

Invictus Consulting Group

Presentation to

FMS

April 22, 2016





Disclaimer

- Certain slides which contain sensitive, proprietary information have been redacted from this version of the presentation.
- The slides contained herein were designed as a supplement to the oral presentation and, as such, are not intended to be fully comprehensible on a standalone basis.

Objective: Unfair Advantage

24/7/365 M&A

provide fast, accurate, and relevant decision-making information for management at all stages of the transaction

The competitive edge – differentiation from the market focusing on the following:

- **Standalone pro forma analysis**
- **Hidden value/pitfalls** - *Capital adequacy adjustments*
- **Valuation** - *Consolidated value proposition*
- **Relative market value** - *Alternative acquisition options / Proactive strategies*

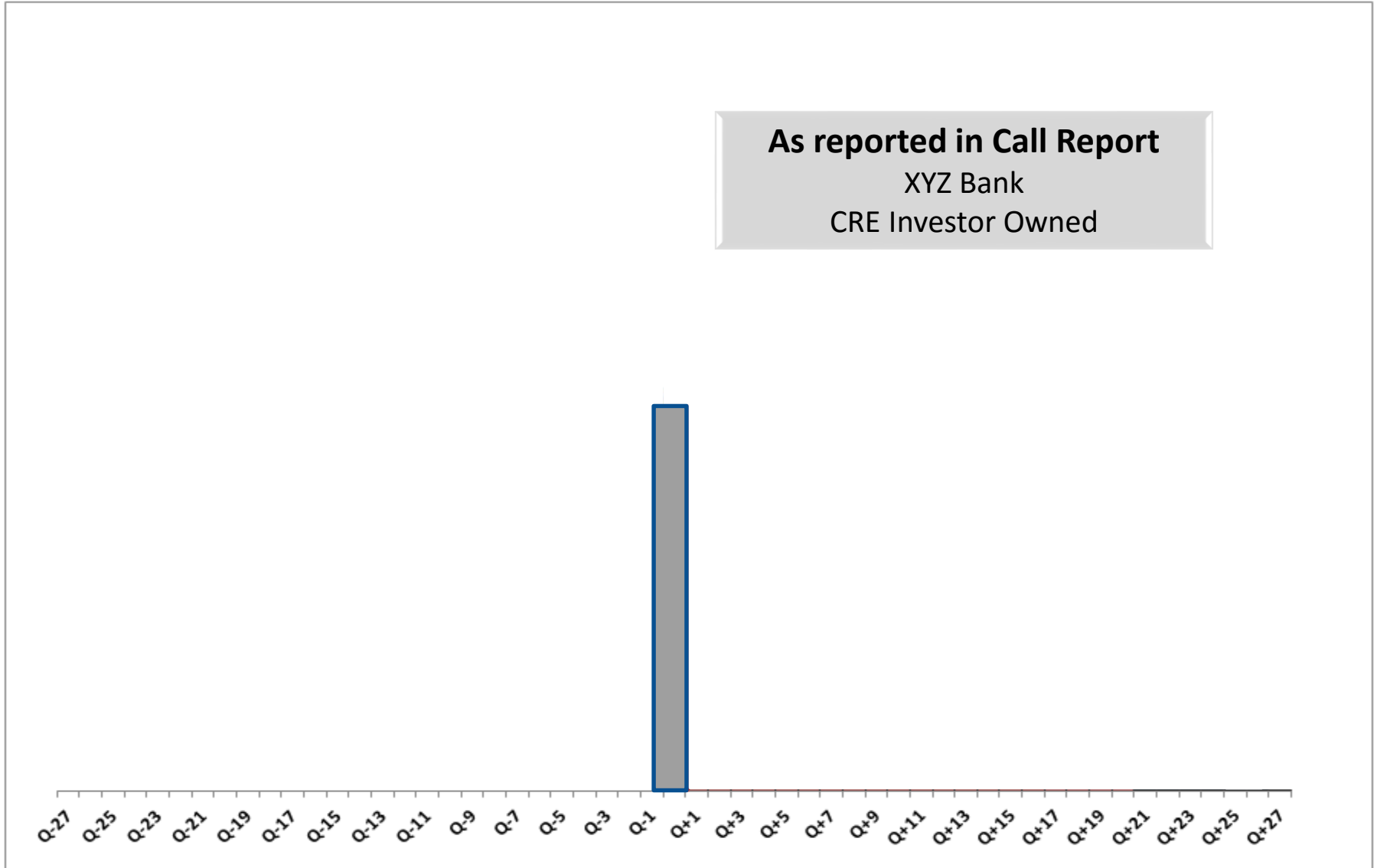
Invictus Analytics

Vintage Analysis





Loans – As Reported (Sample Bank)





Loan Classifications (Sample Bank)

Risk Rating:



Loan Classifications
XYZ Bank
CRE Investor Owned

Loan risk classifications are determined based on **historical review** and **year-to-date performance**



Q-27 Q-25 Q-23 Q-21 Q-19 Q-17 Q-15 Q-13 Q-11 Q-9 Q-7 Q-5 Q-3 Q-1 Q+1 Q+3 Q+5 Q+7 Q+9 Q+11 Q+13 Q+15 Q+17 Q+19 Q+21 Q+23 Q+25 Q+27

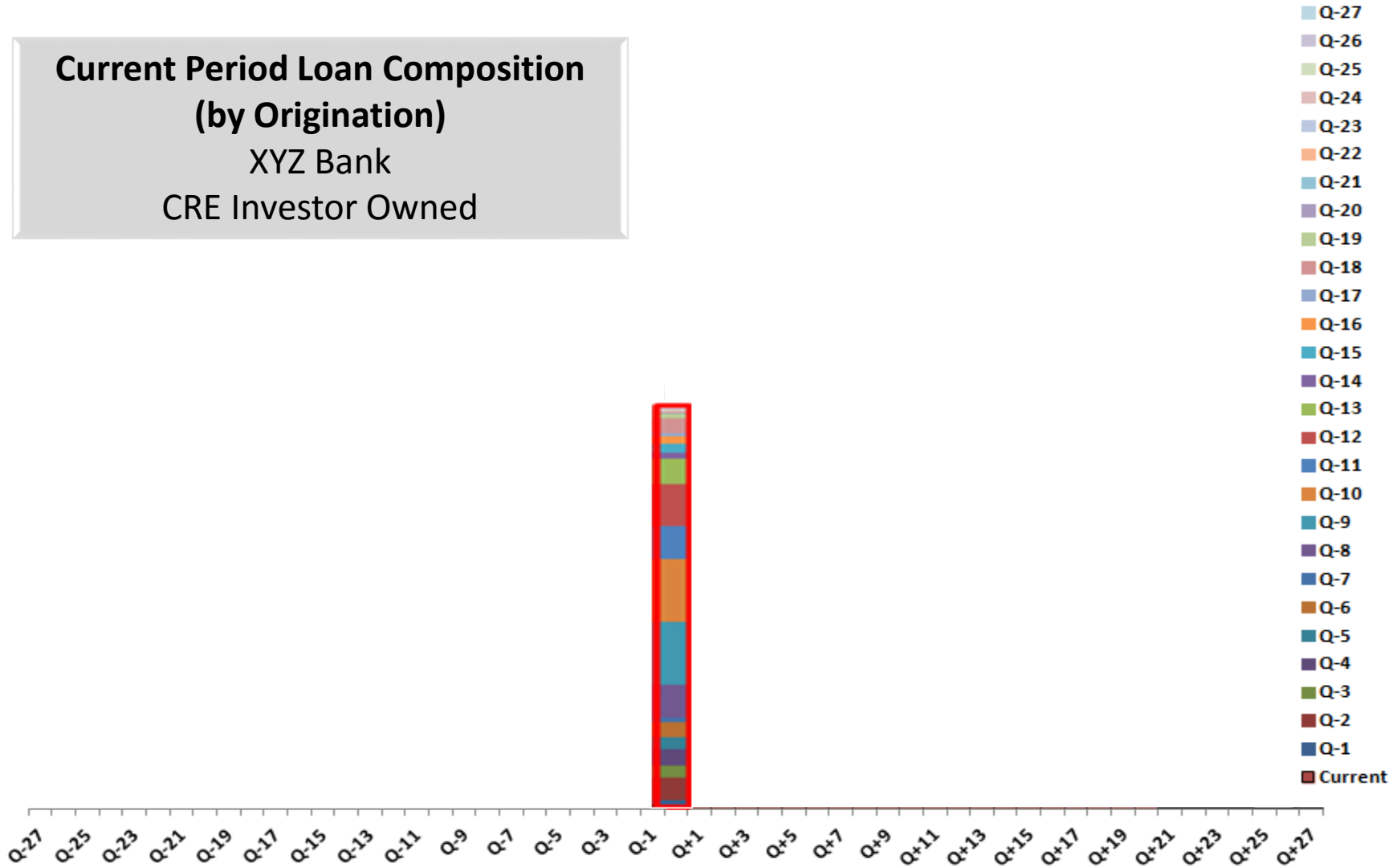


Invictus LoanLayering™ - by Loan Vintage

Current Period Loan Composition (by Origination)

XYZ Bank

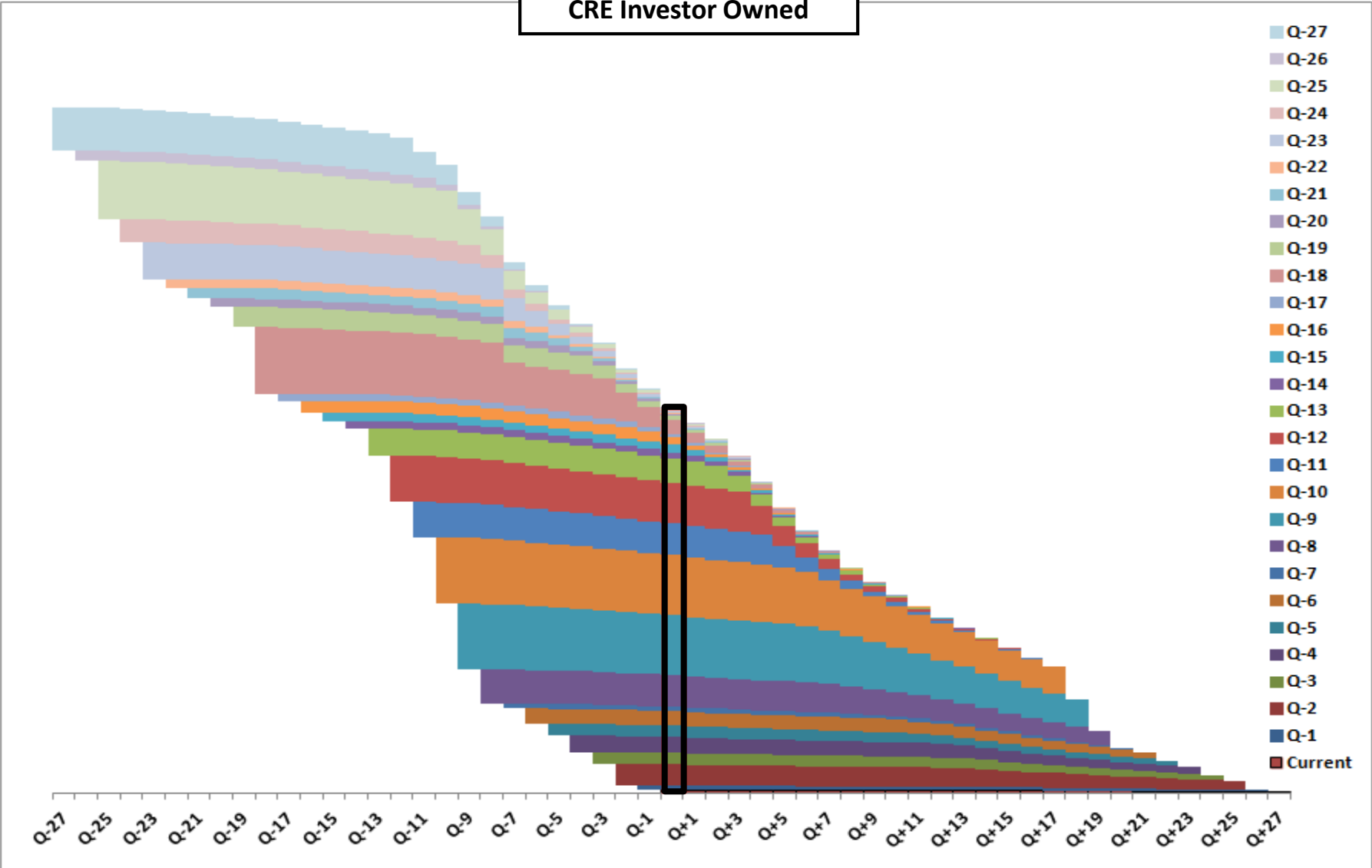
CRE Investor Owned





Invictus LoanLayering™ to Define Redeployment and Impact on Profitability

CRE Investor Owned



Identifying Vintage Risk

Two Identical CRE Loans

Best/Excellent Classification

Loan 1 (originated 2009)

vs.

Loan 2 (originated 2014)





Loan Review Limitations

Identically Classified Loans of Different Vintages

At Time of Origination:

Debt Service Coverage

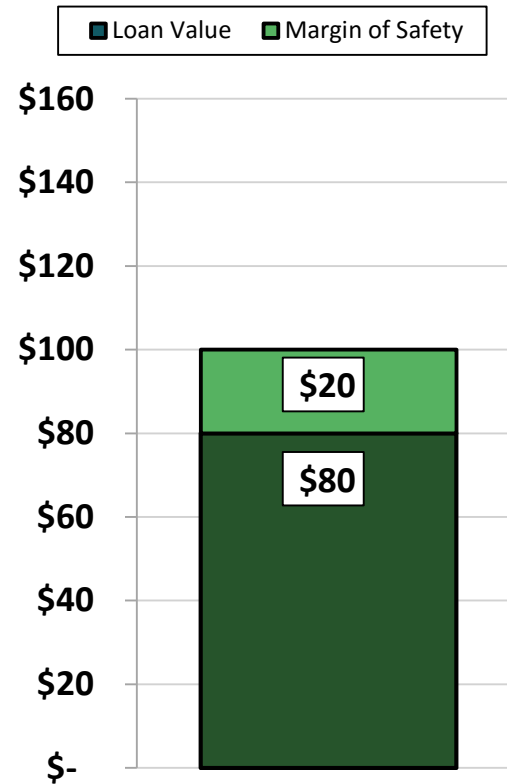
Ratio: 1.25

Loan-to-Value: 80%

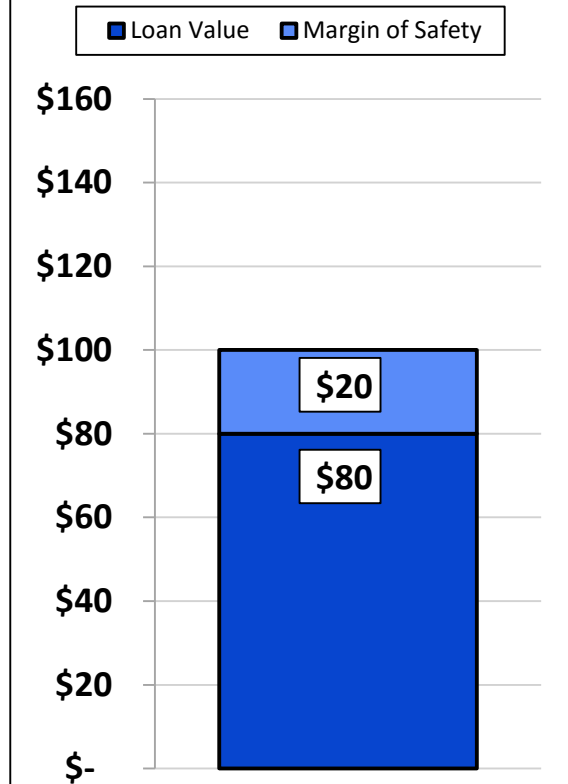
Property Value: \$100

Loan Value: \$80

Loan 1 (2009)



Loan 2 (2014)



Traditional loan review would classify each loan identically.



***This Section has been
redacted for the printed
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Standalone pro forma analysis.

Banker's/Internal Projections

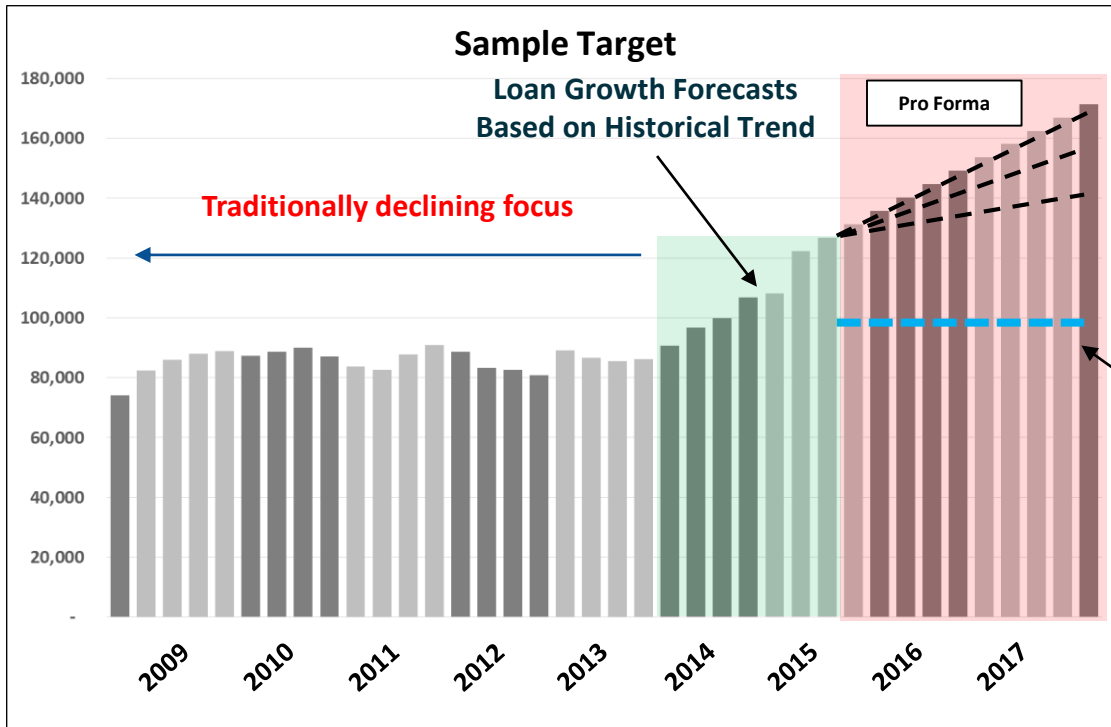




Traditional Analytics

Standalone pro forma analysis

Pro Forma Loan Growth



Pro Forma Financials

	TTM	Pro-Forma		
(\$Ms)	2015Q3	Year 1	Year 2	Year 3
Assets	\$127	\$145	\$162	\$180
Gross Loan Yield	4.63%	4.63%	4.63%	4.63%

Estimated Gross Yield on Loans – 4.63%



Total Assets

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Invictus Analytics versus Traditional Analytics

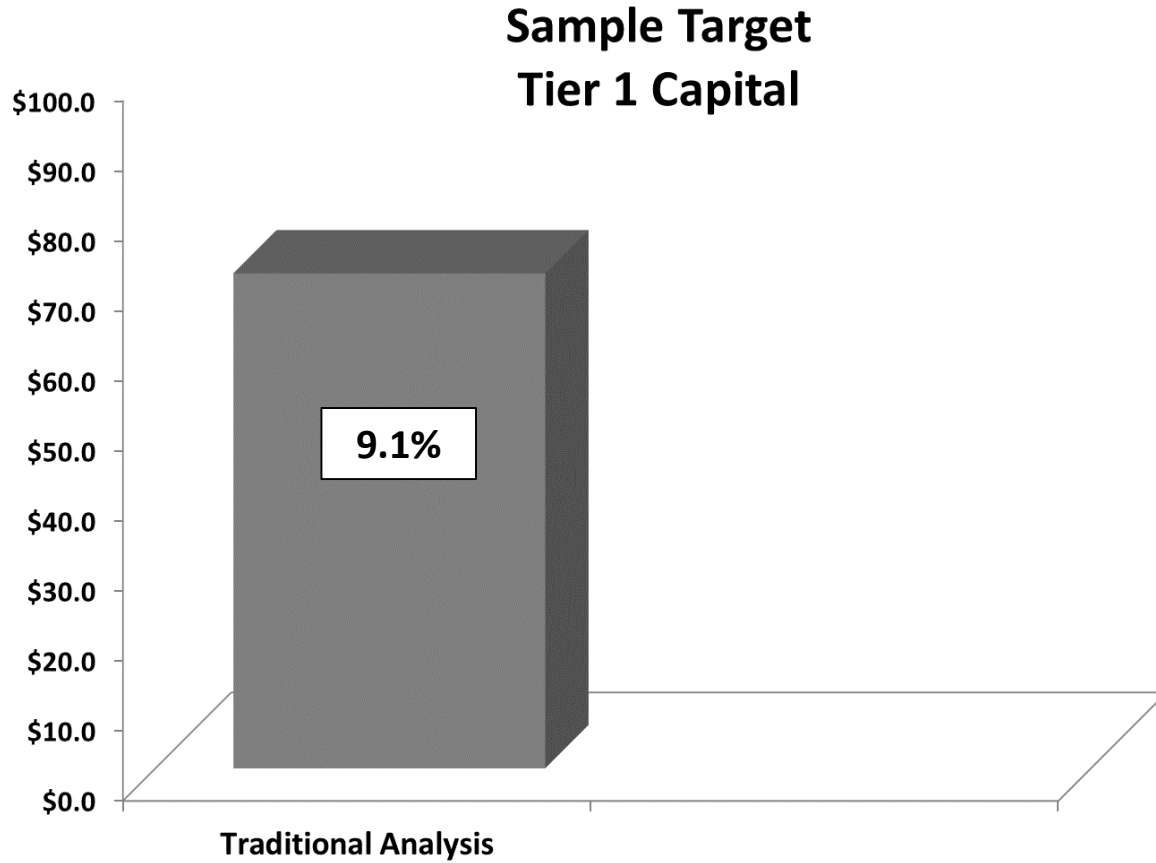
Capital Adequacy





Capital Adequacy: Traditional Analysis

Hidden value/pitfalls - Capital adequacy adjustments



Invictus Analytics

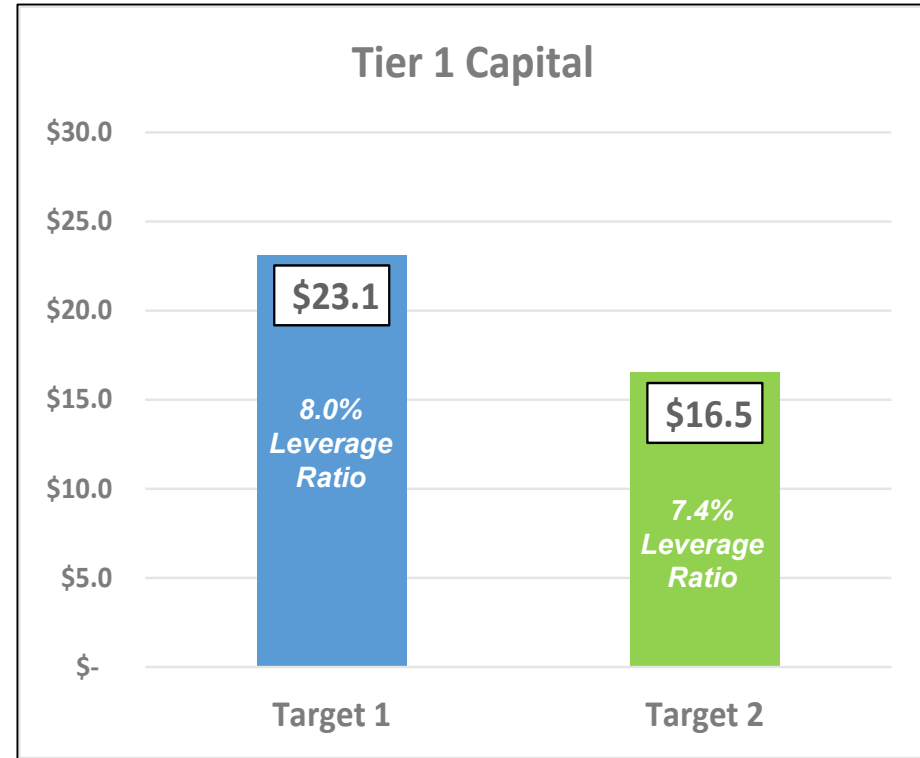
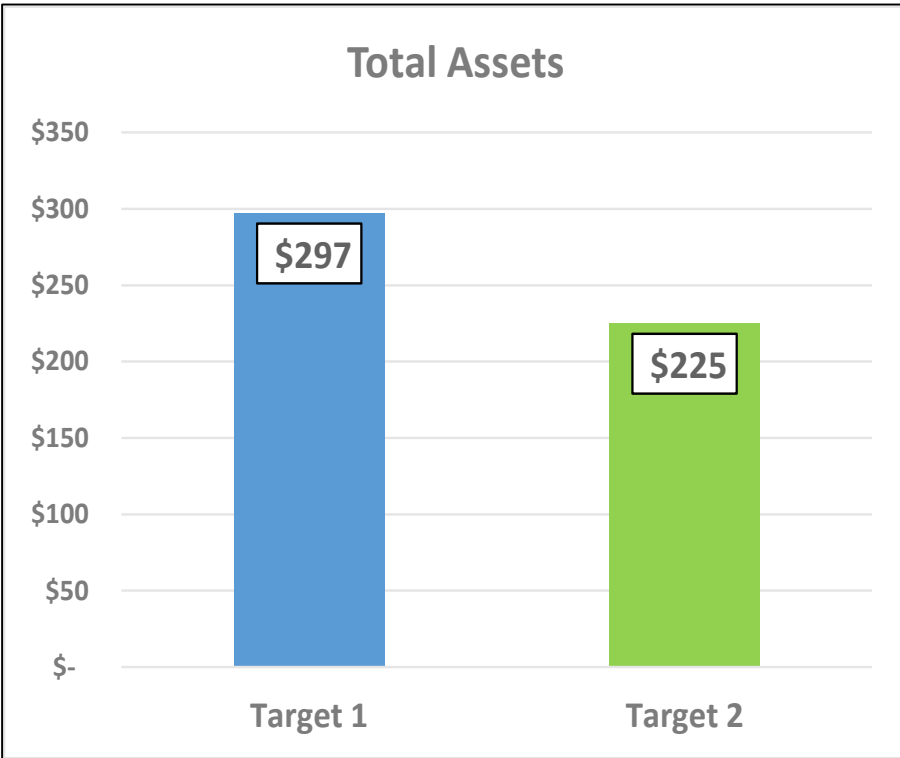
Actual Client Example





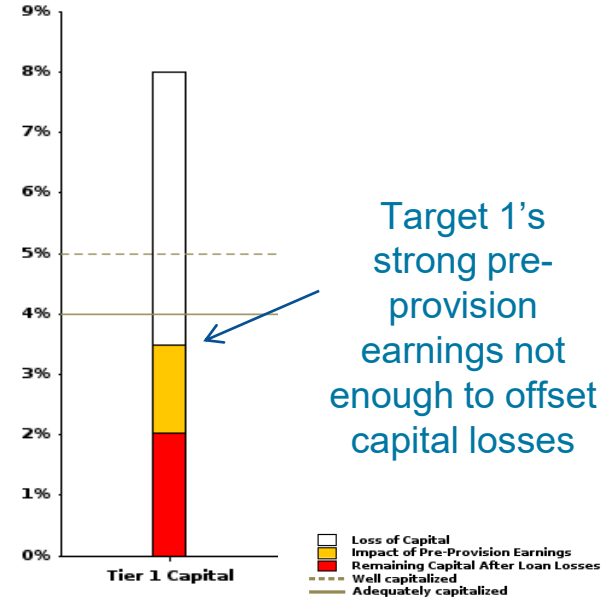
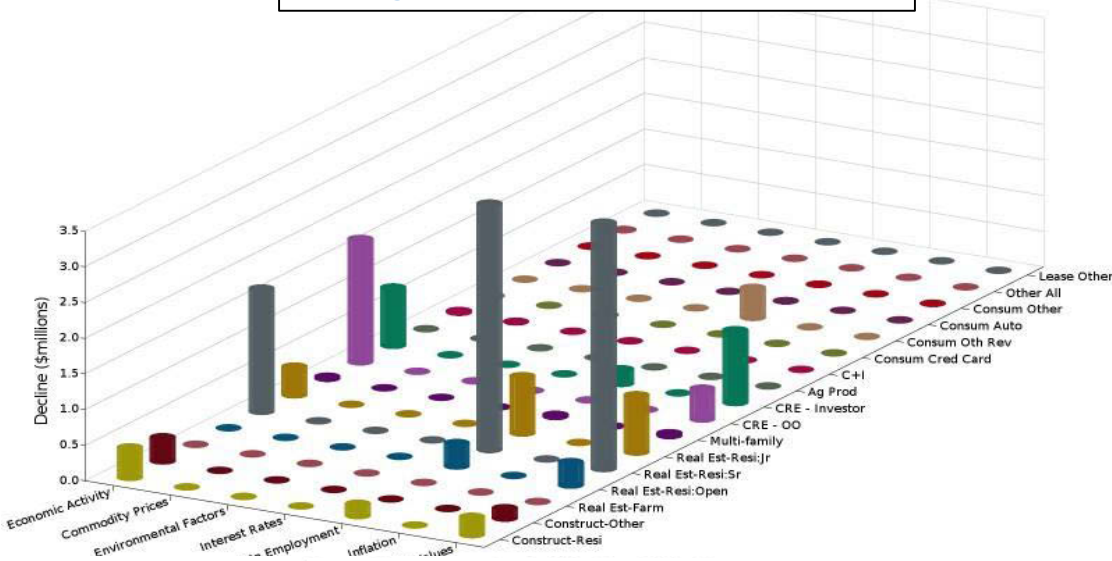
Capital Adequacy: In Practice

Hidden value/pitfalls - Capital adequacy adjustments

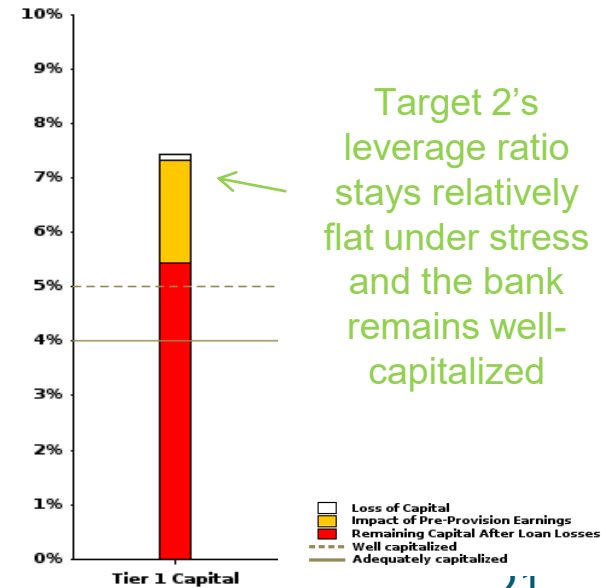
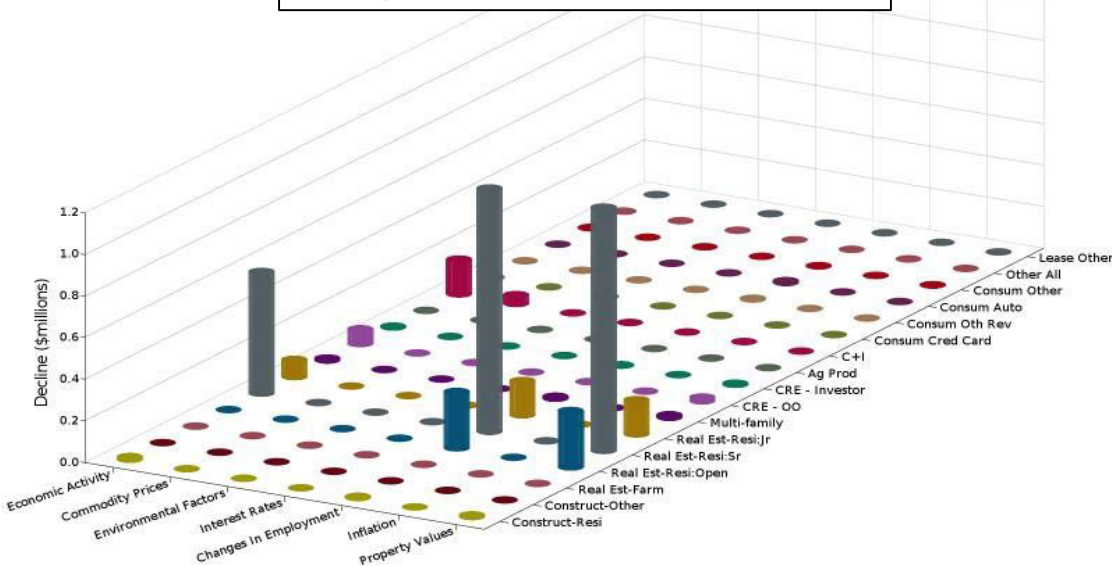


Capital Adequacy: In Practice

Target 1: Losses Under Stress

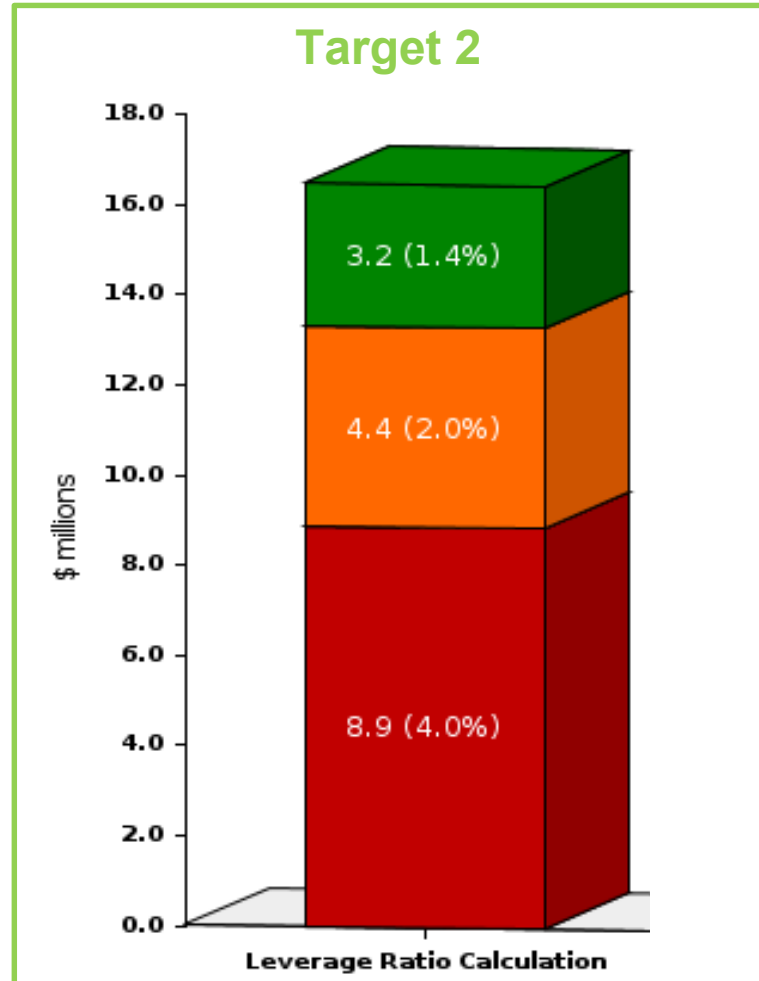
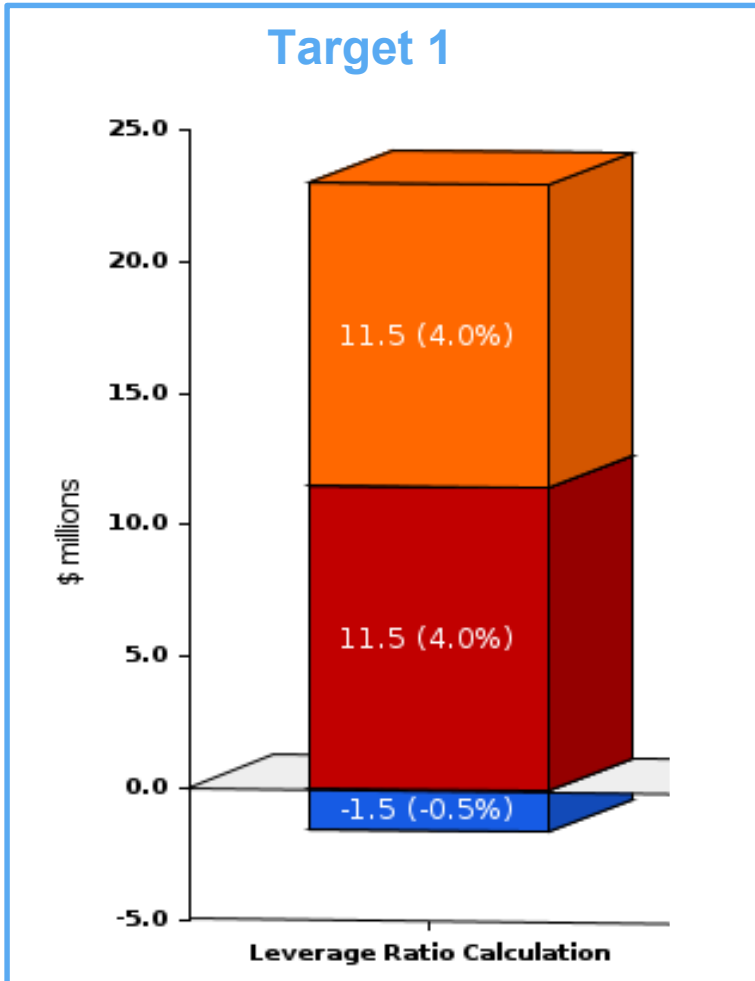


Target 2: Losses Under Stress



Capital Adequacy: In Practice

Hidden value/pitfalls - Capital adequacy adjustments



- Free Capital
- Restricted Capital: Additional Buffer (via Stress Test)
- Restricted Capital: CCAR/DFAST Minimum
- Capital Shortfall

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Invictus Transaction Value

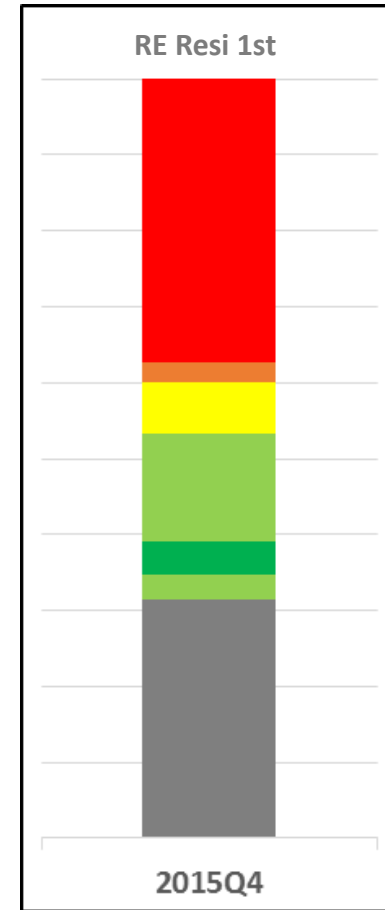
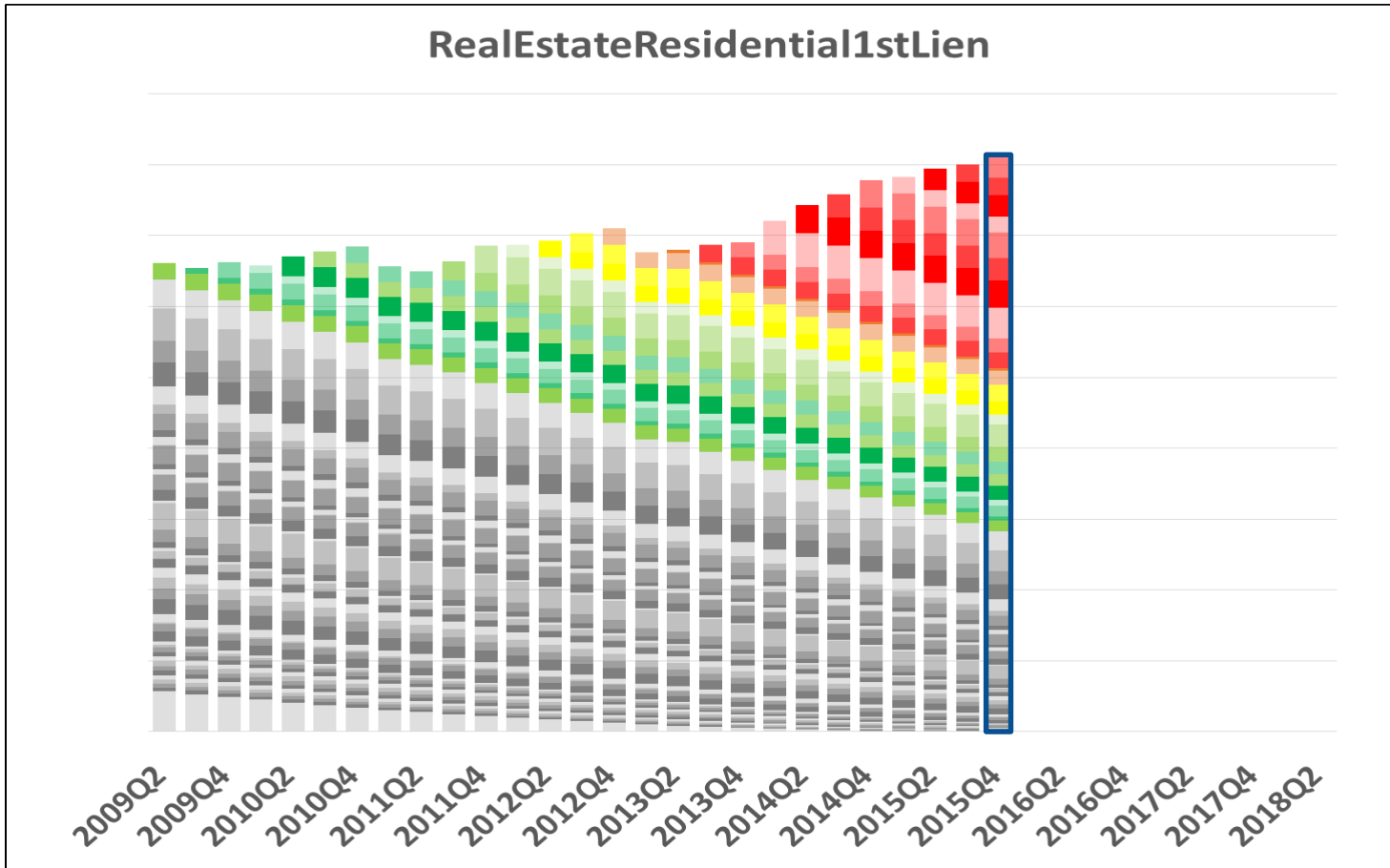




Attending Bank X – RE: Residential 1st Lien

Step 2: Applying Risk/Reward

Valuation - Consolidated value proposition



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“Leaders & Bleeders”

Attending Bank X

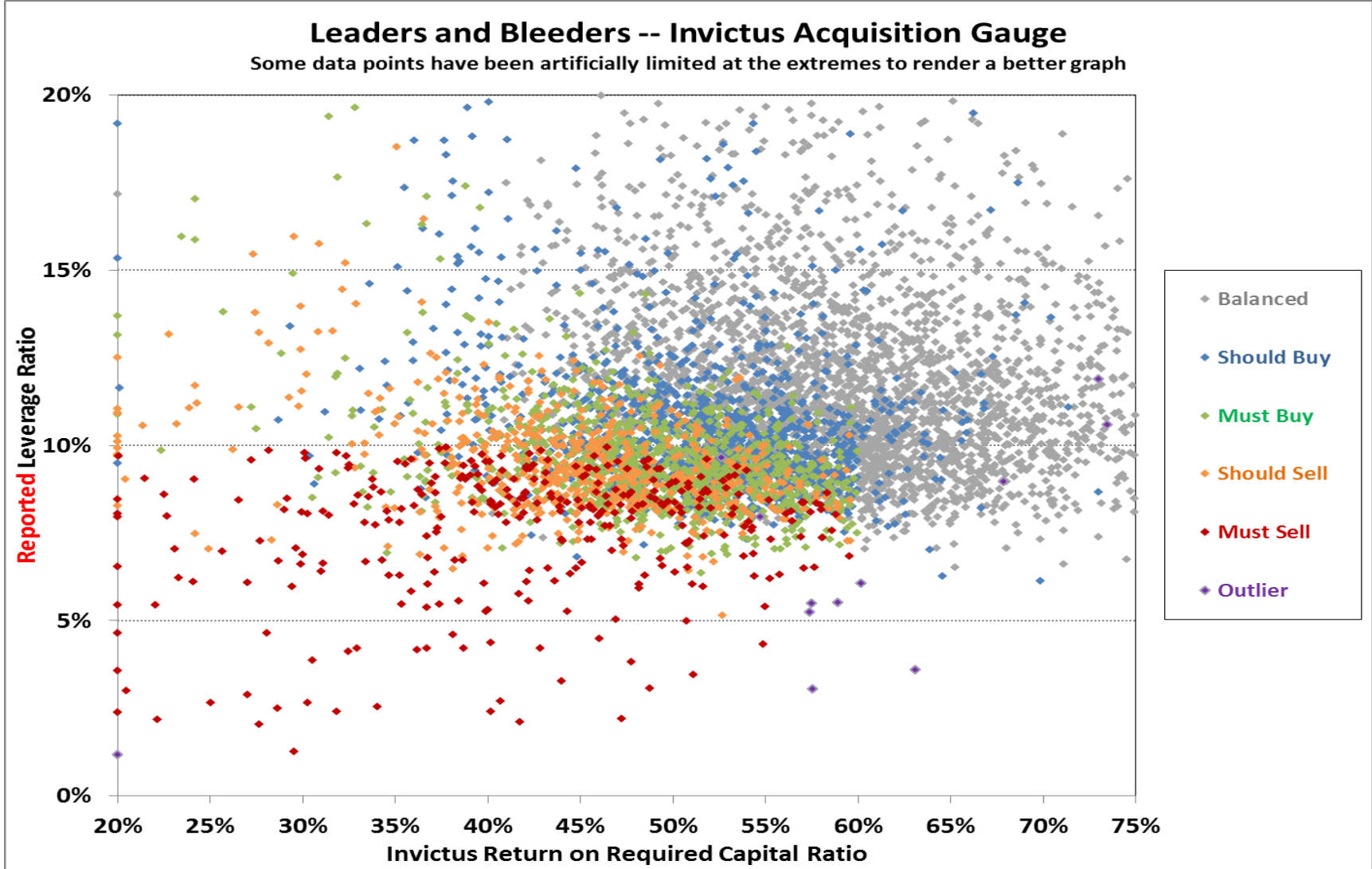




Invictus Acquisition Gauge All Banks in the USA

$$\text{Invictus Return on Required Capital Ratio} = \frac{\text{Gross Asset Return}}{\text{Regulatory Capital Required to Support the Assets}}$$

Relative market value - Alternative acquisition options / Proactive strategies



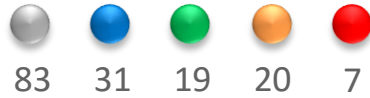


All Banks in 150 miles By Distance (HQ to HQ)

Relative market value - Alternative acquisition options / Proactive strategies

**CUMULATIVE
POTENTIAL ACQUISITIONS**
"Rule of Thumb" vs. FreeCapital™

100-150 miles



50-100 miles



25-50 miles



<25 miles



Attending Bank
X

276

28

161

116

18

77

31

6

24

5

0

2

Legend:

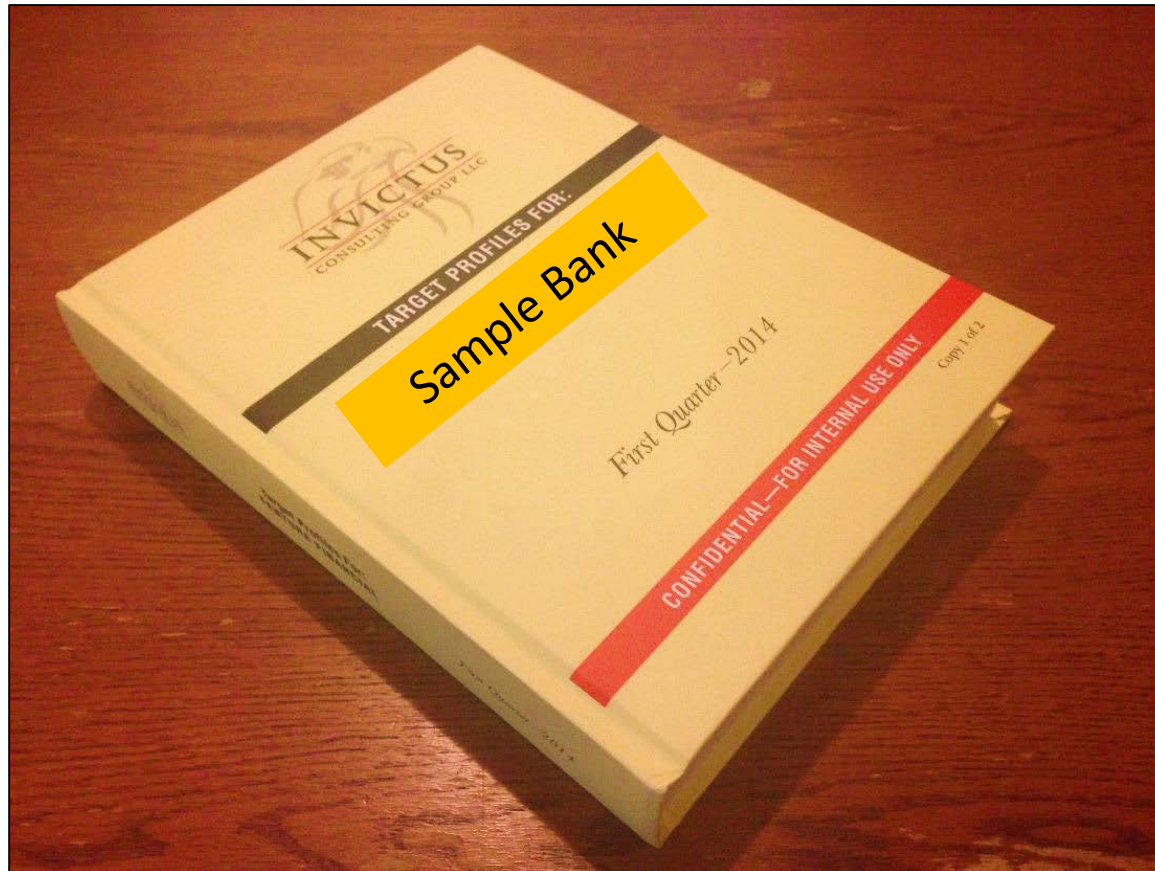
- Must Sell
- Should Sell
- Must Buy
- Should Buy
- Balanced
- Outlier



“Yellow Pages” Book

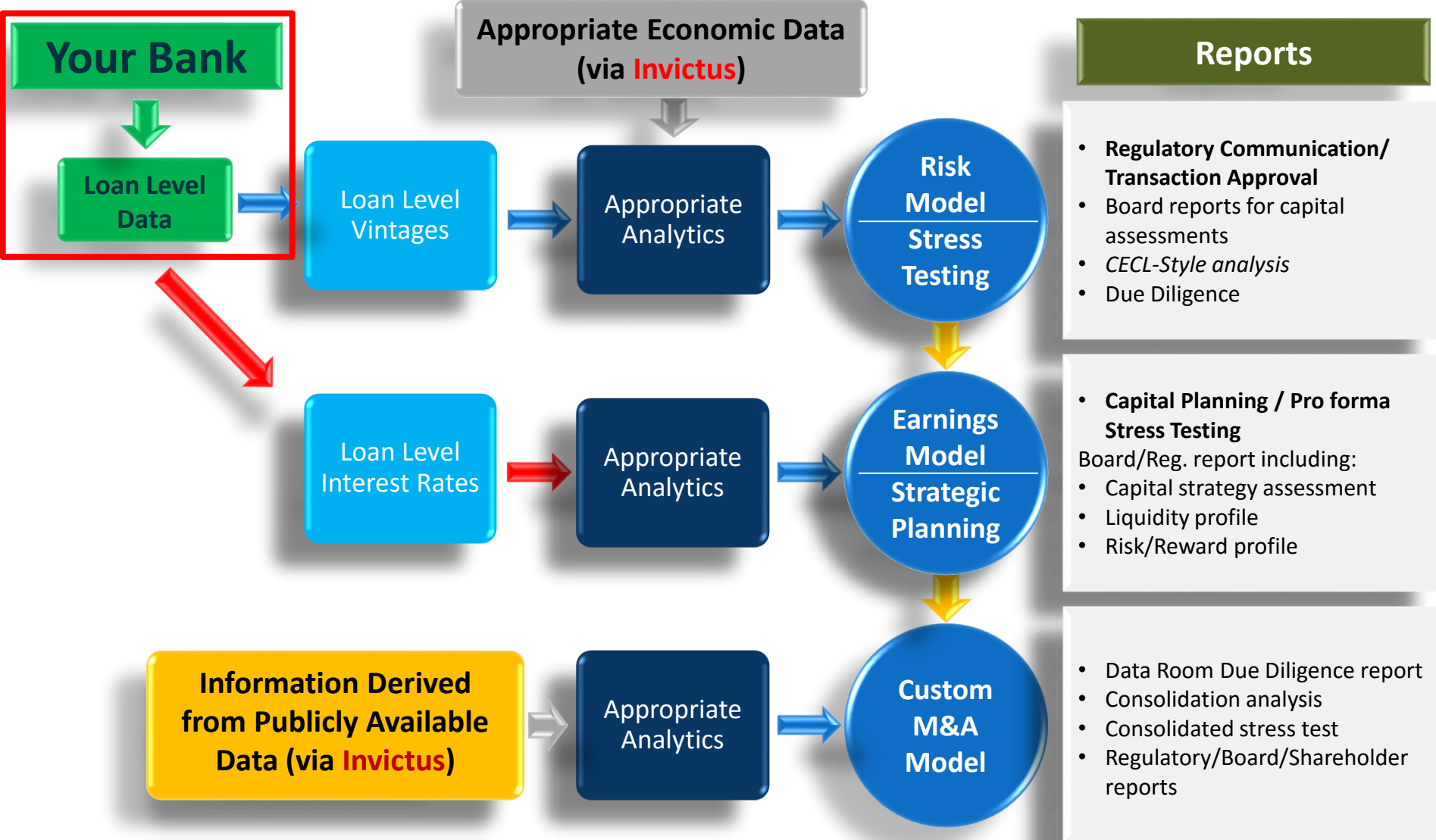
Relative market value - Alternative acquisition options / Proactive strategies

Invictus analytics on every potential target in market
Ongoing process throughout the year





Invictus Analytics Stage I, II, & III



Thank You

**For more information about Invictus, please
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