



# Advisory Services for FDIC Shared-Loss Transactions



## **RP<sup>®</sup> Financial, LC.**

*Serving the Financial Services Industry Since 1988*

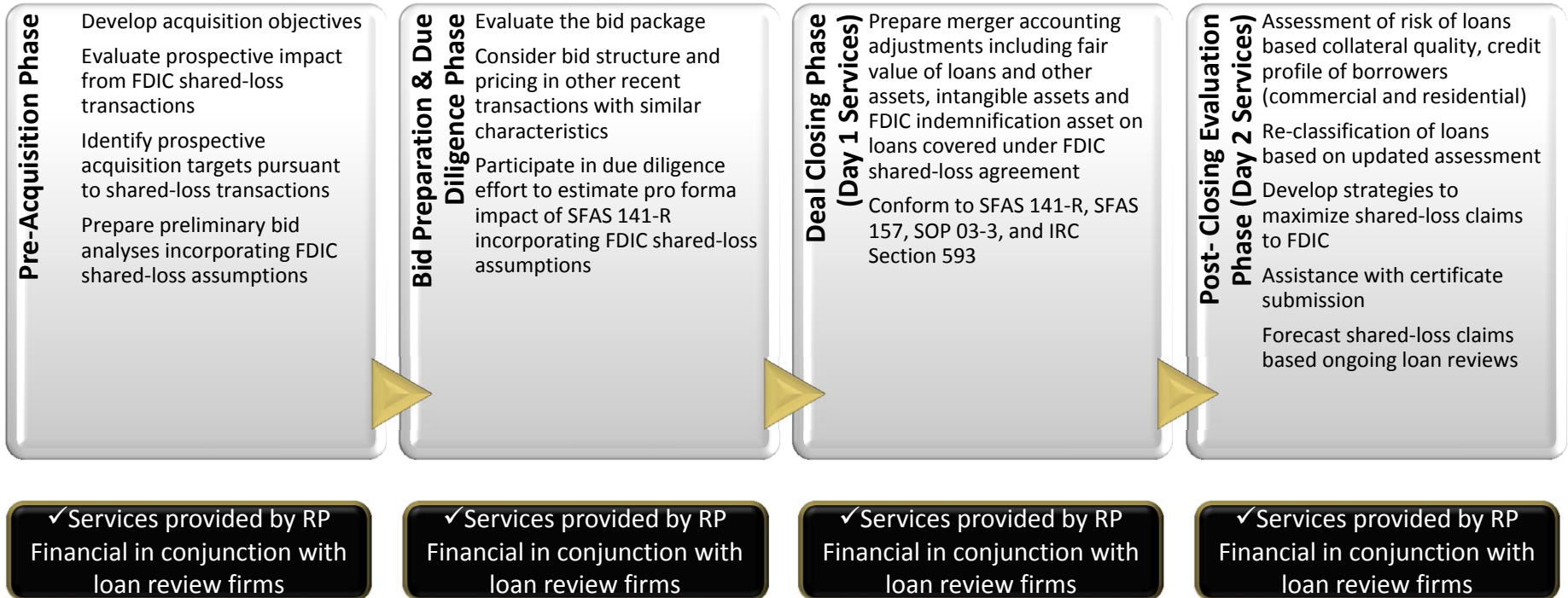
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# Key Steps in Completing FDIC Transactions – With Shared-Loss Agreements





# Pre-Acquisition Phase

## Develop Acquisition Objectives

- Market entry or expansion objectives
- Balance sheet mix
- Geographic footprint of branches
- Asset size
- Capital restrictions
- Current resources in loan administration
- Pro forma impact, including shared-losses and FDIC indemnification asset

## Evaluate Prospective Pro Forma Impact

- Prepare pro forma analyses on hypothetical target, based on recent winning bid structures and pricing, incorporating shared-loss and FDIC indemnification asset assumptions

## Identify Prospective Targets Pursuant to Shared-Loss Transactions

- Evaluate universe of troubled banks / thrifts that meet acquisition objectives
- Prepare pro forma analyses on selected targets reflecting recent transactions and public financial and other information

## Develop Project Management Plan

- Develop project plan including -
  - Long run business objectives
  - Technology issues
  - Due diligence team
  - Bid preparation team
  - Merger accounting
  - Monitoring loans covered under shared-loss agreement
- Develop integration plan and identify key partners
- Address post-closing management responsibilities
- Address responsibilities of other parties



## Bid Preparation & Due Diligence Phase

### Develop Bidding Strategy

- Assess interest by likely bidders to determine prospective bidding interest
- Evaluate bid pricing and structure of recent transactions
- Prepare preliminary pro formas based on bid package and public data
- Commence acquirer Board approval process
- Develop public disclosure strategy / materials for investor conference call
- Develop shareholder communications strategy

### Coordinate Due Diligence Team

- Team may consist of acquirer management, lending, servicing, systems & finance/accounting staff
- Team may include outside assistance – including tax / auditing personnel, commercial and loan review experts and workout specialists, financial advisors, professionals for merger accounting
- Develop due diligence strategy

### Conduct Due Diligence / Identify Key Issues for Bid Preparation

- Identify key issues as a result of due diligence to incorporate in bid
  - Credit issues – overall and specific
  - Loans that should be covered under shared-loss agreements
  - Interest rate risk
  - Potential deposit run off (liquidity risk)
  - Change in core provider
  - Other technology issues
  - Staffing requirements post-closing
  - Costs that can be passed to FDIC

### Preparation and Submission of Bid

- Prepare bid and submit



# RP Financial's Due Diligence and Transaction Support





# RP Financial's Merger Valuation Services (Pursuant to SFAS 141-R and SFAS 157)



## Preliminary & Closing Valuations

- RP Financial prepares preliminary valuations to aid management in assessing –
- Prospective merger transactions
- Public disclosure
- Application filings
- Closing valuations to reflect the specific deal & portfolio characteristics



## Financial Assets & Liabilities

- Loan portfolios
- Investment portfolios
- Certificates of deposit
- FHLB and other borrowings
- Leases
- Other financial assets
- Other financial liabilities



## Intangible Assets & FDIC Indemnification Assets

- Intangible assets
- Core deposit intangible
- Wealth management clients
- Mortgage servicing rights
- FDIC indemnification asset



## RP Financial's Credit Forecasting – Post-Closing Services

### Post Closing Credit Forecasting –

*Once the loan portfolio has been acquired, RP Financial assists in understanding the risk characteristics, including probabilities of prepayment or default, to track, account for and forecast future cash flows to monitor performance, forecast possible borrower behavior, estimate credit related losses and mitigate credit risk. These services are described below.*

Credit file reviews to understand potential risk exposure

Development of key input assumptions for models

Customized modeling to determine specific credit exposure

Cash flow forecasting reflecting the loan portfolio groupings from the initial fair value (at closing) over the life of the loans

Implementation of stress testing and scenario analyses

Assessment of governance and internal controls pertaining to credit risk processes

Market observations in the development of key assumptions



# RP Financial's Credit Review and Fair Valuation Services\*



Evaluate asset quality – trends, direction and key characteristics of non-performing portfolio



Evaluate quality of loan underwriting and overall credit administration



Assess probability of loss on non-performing portfolio and impaired loans



Evaluate potential value for real estate of underlying loans (primarily major loans)



Evaluate refinancing gap on major loans (particularly real estate loans)

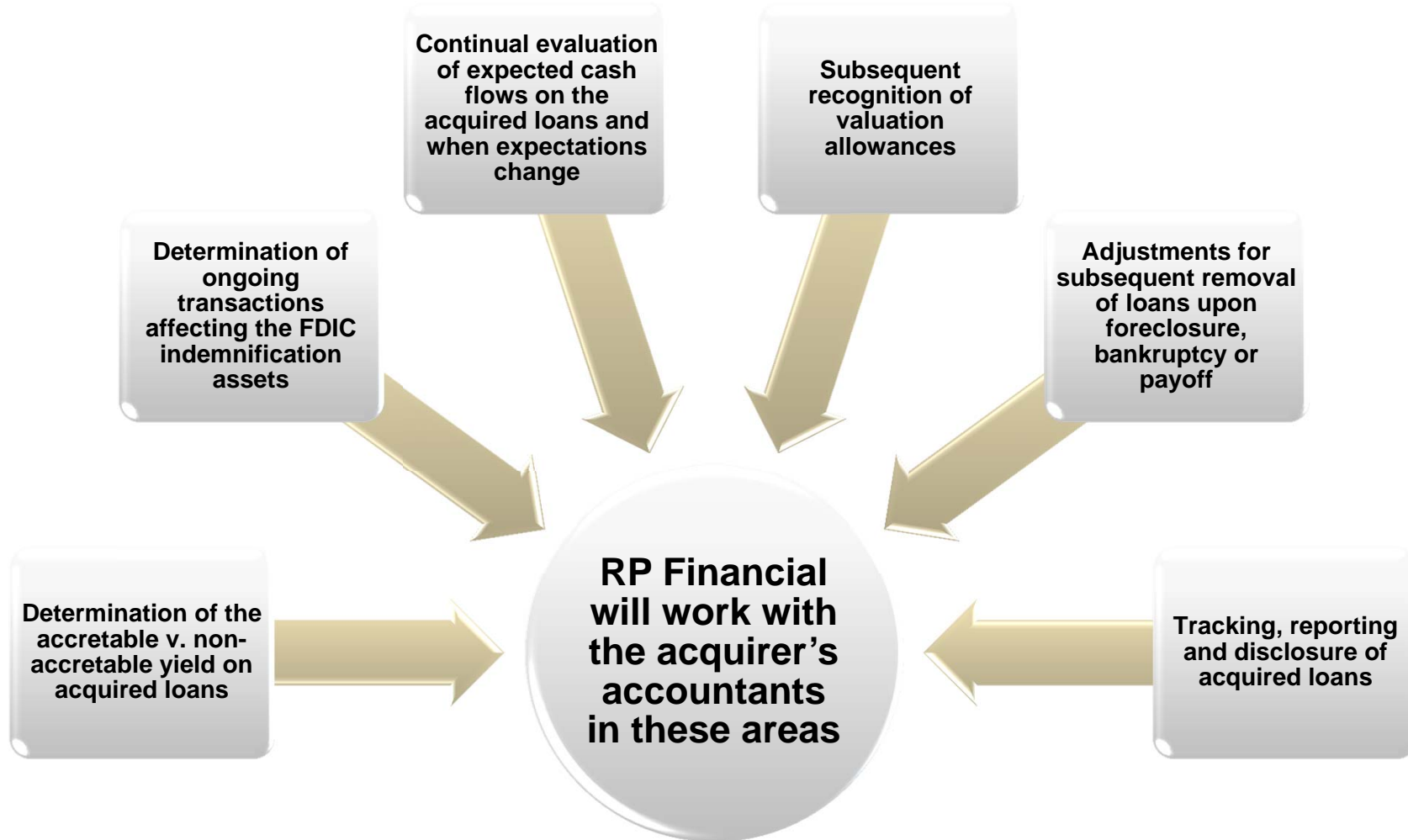


Evaluate trends in regional real estate markets – including inventory, foreclosures, length of time on market, economic and demographic trends, construction and housing starts

\* RP Financial will team with residential and commercial loan review firms for loan file review, credit administration and workout strategies

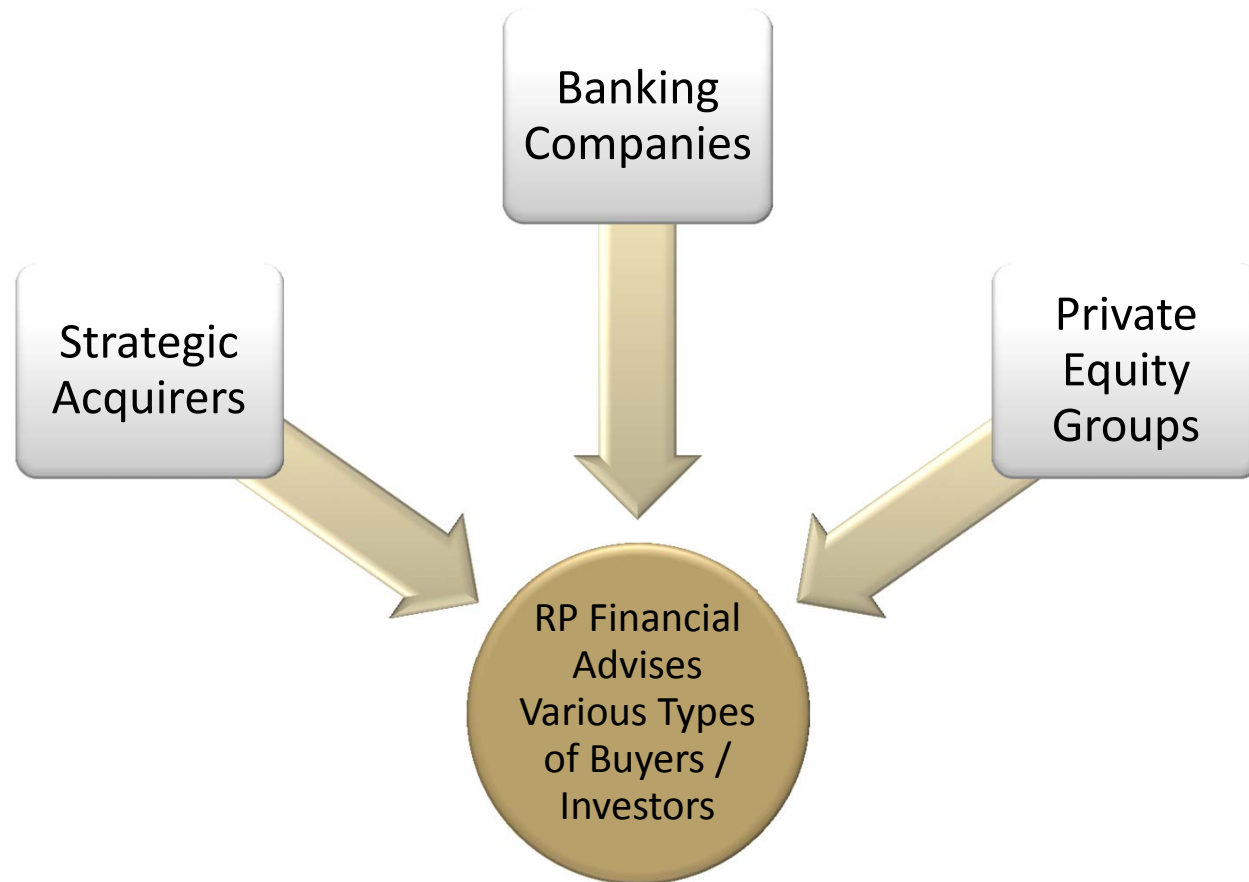


# RP Financial's Accounting Considerations – Post Closing Services





## RP Financial Represents a Variety of Prospective Acquirers from FDIC





# RP<sup>®</sup> Financial, LC.

RP<sup>®</sup> Financial, LC. ("RP Financial") provides financial and management consulting, merger advisory and valuation services to the financial services industry nationwide. We offer a broad array of services, high quality and prompt service, hands-on involvement by principals and senior staff, careful structuring of strategic initiatives and sophisticated valuation and other analyses consistent with industry practices and regulatory requirements. Our staff maintains extensive background in financial and management consulting, valuation and investment banking. Our clients include commercial banks, thrifts, credit unions, mortgage companies and other financial services

## STRATEGIC PLANNING SERVICES

RP Financial's strategic planning services are designed to provide effective feasible plans with quantifiable results. We analyze strategic options to enhance shareholder value, achieve regulatory approval or realize other objectives. Such services involve conducting situation analyses; establishing mission/vision statements, strategic goals and objectives; and identifying strategies to enhance franchise and/or market value, capital management, earnings enhancement, operational matters and organizational issues. Strategic recommendations typically focus on: capital formation and management, asset/liability targets, profitability, return on equity and stock pricing. Our proprietary financial simulation models provide the basis for evaluating the impact of various strategies and assessing their feasibility and compatibility with regulations.

## MERGER ADVISORY SERVICES

RP Financial's merger advisory services include targeting potential buyers and sellers, assessing acquisition merit, conducting due diligence, negotiating and structuring merger transactions, preparing merger business plans and financial simulations, rendering fairness opinions, preparing mark-to-market analyses and supporting the implementation of post-acquisition strategies. Through financial simulations, comprehensive data bases, valuation proficiency and regulatory familiarity, RP Financial's merger advisory services center on enhancing shareholder returns.

## VALUATION SERVICES

RP Financial's extensive valuation practice includes bank and thrift mergers, thrift mutual-to-stock conversions, insurance company demutualizations, ESOPs, subsidiary companies, purchase accounting and other purposes. We are highly experienced in performing appraisals which conform to regulatory guidelines and appraisal standards. RP Financial is the nation's leading valuation firm for thrift mutual-to-stock conversions, with offering values ranging up to \$4 billion.

## OTHER CONSULTING SERVICES

RP Financial offers other consulting services including branching and diversification strategies, feasibility studies and special research. We assist banks/thrifts in preparing CRA plans and evaluating wealth management activities on a de novo or merger basis. Our other consulting services are aided by proprietary valuation and financial simulation models.

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