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Celebrating 20 Years of Financial Advisory Services

Mutual Thrift Merger Opportunities for Thrifts in Mutual Holding Company Form

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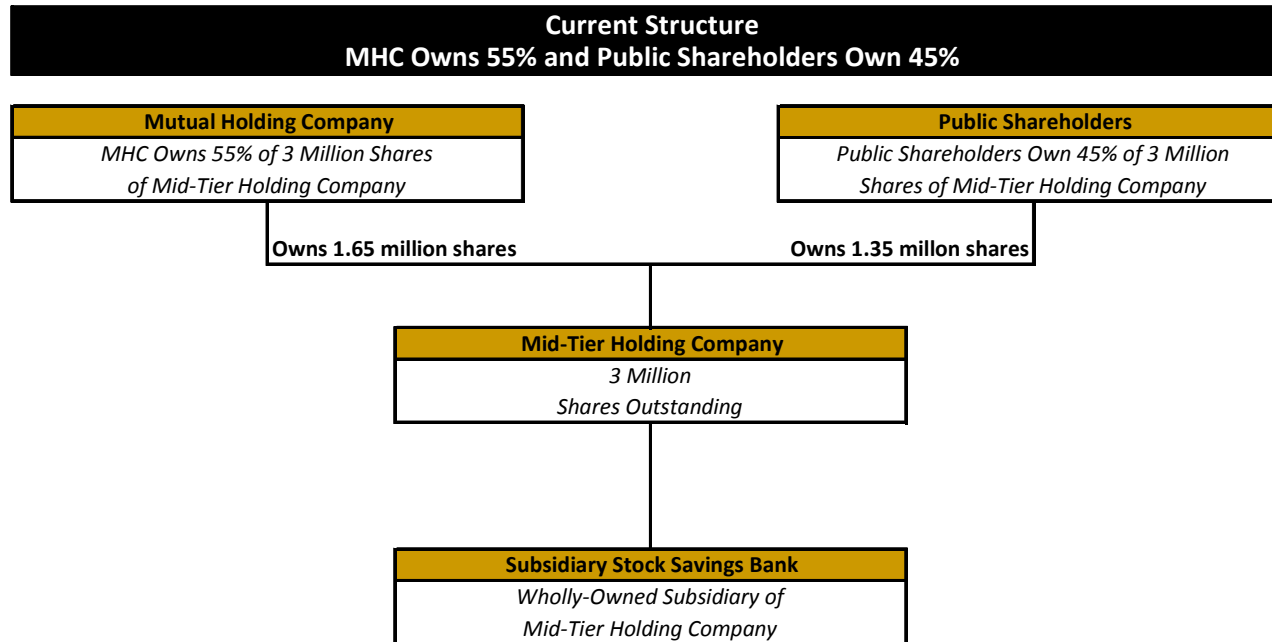


Unique Opportunity For Thrifts in MHC Form: Acquire Other Mutual Thrifts

- ❑ A unique opportunity exists for mutual holding company (MHC) thrifts to acquire mutual thrifts –
 - Includes MHC thrifts with public shareholders as well as “no-stock” MHC thrifts
 - Banks & thrifts in full stock form are blocked by regulation from acquiring mutual thrifts
- ❑ MHC thrifts can acquire mutual thrifts with two different structures –
 - With a simultaneous public offering
 - In which the MHC thrift conducts a public offering based on (1) the mutual thrift’s appraised value, (2) the public ownership % of the MHC thrift and (3) the MHC thrift’s public trading price
 - Remaining shares are issued to the MHC
 - No simultaneous public offering
 - In which all shares are issued to the MHC based on (1) the mutual thrift’s appraised value and (2) the MHC thrift’s public trading price
 - This presentation highlights the impact of both mutual thrift merger structures
- ❑ Note: “No-stock” MHC thrifts can acquire mutual thrifts and conduct a simultaneous public offering based on the mutual thrift’s value if the MHC thrift also conducts a public offering (these are not reflected in this presentation)



MHC Thrift Structure (Before Mutual Thrift Merger)

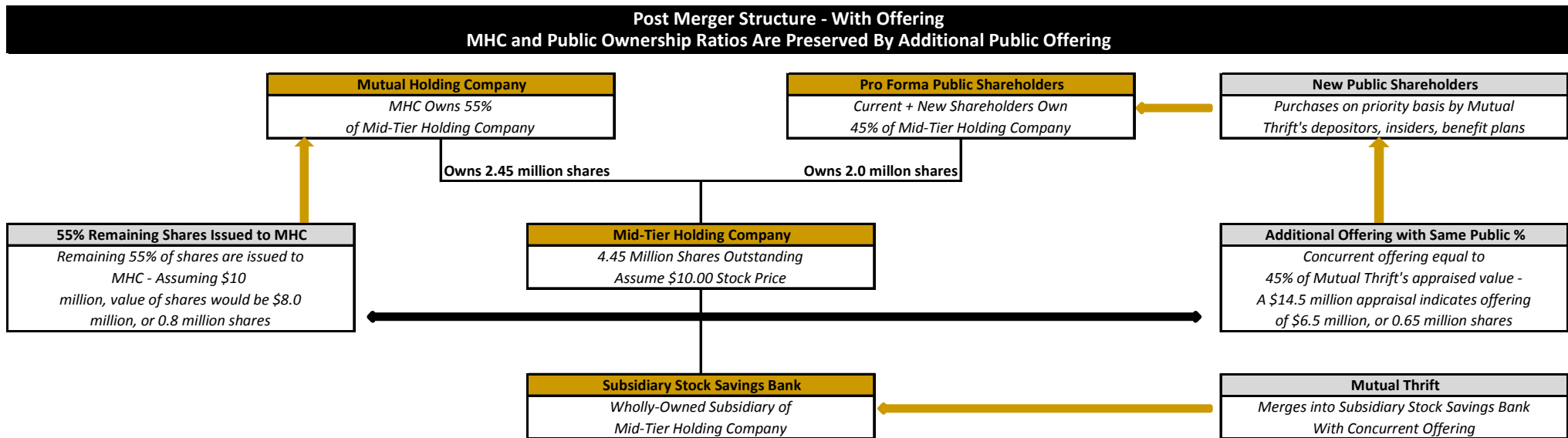


Assumptions & Pro Forma for Mutual Thrift Merger – With Public Offering

Characteristics	MHC Thrift	Mutual Thrift	Pro Forma
Assets (\$000)	\$200,000	\$125,000	\$335,666
Equity (\$000)	\$20,000	\$10,000	\$41,566
Tangible Equity (\$000)	\$20,000	\$10,000	\$36,166
Earnings (\$000)	\$1,000	\$600	\$1,815
Earnings Per Share (\$)	\$0.33	--	\$0.41
Cash Earnings Per Share (\$)	\$0.33	--	\$0.47
Tangible Book Value Per Share (\$)	\$6.67	--	\$8.13
Public Shares (000)	1,350.0	--	2,002.5
MHC Shares (000)	<u>1,650.0</u>	--	<u>2,447.5</u>
Total Shares (000)	3,000.0	--	4,450.0
Price Per Share (\$)	\$10.00	\$10.00	\$10.00
Market Capitalization (\$000)	\$30,000	--	\$44,500
Mutual Thrift Appraised Value (\$000)		\$14,500	
Public Shares Issued in Merger (000)		797.5	
Shares Issued in Merger to MHC (000)		652.5	

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Post-Merger MHC Thrift Structure With Public Offering



Assumptions & Pro Forma for Mutual Thrift Merger – With No Offering

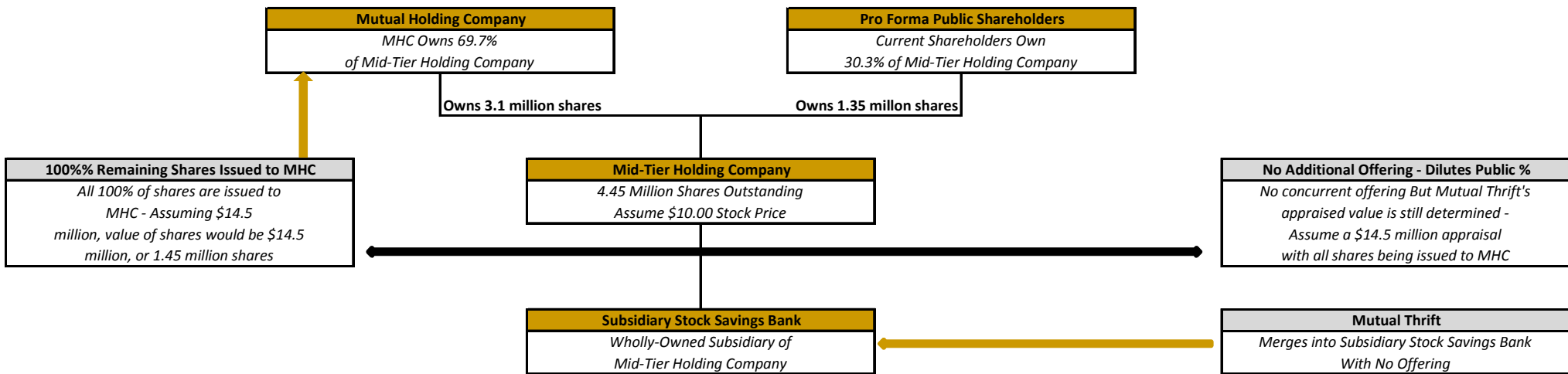
Characteristics	MHC Thrift	Mutual Thrift	Pro Forma
Assets (\$000)	\$200,000	\$125,000	\$329,500
Equity (\$000)	\$20,000	\$10,000	\$35,400
Tangible Equity (\$000)	\$20,000	\$10,000	30,000
Earnings (\$000)	\$1,000	\$600	\$1,772
Earnings Per Share (\$)	\$0.33	--	\$0.40
Cash Earnings Per Share (\$)	\$0.33	--	\$0.46
Tangible Book Value Per Share (\$)	\$6.67	--	\$6.74
Public Shares (000)	1,350.0	--	1,350.0
MHC Shares (000)	<u>1,650.0</u>	--	<u>3,100.0</u>
Total Shares (000)	3,000.0	--	4,450.0
Price Per Share (\$)	\$10.00	\$10.00	\$10.00
Market Capitalization (\$000)	\$30,000	--	\$44,500
Mutual Thrift Appraised Value (\$000)		\$14,500	
Public Shares Issued in Merger (000)		0.0	
Shares Issued in Merger to MHC (000)		1,450.0	

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Post-Merger MHC Structure With No Offering

Post Merger Structure - No Offering
MHC Ownership Increases and Public Ownership Ratio Decreases With No Offering





Reasons an MHC Thrift Should Consider Acquiring a Mutual Thrift

- ❑ Expansion
 - Expand branch network through acquired locations
 - Increase asset size for the purpose of pursuing other expansion opportunities, including –
 - Other mergers
 - Fill-in de novo branch expansion
 - Revenue / business line expansion
- ❑ Earnings Considerations
 - Create cost savings & economies of scale opportunities
 - Structure does not require as strong a level of cost savings as acquiring stock banks & thrifts since the acquisition pricing is less expensive
- ❑ Equity Considerations
 - Leverage current equity – In the event of no offering
 - Raising additional equity – In the event of a concurrent stock offering
- ❑ Nature of Acquisition Market
 - Less competitive acquisition market, since mutual thrifts & MHCs are the only type of institutions that can acquire mutual thrifts
 - Often viewed as a more friendly form of acquisition than acquiring stock banks & thrifts
 - Less expensive form of acquisition than acquiring stock banks & thrifts at a premium to their trading prices

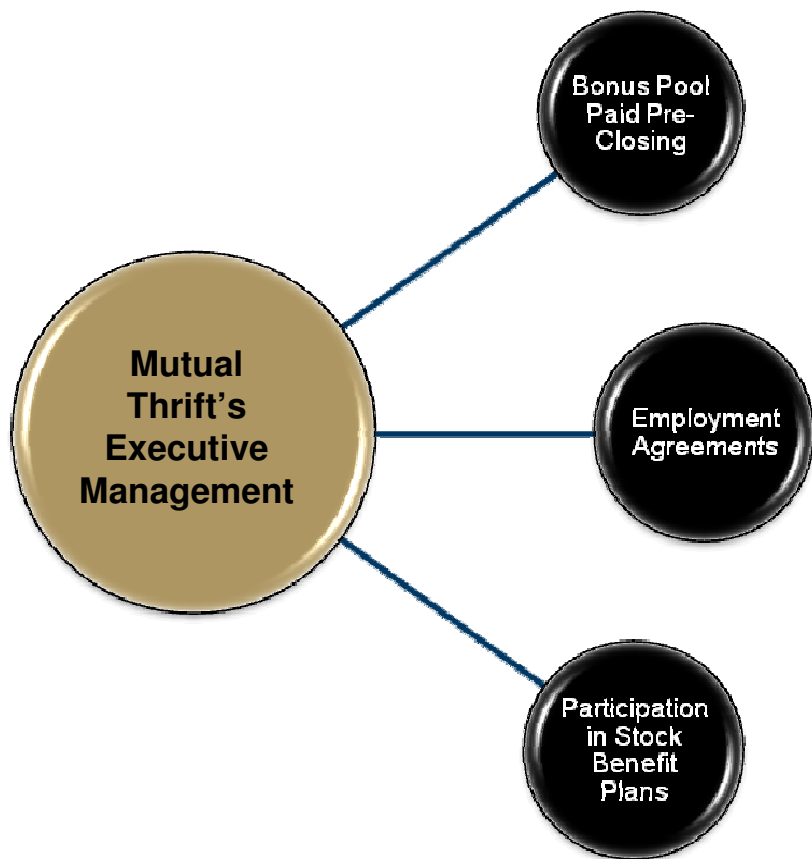


Reasons a Mutual Thrift Should Consider a Merger with an MHC Thrift

- ❑ Attractive for mutual thrifts who perceive they are not attractive conversion / MHC candidates due to –
 - Smaller asset size
 - Less limited revenue base & product mix
 - More rural market area
 - Limited management and / or board succession
 - Limited ability to reward loyalty of directors, officers & other employees
 - Cost required to implement Sarbanes-Oxley controls & engage in quarterly shareholder reporting
- ❑ Friendly merger transaction
 - Board & management can receive attractive compensation packages that cannot be offered by mutual thrifts who might be alternative acquirers
 - Cash bonuses for management
 - ESOP shares for officers & other employees (particularly with an offering concurrent with the merger)
 - Stock grants for directors & officers (particularly with an offering concurrent with the merger)
 - Stock option plan for directors & officers (particularly with an offering concurrent with the merger)
- ❑ Ability to capitalize on the acquiring MHC thrift's infrastructure & systems investments as well as the seasoning of stock market pricing & investment community relations



Various Benefits for the Mutual Thrift's Directors, Officers & Employees



Typical Stock Benefit Plans

That Can Be Offered to Mutual Thrift's Directors, Officers & Employees

Employee Stock Benefit Plan (ESOP)

Up to 8% of Public Offering Amount

Reward and Recognition Plan (RRP)

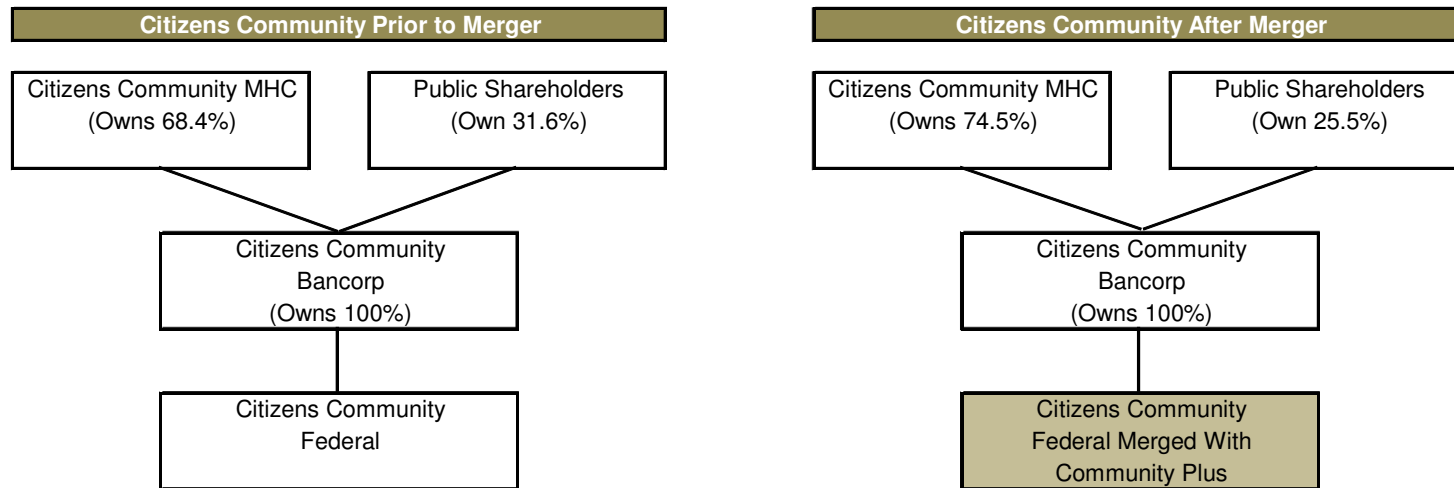
Up to 4% of Public Offering Amount

Stock Option Plan (SOP)

Up to 10% of Public Offering Amount

Similar Completed Transactions: Citizens Community + Community Plus

Recent Mutual Mergers With MHCs: Citizens Community Bancorp & Community Plus Savings Bank

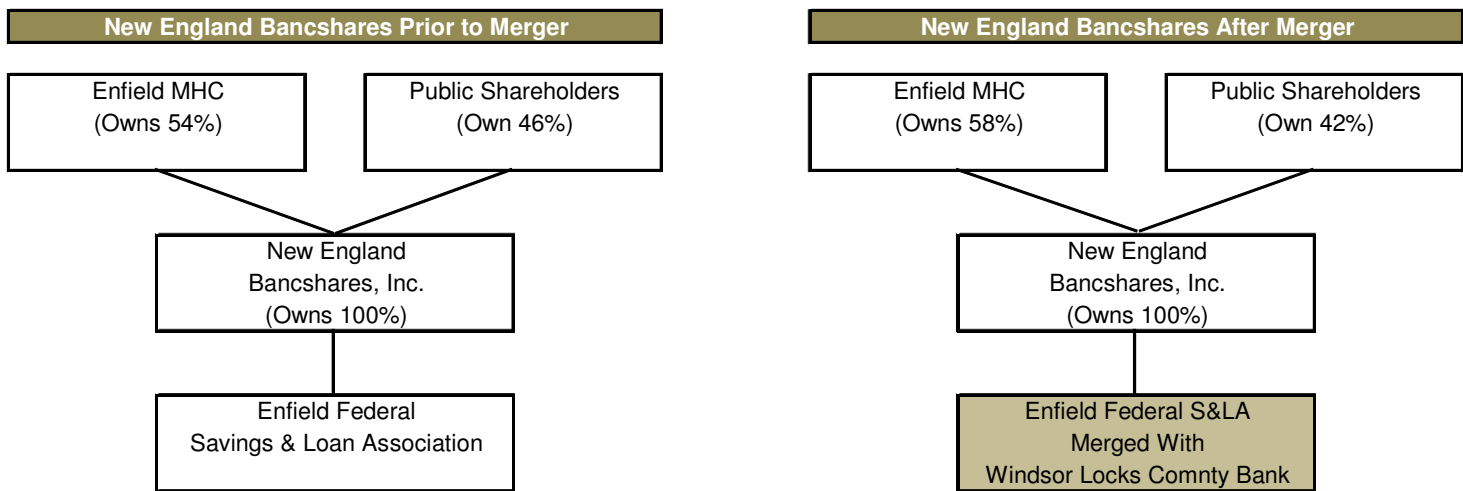


RP Financial assisted in this transaction by providing merger advisory services to Community Plus, including preparing the appraisal



Similar Completed Transactions: New England Bancshares + Windsor Locks

Recent Mutual Mergers With MHCs: New England Bancshares, Inc. & Windsor Locks Community Bank



RP Financial assisted in this transaction by providing merger advisory services to Windsor Locks, including preparing the appraisal



Similar Completed Transactions: Pro Forma Analysis

Pro Forma Analysis of MHC/Mutual Thrift Mergers

	Citizens Community <u>Bancorp</u>	New England <u>Bancshares</u>
Exchange Ticker	OTC BB CZWI	OTC BB NEBS
Stock Price		
Prior to Announcement	\$ 14.90	\$ 14.60
Prior to Printing Proxy	\$ 13.00	\$ 17.50
Acquiror Financials (Pre-Merger)		
Assets (\$000)	\$ 168,546	\$ 164,807
Equity (\$000)	\$ 19,799	\$ 23,434
Earnings (\$000)	\$ 800	\$ 572
Target Financials (Pre-Merger)		
Assets (\$000)	\$ 46,430	\$ 37,327
Equity (\$000)	\$ 4,231	\$ 2,325
Earnings (\$000)	\$ 86	\$ 159
Appraised Value (Prior to Proxy Mailing)		
Value (\$000)	\$ 9,250	\$ 3,350
Shares Issued to Acquiror's MHC	715,391	196,366
Dilution to Public Shareholders (%)	19.3%	8.7%
Pro Forma Price/Book (%)	80.8%	69.5%
Transaction Closing Date	7/5/2005	12/12/2003

Source: Merger proxies.

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Similar Completed Transactions: Pro Forma Analysis

Pro Forma Analysis of MHC/Mutual Thrift Mergers

	Citizens Community <u>Bancorp</u>	New England <u>Bancshares</u>
Target Contribution Analysis %		
Assets	22%	18%
Loans	16%	15%
Deposits	25%	21%
Equity	18%	9%
Net Income	20%	21%
Pro Forma Stock Ownership	17%	9%
Pro Forma Accretion/Dilution %		
Book Value Per Share	23.7%	5.6%
Tangible Book Value Per Share	1.3%	0.1%
Earnings Per Share	-3.4%	16.7%
Cash Earnings Per Share	6.9%	NA
EPS Pro Forma Includes Cost Savings?	Yes	No

Note: These analyses are from the financial advisor analyses in the merger proxies

Source: Merger proxies.



Our Scope of Services In Such Transactions

- ❑ RP Financial has considerable **experience** with MHC thrifts & related transactions
 - 1st step offering appraisals & business plans reorganizing into MHC form
 - Secondary offering appraisal & business plans (remaining in MHC form)
 - 2nd step offering appraisals & business plans for thrifts in MHC form
 - Acquisitions of closely-held & publicly-traded banks & thrifts by thrifts in MHC form
 - Acquisitions of mutual thrifts by thrifts in MHC form (advised on both completed transactions)
- ❑ RP Financial has developed **merger & valuation models** to evaluate the:
 - **Pro forma impact** of such mergers, including:
 - Impact to earnings, earnings per share, return on assets & return on equity
 - Effect on equity & capital compliance as well as tangible book value per share
 - Anticipated merger adjustments & accounting, synergies & potential revenue enhancements
 - Implications for 2nd step pricing (in current period as well as in the future)
 - **Benefit to public shareholders** including:
 - Increased liquidity of shares
 - Potential benefits to dividend strategy
 - Stock pricing analyses, including 2nd step analyses



Our Scope of Services In Such Transactions

- ❑ Evaluate **feasibility & financial merit** of such mergers in relation to stand-alone strategy, including
 - Public shareholder returns while remaining in MHC form
 - Prospective impact to public shareholders at time of 2nd step
- ❑ Assistance in **structuring transaction terms**
 - **Compensation plans** for target mutual thrift's board of directors & senior management, including
 - Stock benefit plans
 - Stock grant plans
 - Stock option plans
 - Employee stock ownership plans
 - Cash bonuses prior to closing of merger
 - Pricing analyses & size of public offering, if any
- ❑ Provide related **merger advisory services**, including:
 - **Appraisal valuation** of target mutual thrift
 - **Fairness opinion** to MHC thrift's public shareholders
 - **Business plan** for merger application
 - **Purchase accounting adjustments** & determination of intangible assets



Overview of RP[®] Financial, LC.

RP[®] 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 companies.

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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