northeast and Mid-Atlantic banks targets, trading multiples for NY publicly traded banks

Data Source: SNL Financial

Market Segmentation is Critical

\$10B to SIFI's – Quiet

Percent of Northeast and Mid-Atlantic Deals Involving Institutions > \$10B



Data Source: SNL Financial

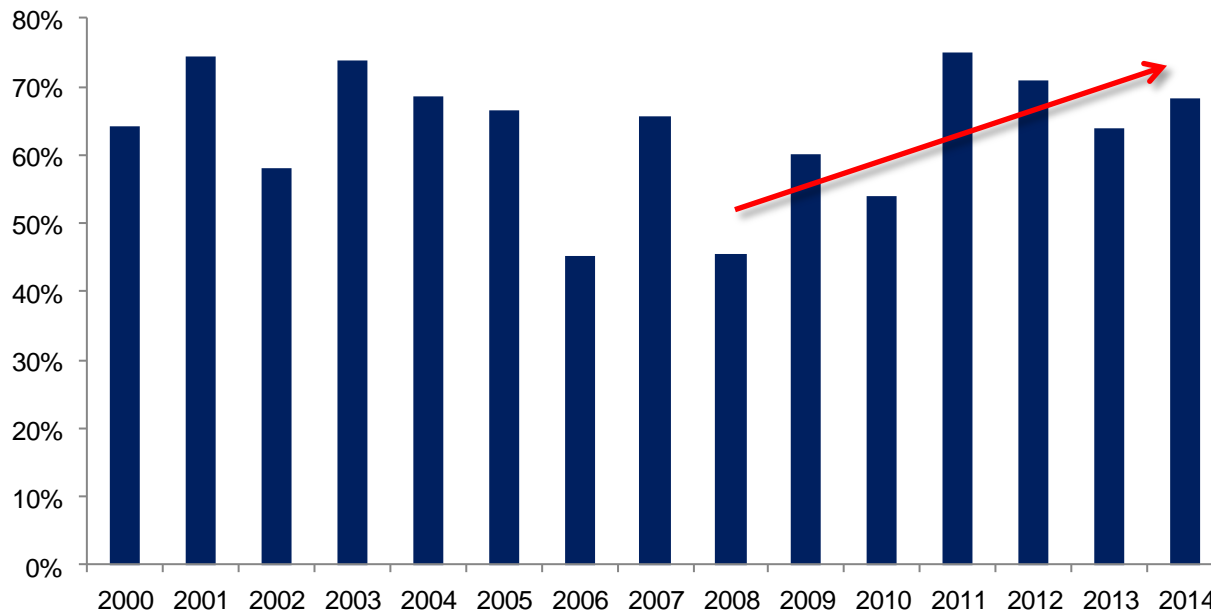
Market Segmentation is Critical

\$750M to \$10B – Pick up market share & diversifying revenue

(\$500 million minimum size)

(non-interest income)

Percent of Northeast and Mid-Atlantic Deals Involving Institutions \$750M - \$10B



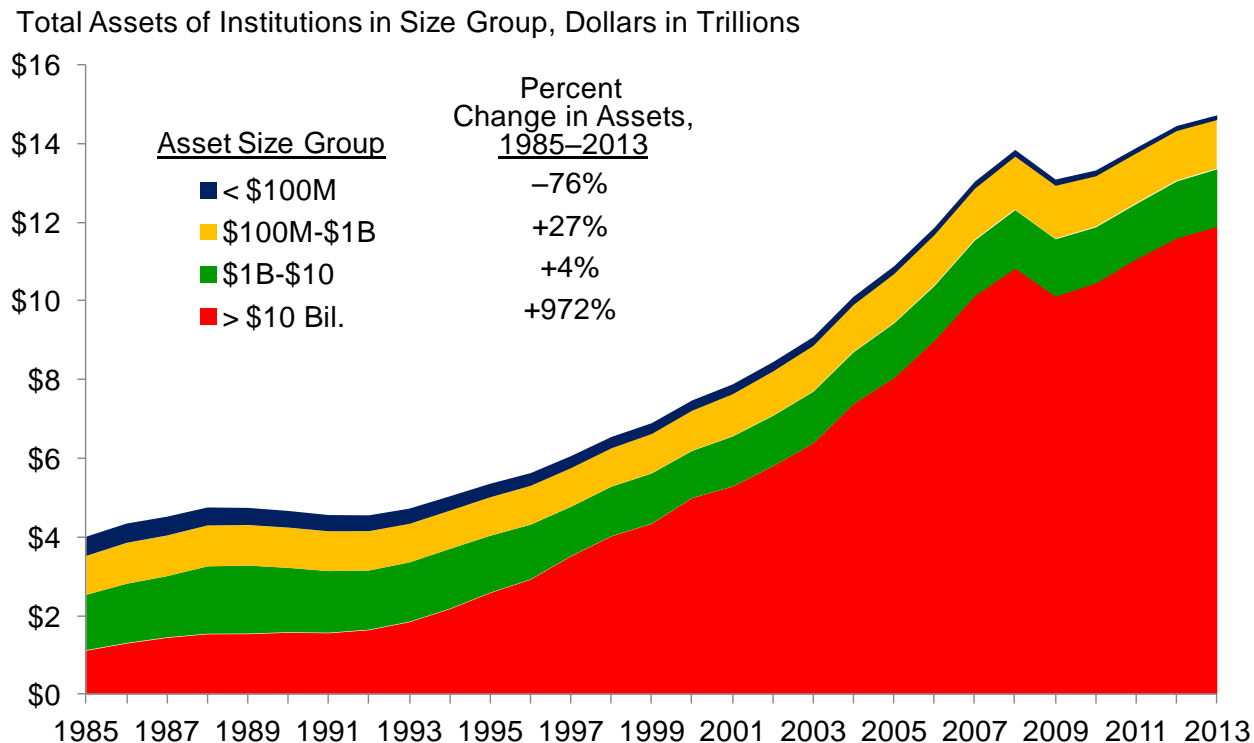
Data Source: SNL Financial

Market Segmentation is Critical

\$250M to \$750M – Largely unprepared, particularly \$250 – 500M.
Afraid, timid, but best buyer.

Under \$250M – Headed for the exits

Only the Smallest Institutions Have Seen an Aggregate Decline in Total Assets Nationally Since 1985

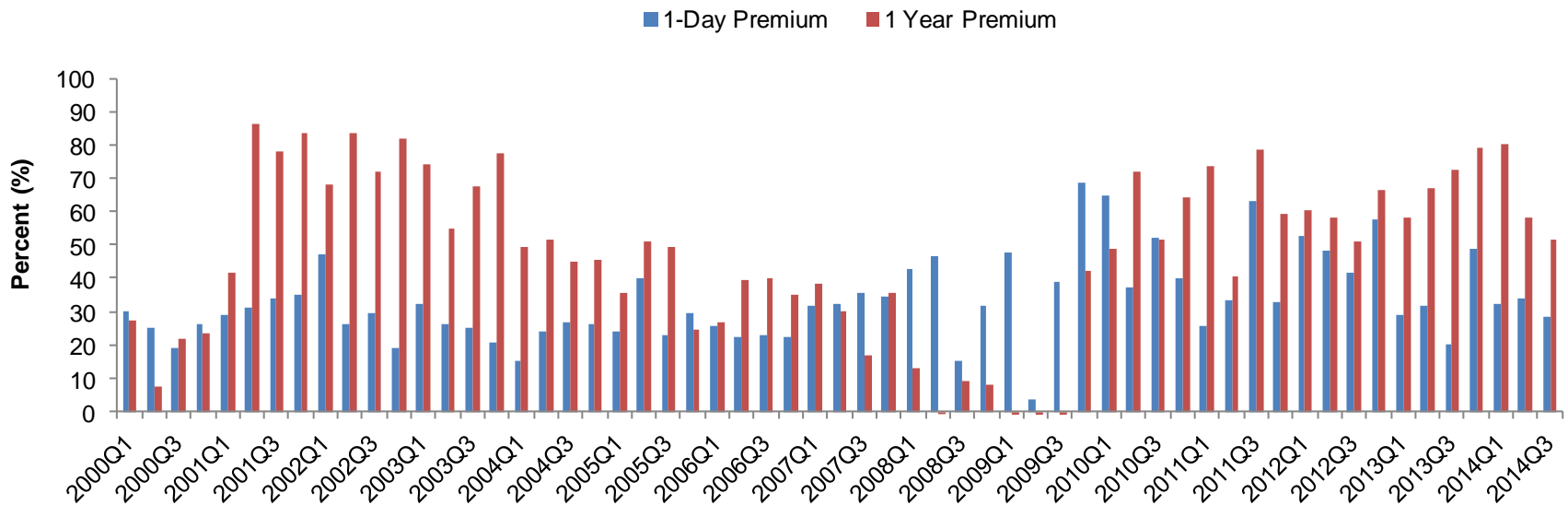
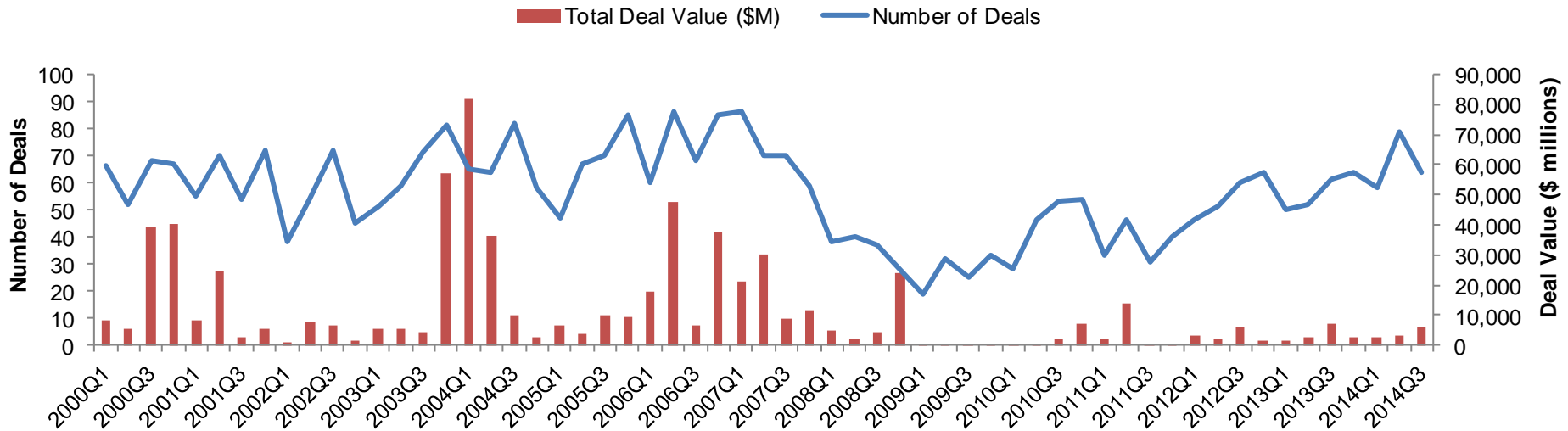


Data Source: FDIC

Issues

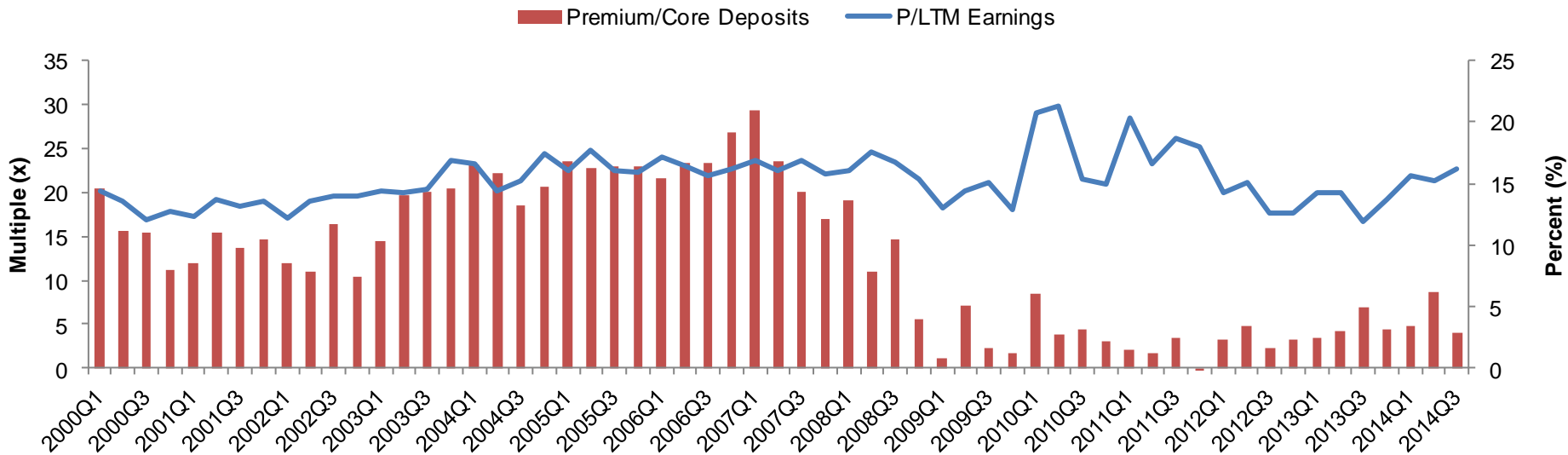
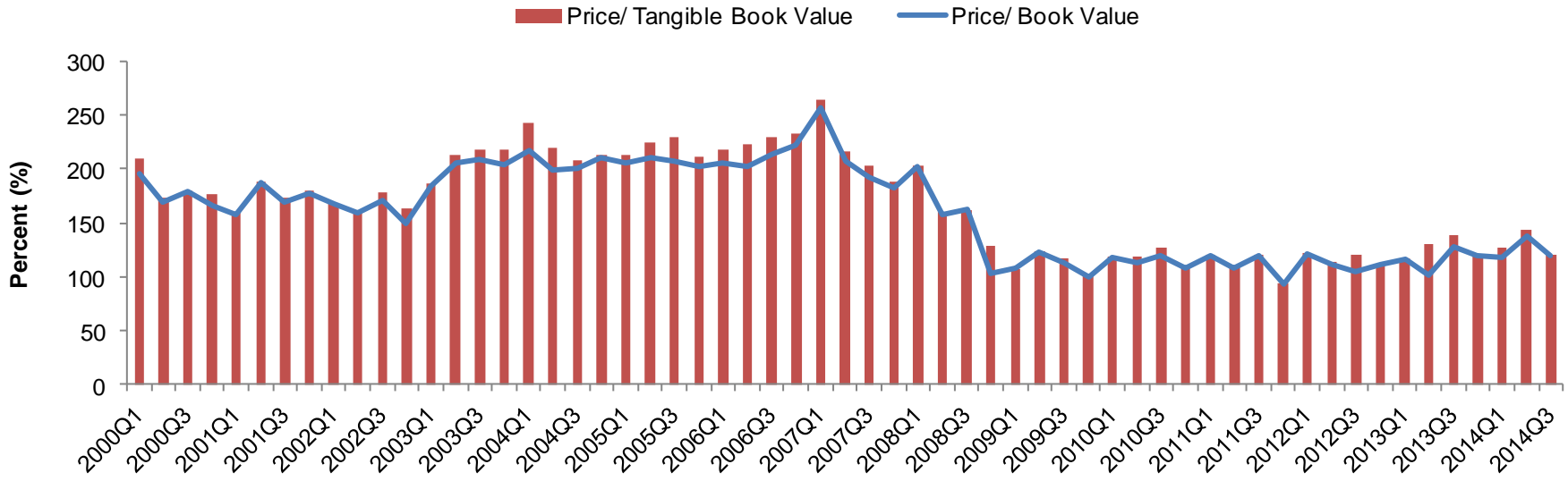
- **Bid/Ask Spread or Muscle Memory**
- **Minimum Size to Bother (aka “Relevance”) - Mutuals Excluded**
- **Capital Needs Driving Mutuals to Convert (Massachusetts)**
- **Smart Sellers**
 - Align with Converting Mutuals
 - Have 4+ Buyers Chasing You to Sell for a Premium (or Best Terms if Mutual)
 - Looking for Long Term Value (and Double Dips)
- **Core Deposit Values → Depressed By Large Bank “Dumping” (Will Change!)**
- **Pricing Factors**
 - Rural vs. Metro
 - Loan Credit Quality
- **Consideration (Cash, Stock, Contingent Pay)**
- **Branches versus Whole Banks**
- **Spread Business versus Non-Interest Income Revenue Diversification**
- **Change of Control Compensation and Management Succession**

Historical Pricing



Data Source: SNL Financial

Historical Pricing



Data Source: SNL Financial

Recent Transactions in New England and New York

Buyer Name/ Target Name	Target State	Announce Date	Total Assets (\$000)	Deal Value (\$M)	Price/ Tangible Book Value (%)	Price/ LTM Earnings (x)	Premium/ Deposits (%)
Banks & Thrifts							
Putnam County Savings Bank/ CMS Bancorp, Inc.	NY	9/25/2014	273,045	25.37	110.6	40.2	1.34
Independent Bank Corp./ Peoples Federal Bancshares, Inc.	MA	8/5/2014	606,201	130.62	122.7	60.0	6.19
Bank of the Ozarks, Inc./ Interest Bancshares Corporation	NY	7/31/2014	1,571,824	228.50	110.6	13.7	1.72
Institution for Savings in Newburyport and Its Vicinity/ Rockport National Bancorp, Inc.	MA	4/15/2014	200,095	28.33	193.8	29.4	7.58
Bankwell Financial Group, Inc./ Quinnciac Bank & Trust Company	CT	4/1/2014	99,033	15.39	147.6	27.6	5.71
Salisbury Bancorp, Inc./ Riverside Bank	NY	3/19/2014	221,343	27.33	108.8	15.1	1.13
Eastern Bank Corporation/ Centrix Bank & Trust	NH	3/4/2014	907,683	134.41	216.1	17.9	10.01
Mascoma Mutual Financial Services Corporation/ Connecticut River Bancorp, Inc.	NH	12/10/2013	285,394	26.69	121.8	34.3	1.84
Rockville Financial, Inc./ United Financial Bancorp, Inc.	MA	11/15/2013	2,490,737	370.72	140.3	48.5	5.77
Bridge Bancorp, Inc./ FNB NY Bancorp, Inc.	NY	9/30/2013	271,832	5.36	40.6	NM	-3.75
Bankwell Financial Group Inc./ Wilton Bank	CT	6/14/2013	75,123	5.04	66.6	NM	-3.75
Independent Bank Corp./ Mayflower Bancorp, Inc.	MA	5/14/2013	261,344	37.35	163.5	25.2	6.25
Provident New York Bancorp/ Sterling Bancorp	NY	4/4/2013	2,750,842	343.14	168.0	17.1	6.12
New Hampshire Thrift Bancshares, Inc./ Central Financial Corporation	VT	4/3/2013	170,282	14.37	106.7	32.2	0.60
SI Financial Group, Inc./ Newport Bancorp, Inc.	RI	3/5/2013	449,413	63.94	115.8	38.2	3.72
Liberty Bank/ Southern Connecticut Bancorp, Inc.	CT	1/16/2013	122,666	10.57	88.7	NM	-1.10
Associated Community Bancorp, Inc./ InsurBanc	CT	11/28/2012	182,617	NA	NA	NA	NA
NBT Bancorp Inc./ Alliance Financial Corporation	NY	10/8/2012	1,422,838	230.70	212.2	19.1	11.02
New Hampshire Thrift Bancshares, Inc./ Nashua Bank	NH	8/1/2012	118,308	19.12	141.3	49.4	5.69
Hana Financial Group Inc./ BNB Financial Services Corporation	NY	7/23/2012	355,281	11.31	53.1	NM	-4.60
Investors Bancorp, Inc. (MHC)/ Marathon Banking Corporation	NY	6/14/2012	902,092	135.00	151.1	23.8	5.83
Berkshire Hills Bancorp, Inc./ Beacon Federal Bancorp, Inc.	NY	5/31/2012	1,024,743	130.40	110.7	22.6	2.84
United Financial Bancorp, Inc./ New England Bancshares, Inc.	CT	5/31/2012	726,502	86.20	155.0	19.1	5.25
Bar Harbor Bancshares/ Border Trust Company	ME	5/1/2012	46,872	1.16	NA	NA	NA
Independent Bank Corp./ Central Bancorp, Inc.	MA	5/1/2012	521,350	54.78	165.0	NM	6.66
Private investor - Kevin P. Meehan/ MNB Bancorp	MA	4/12/2012	267,516	NA	NA	NA	NA
Commerce Bancshares Corp./ Mercantile Capital Corp	MA	3/21/2012	191,910	29.90	194.4	16.3	10.05
GFA Federal Credit Union/ Monadnock Community Bank	NH	3/1/2012	82,573	6.40	89.4	NM	-1.56
Provident New York Bancorp/ Gotham Bank of New York	NY	1/18/2012	419,896	40.50	128.5	16.8	2.68
NBT Bancorp Inc./ Hampshire First Bank	NH	11/16/2011	272,965	45.20	144.0	25.2	7.14
Berkshire Hills Bancorp, Inc./ Connecticut Bank and Trust Company	CT	10/25/2011	283,277	29.67	143.2	51.2	4.01
BankUnited, Inc./ Herald National Bank	NY	6/2/2011	501,114	69.99	132.0	NM	7.27
Valley National Bancorp/ State Bancorp, Inc.	NY	4/28/2011	1,579,735	230.09	188.2	23.7	8.14
Brookline Bancorp, Inc./ Bancorp Rhode Island, Inc.	RI	4/20/2011	1,603,759	233.68	193.3	22.9	10.47
Investor group/ Community FSB Holding Company	NY	4/14/2011	52,176	NA	NA	NA	NA
Bridge Bancorp, Inc./ Hamptons State Bank	NY	2/8/2011	67,517	6.25	136.2	40.6	2.91
People's United Financial, Inc./ Danvers Bancorp, Inc.	MA	1/20/2011	2,630,968	488.86	184.1	28.5	11.22
25th Percentile			182,617	16.32	110.6	19.1	1.72
Median			283,277	38.93	140.3	25.2	5.69
75th Percentile			902,092	133.46	165.0	37.2	7.14

Client or Involved



Recent Transactions in New England and New York

Buyer Name/ Target Name	Target State	Announce Date	Total Assets (\$000)	Deal Value (\$M)	Price/ Tangible Book Value (%)	Price/ LTM Earnings (x)	Premium/ Deposits (%)
Mutual Mergers							
1854 Bancorp/ Chelsea Bank	MA	9/25/2014	58,022	NA	NA	NA	NA
Cape Ann Savings Bank/ Granite Savings Bank	MA	7/16/2014	70,076	NA	NA	NA	NA
Greenfield Bancorp, MHC/ Northampton Co-operative Bank	MA	6/24/2014	164,864	NA	NA	NA	NA
North Shore Bancorp/ Saugusbank, a Co-operative Bank	MA	2/13/2014	206,232	NA	NA	NA	NA
Kearny Financial Corp. (MHC)/ Atlas Bank	NY	1/30/2014	110,480	NA	NA	NA	NA
North Brookfield Savings Bank/ FamilyFirst Bank	MA	12/31/2013	51,905	NA	NA	NA	NA
Eastern Bank Corporation/ Campello Bancorp	MA	7/27/2012	324,247	NA	NA	NA	NA
Merrimack Bancorp MHC/ Meredith Village Savings Bank	NH	6/1/2012	675,980	NA	NA	NA	NA
Framingham Co-operative Bank/ Natick Federal Savings Bank	MA	3/14/2012	155,587	NA	NA	NA	NA
Northfield Bancorp, Inc. (MHC)/ Flatbush Federal Bancorp, Inc. (MHC)	NY	3/13/2012	144,102	18.21	120.1	NM	2.66
Wallkill Valley Federal Savings & Loan Association/ Highland Falls FS&LA	NY	1/10/2012	41,226	NA	NA	NA	NA
South Adams Savings Bank/ Adams Co-operative Bank	MA	9/13/2011	196,056	NA	NA	NA	NA
Haverhill Bank/ Economy Co-operative Bank	MA	9/8/2011	24,145	NA	NA	NA	NA
Salem Five Bancorp/ Stoneham Savings Bank	MA	9/1/2011	366,819	NA	NA	NA	NA
Investors Bancorp, Inc. (MHC)/ BFS Bancorp, MHC	NY	8/17/2011	469,929	10.31	25.3	NM	-7.41
Hometown Bank, A Cooperative Bank/ Athol-Clinton Co-operative Bank	MA	1/20/2011	89,181	NA	NA	NA	NA
Branch Deals							
Bethpage Federal Credit Union/ Branch Assets & Liabilities	NY	9/11/2014	15,253	NA	NA	NA	NA
Claremont Savings Bank/ 1 Branch	VT	7/11/2014	18,000	NA	NA	NA	NA
Delaware Bancshares, Inc./ 6 Branches	NY	4/1/2014	143,375	NA	NA	NA	1.75
Salisbury Bancorp, Inc./ 1 Branch	CT	1/31/2014	20,000	NA	NA	NA	2.32
OceanPoint Financial Partners, MHC/ 2 Branches	RI	11/6/2013	37,000	NA	NA	NA	2.09
Hyde Park Bancorp, MHC/ 3 Branches	MA	8/5/2013	285,999	NA	NA	NA	3.60
Berkshire Hills Bancorp, Inc./ 20 Branches	NY	7/24/2013	640,000	NA	NA	NA	2.25
Machias Bancorp, MHC/ 6 Branches	ME	7/22/2013	76,625	NA	NA	NA	3.85
Chemung Financial Corporation/ 6 Branches	NY	7/11/2013	260,900	NA	NA	NA	1.50
Skowhegan Savings Bank/ 5 Branches	ME	5/29/2013	82,900	NA	NA	NA	3.50
Alcar, LLC/ 1 Branch	CT	1/25/2013	25,000	NA	NA	NA	NA
Beacon Bancorp/ 4 Branches	MA	11/30/2012	42,700	NA	NA	NA	2.50
Apple Financial Holdings, Inc./ Branches of Emigrant Bancorp, Inc.	NY	7/20/2012	3,200,000	NA	NA	NA	NA
First Bancorp, Inc./ 1 Branch	ME	7/2/2012	45,000	NA	NA	NA	10.01
Camden National Corporation/ 15 Branches	ME	4/24/2012	414,000	NA	NA	NA	3.71
Life Design Holding Company/ 1 Branch	MA	4/12/2012	13,406	NA	NA	NA	2.40
People's United Financial, Inc./ Branches of RBS Citizens NA	NY	2/28/2012	325,000	NA	NA	NA	1.00
Community Bank System, Inc./ 19 Branches	NY	1/20/2012	955,000	NA	NA	NA	3.22
Financial Institutions, Inc./ 8 Branches	NY	1/20/2012	375,800	NA	NA	NA	4.00
KeyCorp/ 37 Branches	NY	1/12/2012	2,500,000	NA	NA	NA	4.60
NBT Bancorp Inc./ 4 Branches	NY	10/25/2011	57,000	NA	NA	NA	2.50
NBT Bancorp Inc./ 4 Branches	MA	7/13/2011	158,000	NA	NA	NA	6.00
Hometown Bancorp, Inc. (MHC)/ 1 Branch	NY	5/3/2011	19,300	NA	NA	NA	4.00
Leader Bancorp Inc./ 1 Branch	MA	3/22/2011	19,565	NA	NA	NA	NA
Union Bankshares, Inc./ 3 Branches	NH	3/17/2011	80,900	NA	NA	NA	6.00
BankAsiana/ 1 Branch	NY	1/3/2011	900	NA	NA	NA	NA
Median			78,763				3.360

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