

Issues & Ideas for M&A Related Capital Raising

Jefferies

Frank Cicero



Todd Baker



John Eggemeyer

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2015 Acquire or Be Acquired Conference

M&A Related Capital Raising

Frank Cicero
Global Head of Financial Institutions
Group
Jefferies LLC
(212) 323-3341
Jefferies LLC
Member SIPC

Jefferies

Setting the Stage

- The bank M&A market is adjusting away from the “everything must look like an MoE” model
- Traditionally about 75% of bank M&A deals include cash consideration
- Cash is often useful to sellers as a form of price protection and can also benefit buyers as fewer shares are issued in the transaction

M&A Related Capital Raising

In an environment where cash consideration is likely to increase...

- Higher regulatory capital requirements and overall level of regulatory scrutiny increase the likelihood of M&A related capital raises
- Bigger banks will have an advantage
- Small and mid-sized banks will need to have an M&A related capital strategy in place in order to be prepared for transactions
- Buyers should not assume that a registered common offering months after the M&A announcement is always the right option

Key Issues in Assessing M&A Capital Raising Options

- 1) Size and materiality of transaction dictates the need for pro forma financial statements in prospectus
- 2) Need for tangible common equity versus other qualifying Tier 1 Capital for regulatory approval
- 3) Likely investor reaction to M&A transaction
- 4) Understand the degree of importance of ability to “unwind” offering if M&A deal does not close

M&A Related Capital Raising

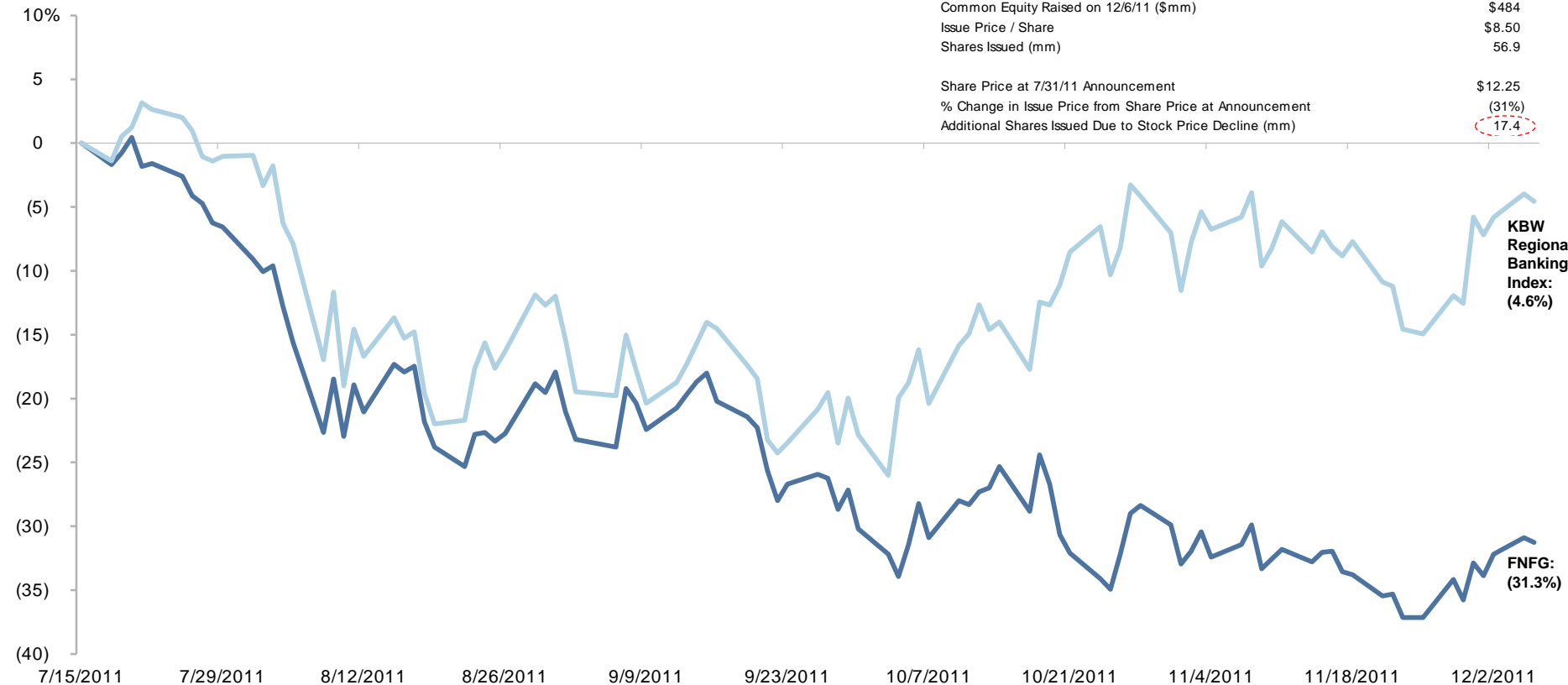
Timing Risk: The Unique Issue for Bank M&A Capital Raising

- Transactions typically take at least six months between announcement and close due to the regulatory approval process
- There is market risk involved in waiting until a transaction closes to raise capital
- Selling banks may be reluctant to accept a financing contingency as a closing condition
- While private placements typically require a pricing discount to public offerings, they can be helpful in mitigating timing risk

First Niagara Case Study

First Niagara's Stock Price Underperformed Following Its Announced Acquisition of HSBC's Upstate New York and Connecticut

Branches
Stock Price
Performance



Summary of Potential Financing Structures

	Registered Common Equity Offering	Unregistered Common Equity Placement
Description	<ul style="list-style-type: none"> Registered sale of common equity off a new or existing shelf Traditional marketed, block trade, wall cross or at-the-market structures 	<ul style="list-style-type: none"> Unregistered private placement of common stock with registration rights
Benefits	<ul style="list-style-type: none"> Simplest execution Broad investor base Full information/disclosure in the market Tangible common equity on balance sheet 	<ul style="list-style-type: none"> Tangible common equity on balance sheet Pro formas not required Can be pre-marketed and priced prior to announcement of acquisition
Considerations	<ul style="list-style-type: none"> Pro forma financials required, if applicable, which would delay timing of issuance Cannot issue if negotiating acquisition 	<ul style="list-style-type: none"> May require a larger pricing discount Narrower investor universe Registration rights Offer size limited to 20% of outstanding market cap without shareholder approval
Contingent Upon Acquisition?	No: Shares can be repurchased in the open market if no regulatory approval	No: Shares can be repurchased in the open market if no regulatory approval
Accounting Treatment	<ul style="list-style-type: none"> All shares included in denominator 	<ul style="list-style-type: none"> All shares included in denominator

Summary of Potential Financing Structures

	Contingent Convertible Equity	Non-Cumulative Perpetual Convertible Preferred
Description	<ul style="list-style-type: none"> Unregistered perpetual convertible preferred security with a <u>mandatory</u> redemption right if regulatory approval is not attained 	<ul style="list-style-type: none"> Unregistered perpetual convertible preferred security with an <u>optional</u> redemption right if regulatory approval is not attained
Benefits	<ul style="list-style-type: none"> Automatically converts into common stock upon regulatory approval Pro formas not required Can be pre-marketed and priced prior to announcement 	<ul style="list-style-type: none"> Tier 1 capital Pro formas not required Can be pre-marketed More attractive terms than a mandatory
Considerations	<ul style="list-style-type: none"> Redemption right could be deemed a mark-to-market derivative Investors may require a larger pricing discount if announced concurrently with the acquisition Offer size limited to 20% of outstanding market cap without shareholder approval 	<ul style="list-style-type: none"> No tangible common equity credit until conversion Does not automatically convert upon regulatory approval Offer size limited to 20% of outstanding market cap without shareholder approval
Contingent Upon Acquisition?	Yes	Yes
Accounting Treatment	<ul style="list-style-type: none"> If-converted accounting Redemption right could be deemed a mark-to-market derivative 	<ul style="list-style-type: none"> If-converted accounting

Forward Equity Sale: Option for Liquid Public Acquirors

A fixed price forward equity sale is an attractive means to finance any cash consideration to an acquisition target without issuing shares until the acquisition closes

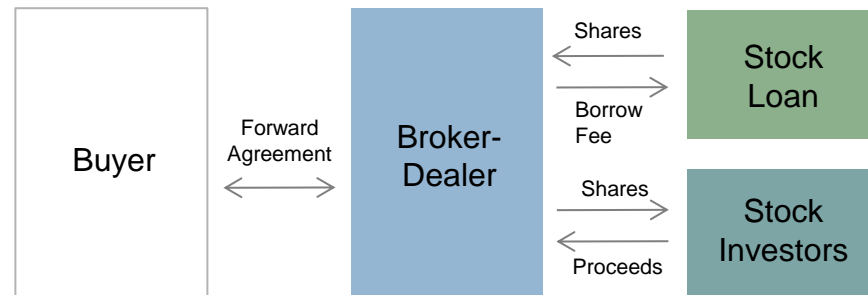
Inception Mechanics

- Buyer and Broker-Dealer enter into a forward stock agreement typically up to a year in length (can be extended)
- Broker-Dealer borrows Buyer shares in the stock loan market and sells them to investors
- Proceeds from the stock sale will remain in a collateral account at Broker-Dealer until settlement

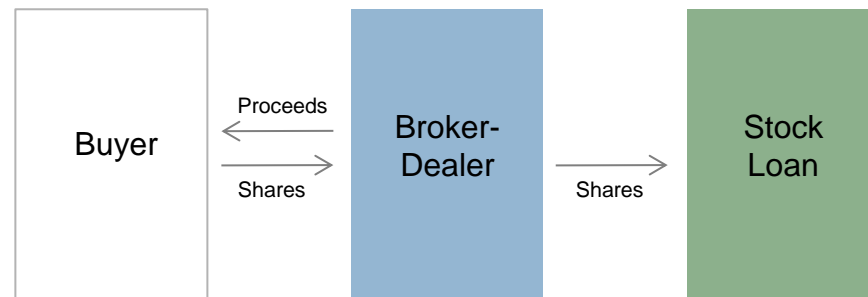
Interim Accounting

- Before settlement, the forward sale agreement will be reflected in diluted earnings per share using the treasury stock method
- No dilution to earnings per share except during periods when Buyer share price is above the per share adjusted forward sale price
- Transaction can be unwound if acquisition terminates

Inception



Physical Settlement (Acquisition Closes)



Oriental Financial Group, Inc. — Acquisition of BBVA's Puerto Rico Operations (“BBVAPR”) and Acquisition Financing

Jefferies Acted as the Sole Financial Advisor to Oriental Financial Group and Led All Three Acquisition Financing Transactions



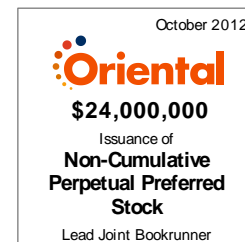
- Transaction highlights Jefferies M&A Advisory capabilities
 - Jefferies assisted in negotiation of a large acquisition involving a foreign seller
 - Jefferies designed an innovative financing structure, specifically tailored to meet Oriental's execution needs
 - Jefferies and Oriental kept the Federal Reserve and FDIC informed throughout the process on integration, risk management and capital planning
- The acquisition strongly positions Oriental within the competitive landscape of the Puerto Rico banking market
 - Upon consummation, Oriental will be the second largest bank in Puerto Rico in terms of branches, and third largest in terms of core deposit funding and assets
 - Generates attractive strategic and financial benefits, greatly enhancing earning asset and funding mix while improving all key profitability metrics
- Transaction metrics – P/TBV: 1.03x, Price/Earnings: 14x, EPS Accretion: >50%
- Oriental's stock traded up 5.6% on the day of announcement**



- Jefferies acted as sole placement agent on the wall-crossed Private Placement offering of \$84 million of non-cumulative convertible perpetual preferred stock
 - 8.75% dividend and 12.5% conversion premium
 - Optional Redemption: Non-callable for 5 years, provisionally callable thereafter at 130% of the conversion price
- First net share settled convertible preferred to qualify for Tier 1 capital treatment**
- Redeemable if the acquisition does not close**
- Proprietary fundamental change provisions created to comply with the NYSE 20% Rule and Tier 1 capital guidelines**
- 2nd non-cumulative convertible preferred issuance since 2008



- Jefferies executed an accelerated follow-on offering of 4.8 million shares raising \$53.6 million
- Jefferies' differentiated marketing efforts coupled with the Company's attractive story resulted in strong investor demand and an offering that was 6x oversubscribed with high quality accounts
 - 114 institutional investors placed an order in the transaction (a hit rate of nearly 90% from 1x1 meetings) with 75% of the orders coming from new investors
- The Company's stock price traded up significantly during the one-day marketing, up 9.6% closing the day at \$11.38/share
- Jefferies was able to price the transaction at \$11.10/share, representing a launch-to-offer premium of 6.9%
- The transaction represents the best performing follow-on offering for a bank in the last three years on a launch-to-offer basis**



- Jefferies acted as lead joint bookrunner for an offering of \$24 million of Non-Cumulative Perpetual Preferred Stock
- Transaction terms:
 - Dividend: 7.125%
 - Optional Redemption: In whole or in part any time after November 15, 2017
 - Format: SEC Registered
- Initially targeting a 2 day marketing period, the deal was 3x oversubscribed in one day and was upsized from an initial \$20 million to \$24 million
- While the securities were sold predominately to retail accounts, Jefferies leveraged its strong relationships with institutional preferred investors to bring in a meaningful portion of institutional interest into the book
- Jefferies was able to deliver a strong execution for Oriental even under difficult conditions in the immediate aftermath of Hurricane Sandy

Conclusions

- Small banks may need to raise M&A related capital in order to compete with larger banks for targets
- Banks need to have an M&A capital raising plan
- In general, the pool of private placement buyers is increasing and includes many private equity firms as well as traditional institutional investors
- Multiple capital raises can be considered in order to mitigate execution risk

Appendix

Optional Redemption Provision For Equity-Linked Securities in an M&A Context

Key Points

- An equity-linked security can be structured to allow the issuer to call the security if the acquisition is not consummated within a specific time frame
 - Typically, the security can be called for redemption at 101% of par plus a conversion premium if the stock price has appreciated since the time of the offering
 - Historically this feature was only used in convertible debt offerings but recently it has been used in preferred and mandatories as well
- Precedent Deals:
 - **Alcoa, Mandatory Convertible Preferred** (September 2014)
 - **Tyson Foods, Tangible Equity Unit** (July 2014)
 - **Genesee & Wyoming, Tangible Equity Unit** (September 2012)
 - **Oriental Financial Group, Non-Cumulative Convertible Preferred** (June 2012)
 - **Affymetrix, Convertible Debt** (June 2012)

Description

- A convertible can be structured to allow for the company to call the bonds if the proposed acquisition is not consummated within a specific time frame
- The time frame on precedent deals has ranged from approximately 6 to 12 months
- The call price typically equals 101% of par plus a conversion premium if the stock has appreciated since issuance
 - Examples of the premiums on recent offerings have included the remaining interest payments or an increase to the conversion rate according to the make-whole table in the offering document

Precedent Language

Optional Redemption by the Company If the Acquisition is Not Consummated

“If the acquisition agreement relating to our pending acquisition of BBVA PR terminates without the acquisition closing, we may, subject to regulatory approval if required under 12 CFR 225.4, at our option, redeem all (but not less than all) the shares of Preferred Stock pursuant to a notice of redemption given (i) on or prior to July 28, 2013 if the acquisition agreement terminates without the acquisition closing occurring on or prior to June 28, 2013 or (ii) on or prior to the third business day after September 30, 2013, if the last day for consummation of the acquisition has been extended in accordance with the acquisition agreement, in cash, at a redemption price equal to 101% of the liquidation preference of the shares to be redeemed and accrued and unpaid dividends for such dividend period (whether or not declared), plus a “redemption premium”. We will provide not less than 45 nor more than 60 scheduled trading days’ notice before the redemption date by mail or electronic delivery to each holder of the Preferred Stock.

“Redemption premium” means an amount in cash per \$1,000 liquidation preference of the shares equal to 85% of the excess, if any, of (i) the applicable conversion rate multiplied by the volume weighted average price of our Common Stock during the 40 trading day period beginning on, and including, the 42nd scheduled trading day immediately preceding the redemption date over (ii) the initial conversion value (as defined below) per \$1,000 liquidation preference of the shares.”

Registered Common Equity Offering

Structuring Alternatives For Common Equity Offering

	Marketed Common Equity Offering	Common Equity Block Trade	Wall-Crossed Common Equity Offering	At-the-Market / Open Market
Description	<ul style="list-style-type: none"> Public sale of registered equity to institutional investors 	<ul style="list-style-type: none"> Broker-Dealer purchases shares directly from Buyer off an existing shelf at a discount to the market closing price, and re-offers them to the public at Broker-Dealer's own risk 	<ul style="list-style-type: none"> Public sale of registered equity to institutional investors following a private marketing period 	<ul style="list-style-type: none"> Sale of shares continuously and anonymously off the Broker-Dealer's trading desk in an amount that represents typically 10%-20% of an issuers average daily trading volume
Marketing Period	<ul style="list-style-type: none"> 1-3 days 	<ul style="list-style-type: none"> Overnight 	<ul style="list-style-type: none"> 2 – 3 days private marketing followed by overnight public marketing 	<ul style="list-style-type: none"> Not marketed
Merits	<ul style="list-style-type: none"> Opportunity to reach the broadest investor base Opportunity to explain the acquisition to investors Ability to raise the greatest amount of proceeds 	<ul style="list-style-type: none"> Fast execution Certainty of price and proceeds Broker-Dealer absorbs all market risk 	<ul style="list-style-type: none"> Fast execution and broad investor outreach Public launch is preceded by limited confidential marketing ("wall crossing") to gauge investor demand and pricing Limited market risk relative to marketed transaction More certainty of proceeds vs. marketed deal 	<ul style="list-style-type: none"> Provides flexibility to take advantage of program-driven volatility Allows Buyer to fund capex and acquisitions on a continual basis while retaining the opportunity to offer stock in larger, marketed transactions Minimal management involvement needed daily Issuance amount entirely up to management's discretion
Considerations	<ul style="list-style-type: none"> Acquisition announcement may create an overhang in the stock during marketing period, if applicable Discount dependent on size of offering, trading liquidity and prevailing market conditions Uncertain price and proceeds 	<ul style="list-style-type: none"> Less opportunity to explain acquisition to investors, if applicable Size limited by Buyer market capitalization and trading liquidity 	<ul style="list-style-type: none"> Investors may be reluctant to come over the wall Discount dependent on size of offering, trading liquidity and prevailing market conditions Uncertain price and proceeds 	<ul style="list-style-type: none"> Offering size is limited by liquidity in stock Potential overhang due to size, timing and pricing uncertainty
Timing for Acquisition Finance (Assumes no pro formas required)	<ul style="list-style-type: none"> Announce <u>simultaneously</u> with acquisition 	<ul style="list-style-type: none"> Potentially <u>within one day</u> of acquisition 	<ul style="list-style-type: none"> Private marketing before acquisition Announce public marketing <u>simultaneously</u> with acquisition 	<ul style="list-style-type: none"> Announce <u>simultaneously</u> with acquisition

Bank At-the-Market Transactions since 2010

Filing Date	Issuer	Ticker	Filed Size (\$m)	% of Mkt Cap	Market Cap (\$m)	Multiple of ADTV	# of Agents	Issuer Performance (%)		
								T+1	T+7	T+30
12/17/14	Meta Financial Group Inc	CASH	26	12.2%	214	44.2x	1	2.8%	2.0%	---
10/23/14	Peapack Gladstone Financial Corp	PGC	50	22.2%	225	NM	1	(1.6%)	0.5%	(3.5%)
07/22/14	BofI Holding Inc	BOFI	50	5.0%	1,009	3.1x	3	0.6%	5.0%	10.4%
07/11/14	Bancorp Inc	TBBK	50	11.5%	434	9.3x	2	(0.2%)	(4.4%)	(21.6%)
06/05/14	Western Alliance Bancorp	WAL	100	4.8%	2,067	11.0x	1	3.1%	1.5%	5.6%
06/10/13	Meta Financial Group Inc	CASH	20	13.4%	150	60.5x	1	(1.9%)	(0.1%)	(0.2%)
03/11/13	BofI Holding Inc	BOFI	50	10.9%	459	11.5x	4	(3.7%)	(1.0%)	1.1%
10/19/12	Eagle Bancorp Inc	EGBN	35	8.3%	423	33.0x	1	(11.0%)	(2.8%)	(2.2%)
11/21/11	Bridge Bancorp Inc	BDGE	10	7.5%	132	NM	1	(2.8%)	(2.0%)	6.4%
06/14/11	Hampton Roads Bankshares Inc	HMPR	115	31.3%	367	NM	2	(10.0%)	(24.1%)	(64.8%)
02/10/11	Zions Bancorp	ZION	200	4.4%	4,526	2.2x	2	1.4%	(0.3%)	(5.1%)
01/19/11	Citigroup	C	58	0.0%	139,441	0.2x	1	0.0%	0.2%	2.3%
08/18/10	Zions Bancorp	ZION	200	4.4%	4,500	1.8x	2	(4.7%)	(10.0%)	5.6%
04/26/10	Citigroup	C	37,385	27.0%	138,398	NM	1	(10.7%)	(9.3%)	(20.6%)
04/23/10	Citigroup	C	881	0.6%	139,291	3.1x	1	(5.3%)	(10.3%)	(23.0%)
03/03/10	FirstMerit Corp	FMER	150	7.8%	1,931	8.5x	2	(1.6%)	(1.8%)	1.7%
03/01/10	Zions Bancorp	ZION	425	13.6%	3,134	3.5x	2	1.9%	3.4%	19.3%
01/28/10	Texas Capital Bancshares Inc	TCBI	40	6.8%	587	8.8x	1	5.3%	3.3%	5.3%

Since 2010

18 Bank ATMs	Average:	\$2,214	10.7%	\$24,294	14.3x	1.6	(2.1%)	(2.8%)	(4.9%)
	Median:	\$54	8.0%	\$798	8.7x	1.0	(1.6%)	(0.6%)	1.1%

Source: Dealogic.

Unregistered Common Equity Placement

Precedent Unregistered Equity Placements by Financial Companies

Since 2009

Key Points

- There have been 44 unregistered equity placements by financial companies since 2009 raising \$5.1 billion
- The average discount is approximately (3.0%) but varies greatly on a deal by deal basis
- Committed financing: financing can be raised simultaneously with announcement of acquisition
- Pro forma financials not required
- Size limited to 20% of existing market capitalization without shareholder approval

Announcement								
Date	Issuer	Mkt. Cap (\$m)	Proceeds (\$m)	% of Market	Cap	(Discount) / Premium	Warrants	Warrants Coverage
4/22/2014	Community Bank Shares of Indiana, Inc.	91.9	25.0	27.2%		(2.7%)	No	---
12/30/2014	CommunityOne Bancorp	250.5	25.0	10.0%		(7.5%)	No	---
12/30/2014	WashingtonFirst Bankshares, Inc.	122.7	20.7	16.8%		0.1%	No	---
8/4/2014	Peoples Bancorp Inc.	255.6	42.5	16.6%		(2.1%)	No	---
7/3/2013	Bear State Financial, Inc.	163.4	20.0	12.2%		0.0%	No	---
5/1/2014	RCS Capital Corporation	947.7	50.0	5.3%		(10.4%)	No	---
4/22/2014	Republic First Bancorp, Inc.	108.3	45.0	41.5%		0.0%	No	---
3/26/2014	TPG Specialty Lending, Inc.	856.7	50.0	5.8%		0.0%	No	---
1/27/2014	VantageSouth Bancshares, Inc.	270.7	47.0	17.4%		(0.8%)	No	---
12/4/2013	Banc of California, Inc.	222.7	20.0	9.0%		2.9%	No	---
11/5/2013	Blue Capital Reinsurance Holdings Ltd.	119.1	50.0	42.0%		5.0%	No	---
9/3/2013	Prime Acquisition Corp.	51.4	130.0	NM		(13.3%)	No	---
6/6/2013	Aircastle Limited	1,188.5	209.4	17.6%		17.6%	No	---
3/21/2013	Five Oaks Investment Corp.	83.6	25.0	29.9%		2.7%	No	---
12/21/2012	First Bancorp	227.0	26.6	11.7%		(25.1%)	No	---
8/20/2012	Meta Financial Group, Inc.	94.9	34.2	36.1%		(2.8%)	No	---
9/20/2012	Suffolk Bancorp	160.1	24.1	15.0%		(18.3%)	No	---
8/26/2011	Pacific Mercantile Bancorp	66.8	26.3	39.4%		16.8%	No	---
4/2/2012	Apollo Investment Corporation	1,412.8	49.9	3.5%		17.9%	No	---
4/20/2011	Enstar Group Limited	1,440.5	169.9	11.8%		(13.3%)	No	---
5/31/2011	First Bancorp.	59.4	525.0	NM		(27.5%)	No	---
9/9/2011	First Merchants Corporation	182.7	21.2	11.6%		5.5%	No	---
8/15/2011	American Capital Mortgage Investment Corporation	316.0	40.0	12.7%		10.8%	No	---
5/20/2011	New Mountain Finance Corporation	111.0	29.9	26.9%		0.0%	No	---
4/20/2011	Enstar Group Limited	1,296.1	57.2	4.4%		(13.3%)	No	---
3/16/2011	United Community Banks Inc	195.0	32.9	16.9%		40.7%	No	---
2/18/2011	South State Corporation	395.1	35.0	8.9%		0.3%	No	---
11/22/2010	Solar Capital Ltd.	823.7	68.0	8.3%		(2.1%)	No	---
11/19/2010	Bridge Capital Holdings	91.7	30.0	32.7%		(0.1%)	No	---
10/6/2010	National Penn Bancshares Inc	823.4	150.0	18.2%		(2.1%)	No	---
9/8/2010	Sprott Resource Lending Corp.	230.2	24.0	10.4%		(6.9%)	No	---
7/23/2010	Renasant Corp	292.6	55.0	18.8%		(6.7%)	No	---
6/30/2010	Porter Bancorp, Inc.	111.6	20.2	18.1%		(9.1%)	Yes	49.4%
10/13/2009	CNO Financial Group, Inc.	985.4	77.9	7.9%		(7.2%)	Yes	30.5%
11/6/2009	East West Bancorp, Inc.	768.9	165.0	21.5%		0.0%	No	---
9/24/2009	Prospect Capital Corporation	570.0	25.3	4.4%		(13.0%)	No	---
7/27/2009	WSFS Financial Corporation	175.9	25.0	14.2%		6.8%	Yes	15.0%
8/27/2009	Sierra Bancorp	130.1	21.3	16.4%		(16.1%)	No	---
8/21/2009	Prospect Capital Corporation	474.4	29.3	6.2%		(12.9%)	No	---
7/27/2009	Webster Financial Corporation	508.8	70.4	13.8%		3.8%	Yes	75.0%
7/15/2009	East West Bancorp, Inc.	391.9	27.5	7.0%		(10.9%)	No	---
6/17/2009	BlackRock, Inc.	8,181.0	2,300.0	28.1%		(21.2%)	No	---
4/15/2009	National Bank of Greece S.A.	9,237.8	105.6	1.1%		(4.6%)	No	---
3/30/2009	Ocwen Financial Corporation	726.4	60.2	8.3%		(8.5%)	No	---
Average:		800.3	115.6	16.3%		(2.9%)	Y: 9%	42.5%
Median:		253.1	37.5	14.0%		(2.1%)	N: 91%	40.0%

Contingent Convertible Equity

Contingent Convertible Equity: Description and Structuring Considerations

Description

- Sale of unregistered mandatory convertible preferred stock in a privately negotiated transaction
 - Mandatorily convertible into common equity at a fixed price upon regulatory approval within a defined period
 - Automatic redemption by investors at a price based on the prevailing stock price if regulatory approval is not attained
 - Fixed interest payments
 - One year effective maturity given the binary conversion/redemption outcome
- Investors provided information on acquisition under confidentiality and are restricted in trading until PIPE and M&A are both announced
- Becomes permanent capital only upon closing of the acquisition
 - If acquisition is terminated, structure is unwound and funding is returned to investors
- Can be funded simultaneously with the acquisition announcement or issued between announcement and closing
- Could also be structured as traditional convertible preferred security should Buyer not require Tier 1 common treatment at close of acquisition
- Structure will be negotiated and tailored to meet investment appetite and regulatory issues
- The size of the offering, attractiveness of the acquisition & market reaction, likelihood of regulatory approval, and general market conditions will all affect the structure and timing
- Issuance variables include (i) the length of time required for investor due diligence, (ii) type of investor & overall investor appetite, (iii) required discount based on whether announced concurrently with the acquisition or afterwards (iv) likelihood of regulatory approval, and others
- Size limited to 20% of existing market capitalization without shareholder approval

Factors Affecting Structure and Issuance Process

Investor Base

- Target investors include existing equity holders, institutional convertible holders, private equity funds and others
- Most investors are familiar with a PIPE / 4(2) offering, but may require additional education
- Investors may request structural tweaks based on their fund-specific objectives / preferences

Non-Cumulative Perpetual Convertible Preferred

Perpetual Convertible Preferred: Precedent Public Offerings

Since 2009

Key Points

- Majority of recent transactions have broken even within the expiration of call protection
- Average dividend is 6.462% and average premium is 19.3%

Pricing Date	Issuer	Sector	Marketing	Type	Mkt. Cap (\$M)	Proceeds (\$M)	% of Market Cap	Dividend	Premium	Call Protection	Common Div. Yield
08/13/14	Rex Energy	Energy	1-Day Mktd	Cumulative	\$751	\$161	16.3%	6.000%	31.3%	NC-5, PC 130%	0.0%
06/10/14	Penn Virginia Corp	Energy	Overnight	Cumulative	926	325	27.0%	6.000%	30.0%	NC-5, PC 130%	0.0%
05/08/14	Iridium	Telecom	4-Day Mktd	Cumulative	471	125	21.7%	6.750%	22.5%	NC-5, PC 130%	0.0%
12/10/13	Post Holdings	Consumer	1-Day Mktd	Cumulative	1,608	320	18.1%	2.500%	10.0%	NC-5, PC 150%	0.0%
06/13/13	Halcon Resources	Energy	Overnight	Cumulative	1,897	345	15.2%	5.750%	20.0%	NC-5, PC 150%	0.0%
03/18/13	Sanchez Energy	Energy	Overnight	Cumulative	673	225	30.4%	6.500%	10.0%	NC-5, PC 130%	0.0%
03/12/13	iStar Financial	REIT	1-Day Mktd	Cumulative	905	200	18.4%	4.500%	20.0%	NC-5	0.0%
02/20/13	Post Holdings	Consumer	1-Day Mktd	Cumulative	1,233	210	15.7%	3.750%	25.0%	NC-5, PC 130%	0.0%
10/11/12	Penn Virginia Corp	Energy	3-Day Mktd	Cumulative	229	115	41.8%	6.000%	20.0%	NC-5, PC 130%	0.0%
09/28/12	Iridium	Telecom	Overnight	Cumulative	582	100	14.3%	7.000%	20.0%	NC-5, PC 130%	0.0%
09/11/12	Sanchez Energy	Energy	Overnight	Cumulative	655	125	20.8%	4.875%	10.0%	NC-5, PC 130%	0.0%
06/28/12	Oriental Financial Group	Financials	Overnight	Non-Cumulative	426	84	17.5%	8.750%	12.5%	NC-5, PC 130%	2.3%
03/13/12	Wintrust Financial	Financials	Overnight	Non-Cumulative	1,294	127	8.5%	5.000%	15.7%	NC-5, PC 130%	0.5%
03/31/11	Ramco-Gershenson Properties Trust	REIT	1-Day Mktd	Cumulative	478	100	18.2%	7.250%	15.0%	NC-7, PC 130%	5.2%
03/01/11	Health Care REIT Inc	REIT	1-Day Mktd	Cumulative	7,494	719	8.0%	6.500%	20.0%	NC-7, PC 130%	5.4%
01/25/11	Excel Trust	REIT	Overnight	Cumulative	206	50	21.3%	7.000%	14.0%	NC-3, PC 140%	3.7%
11/04/10	SandRidge Energy	Energy	Overnight	Cumulative	2,374	300	9.5%	7.000%	32.5%	NC-5, PC 130%	0.0%
10/28/10	Energy XXI (Bermuda)	Energy	1-Day Mktd	Cumulative	1,102	288	21.3%	5.625%	22.5%	NC-3, PC-130%	0.0%
05/12/10	Chesapeake Energy	Energy	Overnight	Cumulative	15,153	1,100	6.0%	5.750%	20.0%	NC-5, PC 130%	1.3%
12/08/09	Energy XXI (Bermuda)	Energy	Marketed	Cumulative	304	110	30.2%	7.250%	20.0%	NC-5, PC 150%	0.0%
09/23/09	ATP Oil & Gas Corp.	Energy	1-Day Mktd	Cumulative	828	140	14.1%	8.000%	20.0%	NC-5, PC 150%	0.0%
06/23/09	LodgeNet Interactive Corp.	Telecom	Marketed	Cumulative	77	58	67.8%	10.000%	10.2%	PC 150%	0.0%
06/17/09	Whiting Petroleum Corp.	Energy	1-Day Mktd	Cumulative	1,877	345	15.6%	6.250%	17.5%	NC-4, PC 120%	0.0%
06/16/09	McMoRan Exploration Co.	Energy	1-Day Mktd	Cumulative	405	86	17.9%	8.000%	19.0%	NC-5, PC 130%	0.0%
06/09/09	Callaway Golf Co.	Consumer	1-Day Mktd	Cumulative	382	140	30.8%	7.500%	19.1%	PC 150%	3.8%
01/14/09	SandRidge Energy	Energy	Overnight	Cumulative	1,064	265	19.9%	8.500%	25.0%	NC-5, PC 130%	0.0%
Average:					\$1,669	\$237	21.0%	6.462%	19.3%		0.9%
Median:					790	151	18.1%	6.500%	20.0%		0.0%

Note: Bank offerings in bold.
Sources: Public filings, Jefferies Equity-Linked Capital Markets.

Forward Equity Sale

Primary Forward Overview

Contingent equity capital available for future acquisitions or other capital expenditures

Benefits

- Allows Buyer to lock in the current share price and use proceeds, as needed, without market risk exposure or dilution until proceeds are needed
 - Can be drawn down in whole or in part
 - No market impact when funds are drawn-down
- Transaction is executed in similar fashion to a normal equity issuance
- Forward equity transaction provides an opportunity to access equity in large amounts rather than under size limitations through continually selling in an Open Market Sales program
- Attractive accounting for GAAP EPS as no dilution incurred until forward contract is settled
 - Treasury method accounting on forward contract results in additional shares entering the diluted share count
- Forward can be settled in cash, stock or a combination
 - Cash settlement allows Buyer to unwind without incurring dilution to the extent an equity issuance is not required
- Attractive form of contingent capital raising
 - Stand-by capital
 - Eliminates risk of over equitizing balance sheet if there is closing risk

Considerations

- Slightly more complicated than a regular-way equity deal
- At maturity, if stock price exceeds settlement price, Buyer must settle the in-the-money amount in cash or additional shares
- Transaction requires the use of a Registration Statement to set-up initial short sale position for Broker-Dealer (no different than a regular-way offering)
 - Additional Forward Sale Agreement negotiated with Broker-Dealer
- Dividends are passed through on forward shares via an adjustment to the forward price
- Liquidity and borrow capacity of stock are important considerations
- Stock borrow cost passed through to Buyer via an adjustment to the forward sale price
- A large decrease in borrow may require Buyer to unwind transaction

Precedent Primary Forward Offerings Since 2007

Key Points

- There have been 32 primary forward offerings since 2007 raising \$17.2 billion
- Use of proceeds has primarily been for acquisitions, debt repayment, or general corporate purposes

Pricing Date	Issuer Name	Deal Value (\$m)	Shares Ex-OA (mm)	% of Mkt Cap	Sector	Use of Proceeds	Forward Portion	
							Shares	% Mkt Cap
09/10/14	AvalonBay Communities Inc	\$686	4.5	3.3%	Real Estate/Property	Capex, Debt, Acq, GCP, WC	4.5	3.3%
09/04/14	NorthStar Realty Finance Corp	828	45.0	22.2%	Real Estate/Property	GCP	30.0	14.8%
06/11/14	Exelon Corp	2,013	50.0	5.7%	Utility & Energy	Acquisitions	50.0	5.7%
11/19/13	NextEra Energy Inc	980	11.1	2.6%	Utility & Energy	Debt, GCP	6.6	1.5%
06/11/13	Portland General Electric Co	377	11.1	14.5%	Utility & Energy	Capex, GCP	11.1	14.5%
06/07/13	Thermo Fisher Scientific Inc	2,530	25.7	7.0%	Healthcare	Acquisitions	25.7	7.0%
05/29/13	Associated Estates Realty Corp	122	6.5	12.4%	Real Estate/Property	Debt; GCP	6.5	12.4%
05/16/13	DDR Corp	739	34.0	10.3%	Real Estate/Property	Acquisitions	34.0	10.3%
03/19/13	Hawaiian Electric Industries Inc	187	6.1	6.2%	Utility & Energy	Capex, Debt	6.1	6.2%
01/29/13	Piedmont Natural Gas Co Inc	147	4.0	5.5%	Utility & Energy	Capex, Debt	1.0	1.4%
04/10/12	PPL Corp	285	9.9	1.7%	Utility & Energy	Debt, GCP	9.9	1.7%
03/05/12	Pepco Holdings Inc	345	15.6	6.7%	Utility & Energy	Debt, GCP	15.6	6.7%
01/11/12	DDR Corp	246	16.5	5.9%	Real Estate/Property	Acquisitions	16.5	5.9%
07/13/11	Capital One Financial Corp	2,000	40.0	8.6%	Finance	Acquisitions	40.0	8.6%
03/02/11	Developers Diversified Realty Corp	131	9.5	3.6%	Real Estate/Property	Repay Debt, GCP	9.5	3.6%
11/10/10	Black Hills Corp	131	4.0	10.8%	Utility & Energy	Debt	4.0	10.8%
11/04/10	Westar Energy Inc	217	7.5	7.7%	Utility & Energy	Debt, GCP	7.5	7.7%
09/08/10	NiSource Inc	400	21.1	7.9%	Utility & Energy	GCP, Capex	21.1	7.9%
08/03/10	Xcel Energy Inc	470	19.0	4.4%	Utility & Energy	Debt	19.0	4.4%
06/03/10	Bank of New York Mellon Corp	700	25.9	2.1%	Finance	Acquisitions; GCP	25.9	2.1%
05/11/10	SCANA Corp	304	7.2	6.6%	Utility & Energy	Capex, GCP	5.6	5.1%
12/04/09	Regency Centers Corp	283	8.0	9.7%	Real Estate/Property	Debt, GCP	8.0	9.7%
08/13/09	MF Global Ltd	114	19.1	14.0%	Finance	Secondary	22.3	16.4%
05/19/09	Beckman Coulter Inc	250	4.5	7.4%	Healthcare	Acquisitions	4.5	7.4%
11/15/07	Westar Energy Inc	207	7.6	8.2%	Utility & Energy	Debt	7.6	8.2%
09/11/07	Endurance Specialty Holdings Ltd	87	2.2	3.3%	Insurance	GCP	4.8	7.3%
09/07/07	American Capital Strategies Ltd	272	6.0	3.6%	Finance	Debt	6.0	3.6%
06/18/07	American Capital Strategies Ltd	1,009	20.0	13.9%	Finance	Debt, Acquisitions	5.0	3.5%
03/20/07	American Capital Strategies Ltd	463	9.0	6.8%	Finance	GCP	6.0	4.5%
02/22/07	Medical Properties Trust Inc	191	12.0	24.6%	Real Estate/Property	Debt	3.0	6.1%
02/22/07	Vectren Corp	130	4.6	5.7%	Utility & Energy	Debt	4.6	5.7%
01/08/07	American Capital Strategies Ltd	332	6.3	5.0%	Finance	GCP	2.0	1.6%
32 Forward Offerings		\$17,175	Average:	8.1%				6.7%
			Median:	6.7%				6.2%



2015 Bank Director Acquire or Be Acquired Conference

January 2015

Todd H. Baker

Managing Director and Head of Americas Corporate Development

MUFG Americas Holdings

MUFG Union Bank, N.A.

A member of MUFG, a global financial group

Who We Are...



Get to know Union Bank

- MUFG Union Bank, N.A. (“Union Bank”) is a full-service commercial, corporate and retail bank providing an array of financial services to individuals, small businesses, middle-market companies, and major corporations
- Our history goes back to 1864, when our predecessor The Bank of California became the first incorporated bank in the Western U.S.
- Union Bank is a proud member of the **Mitsubishi UFJ Financial Group (MUFG)**, one of the world’s largest financial organizations
- American Banker Magazine and the Reputation Institute ranked Union Bank **#1 and #2** in 2013 and 2014, respectively, for reputation among its customers



- **MUFG’s Mission:** To be a foundation of strength, committed to meeting the needs of our customers, serving society, and fostering shared and sustainable growth for a better world
- **MUFG’s Vision:** Be the world’s most trusted financial group
 - Work together to exceed the expectations of our customers
 - Provide reliable and constant support to our customers
 - Expand and strengthen our global presence

**150 YEARS OF
DOING RIGHT.**



Our Businesses Segments Are Tailored to Meet Our Customer's Needs

Retail Banking & Wealth Markets



The Retail Banking and Wealth Markets Group includes three major business units: Community Banking, Consumer Lending and Wealth Markets

Commercial Banking



The Commercial Bank delivers financial solutions to businesses with \$15M to \$2B in revenues and offers specialized products and industry expertise

U.S. Corporate Banking



A dedicated group of experienced bankers and portfolio managers focused on providing a comprehensive suite of products and services to U.S.-based multinational corporations

Investment Banking & Markets



IB&M includes the following areas: Sales & Trading, Project Finance & ECA, Syndications, Securitizations, Global Financial Solutions, Leasing, Stable Value Products, Corporate Advisory, Structured Trade Finance, Merchant Banking, and related planning and finance support functions

Transaction Banking



Transaction Banking is comprised of two distinct profitable businesses (Treasury Management & Trade Finance and Corporate Trust & Custody) and one technology-driven capability center (eCommerce)

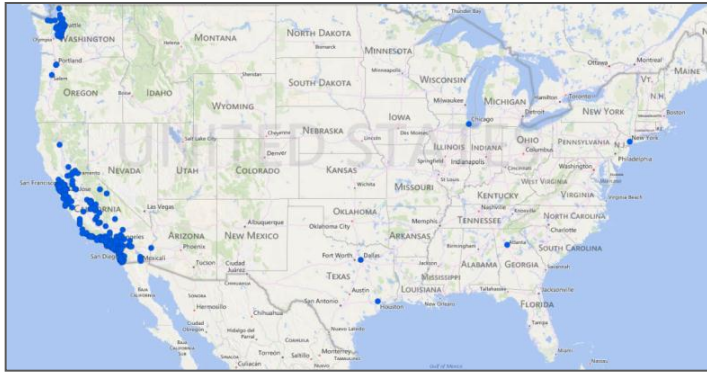
Asian Corporate Banking



Asian Corporate Banking provides comprehensive corporate and investment banking services to Asian corporates and financial institutions primarily located in the United States

Strong Retail Presence in Key West Coast Markets

National

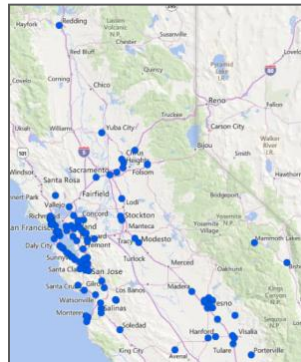


Profile

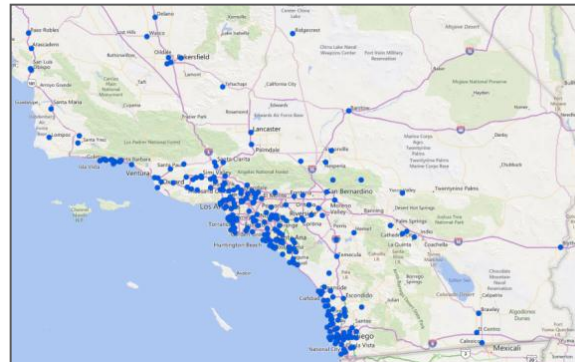
9/30/14

Total Branches*:	415
Total ATMs:	603
Total Assets:	\$111B
Total Loans:	\$75B
Total Deposits:	\$82B

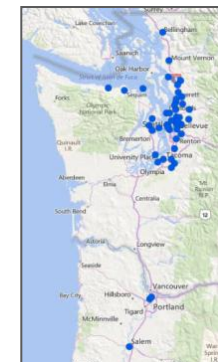
Northern California



Southern California

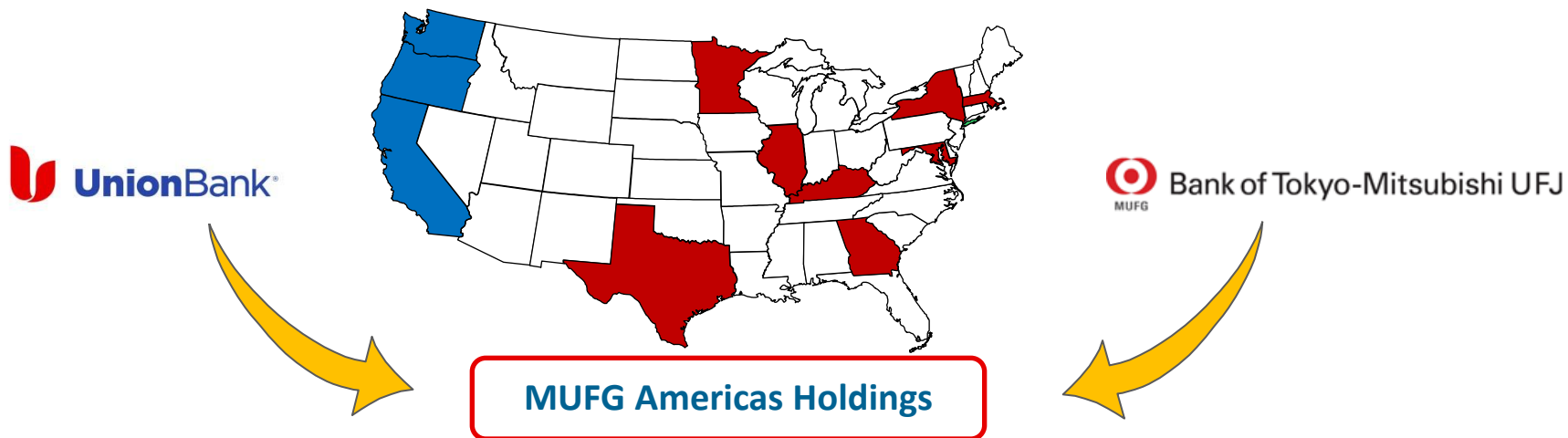


Pacific Northwest



* Union Bank has presence in California, Washington, Oregon, Texas, Illinois, Georgia, and New York, and also has two international offices

In 2014 MUFG Unified Management of its Business in the US Into a Single Structure



We have aligned the expertise, capabilities and business units of MUFG and Union Bank for the benefit of our long-term relationship with customers

- Enhance service model
- Broaden portfolio of products and services
- Increase investment in business and technology
- Strengthen governance and risk management

Our Parent MUFG Offers a Powerful Combination of Stability and Global Reach



Mitsubishi UFJ Financial Group

Largest overseas network of any Japanese bank, with a presence in over 40 countries

MUFG's services include commercial banking, trust banking, securities, credit cards, consumer finance, asset management, leasing and many more



Mitsubishi UFJ Securities Holdings: One of the largest securities firms in Japan

Mitsubishi UFJ Trust and Banking: Leading Trust Bank in Japan

Global strategic alliance with Morgan Stanley

One of the world's largest comprehensive financial groups, comprising a diverse range of leading companies in a broad range of financial businesses.

MUFG's Global Ranking

#5 by Deposits (\$1.22T¹)

#6 by Loans (\$857B¹)

#19 by Market Cap (\$75B²)




1. As of June 2014 2. As of September 2014

Japanese Yen to US Dollar conversion rate from Bloomberg as of 1/12/15




Strategic M&A is a Critical Component of Union Bank's Profitability, Growth and Diversification Objectives (1 of 3)

Bank Acquisitions

Target	Closing Date	Overview	Strategic Rationale
 Tamalpais Bancorp*	4/16/2010	<ul style="list-style-type: none"> • \$421M in deposits • \$616M in assets • 7 branches 	<ul style="list-style-type: none"> • Opportunity to purchase assets and gain market share in Bay Area
 FRONTIER BANK*	4/30/2010	<ul style="list-style-type: none"> • \$2.5B in deposits • \$3.2B in assets • 50 branches 	<ul style="list-style-type: none"> • Significantly expand presence and footprint in Pacific Northwest
<u>PACIFIC CAPITAL BANCORP</u>	12/1/2012	<ul style="list-style-type: none"> • \$4.7B in deposits • \$3.7B in loans • 45 branches • Transaction valued at \$1.5B 	<ul style="list-style-type: none"> • Expand geographic footprint to become the #1 bank in California Central Coast • Strengthen ability to serve customers through greater scale and distribution

Strategic M&A is a Critical Component of Union Bank's Profitability, Growth and Diversification Objectives (2 of 3)

Non-Bank Acquisitions

Target	Closing Date	Overview	Strategic Rationale
	11/2/2011	<ul style="list-style-type: none"> Receivables processing company with nationwide lockbox network 	<ul style="list-style-type: none"> Enhance existing receivables product offering Expand geographic scope and industry verticals
	10/26/2012	<ul style="list-style-type: none"> \$1B deposit portfolio Nationwide HOA receivables operations 	<ul style="list-style-type: none"> Source of low-cost, core deposits Leverage strengths in comprehensive receivables and national lockbox processing
	6/24/2013	<ul style="list-style-type: none"> \$3.7B in CRE loans Origination platform of PB Capital Retained key members of management team 	<ul style="list-style-type: none"> Leverage established CRE capabilities by adding a national origination platform Enable BTMU to efficiently leverage its CRE strength in the Americas
 Association Bank Services	11/22/2013	<ul style="list-style-type: none"> \$550M deposit portfolio First Bank's HOA receivables and banking operations 	<ul style="list-style-type: none"> Source of low-cost, core deposits Leverage strengths in comprehensive receivables and national lockbox processing

Strategic M&A is a Critical Component of Union Bank's Profitability, Growth and Diversification Objectives (3 of 3)

Divestitures

Business	Closing Date	Overview	Strategic Rationale
Institutional Trust Business	2/1/2012	<ul style="list-style-type: none"> Sale of institutional trust business to U.S. Bank 	<ul style="list-style-type: none"> Reduce costs and enhance operational efficiency Generate capital for investment into other businesses
High Mark Capital Management Mutual Fund Complex	3Q 2013	<ul style="list-style-type: none"> Mutual fund complex Sold 17 equity and bond funds to Nationwide Financial Sold five money market funds to Reich & Tang 	<ul style="list-style-type: none"> Allow High Mark to focus on its core business of providing asset management services
Registered Investment Advisors	4Q 2013	<ul style="list-style-type: none"> Two wholly-owned registered investment advisors (RIAs), Morton Capital Management and R.E. Wacker & Associates Both RIAs were sold back to respective management 	<ul style="list-style-type: none"> RIAs utilized alternative investment strategies incongruous with Union Bank

M&A Related Capital Raising and Competitive Deal Dynamics (1 of 2)

- **Large, well capitalized banks have many competitive advantages over MOE buyers when they pay cash**
 - Simplicity of cash deal structure
 - No price risk for seller before closing
 - No value risk for shareholders after closing
 - No SEC registration delays
 - Higher likelihood of clear path to regulatory approval if capital on hand
 - No seller financing risk
- **These benefits often outweigh the traditional attractions of the MOE**
 - Potential for double dip
 - Ability in some cases not to have to “shop” the deal
 - Tax deferral
- **But some of the advantages of cash buyers can be blunted when an MOE-sized buyer injects cash into a transaction, so long as material financing risk isn’t created for either buyer or seller**
 - Less price risk for seller
 - Less value risk for shareholders

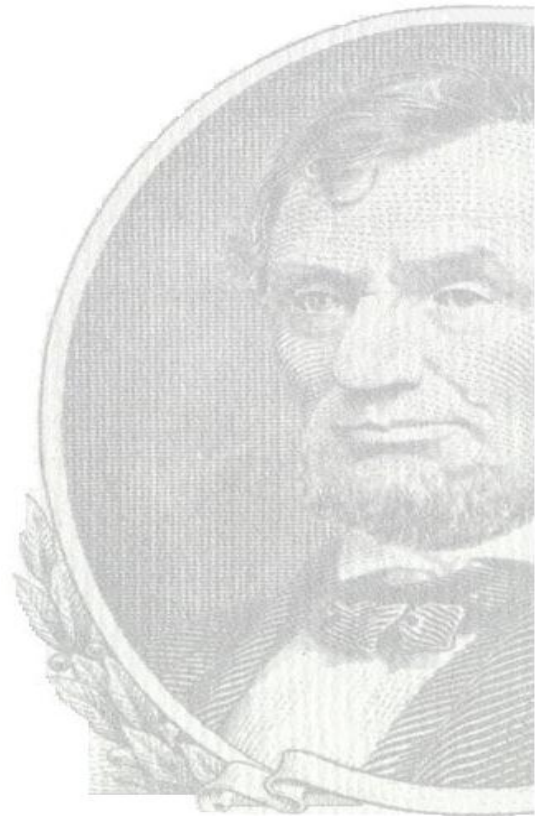
M&A Related Capital Raising and Competitive Deal Dynamics (2 of 2)

- **The methods for raising the needed cash are varied**
 - Private equity
 - PIPES
 - Contingent Equity
 - Perpetual Preferreds
- **The critical issues for the issuing acquirer include**
 - How much leverage (if any) can you add and for how long before regulators object?
 - Cost of new equity (discount to market on common or rate on preferred)
 - Trade off of capital recapture vs. EPS accretion
 - Who are your new shareholders?
 - Board representation & social issues
 - Impact of change in shareholder base on expectations for ongoing performance and potential “exit” needs
 - Is funding contingent on closing or are there other methods of eliminating the equity if the deal doesn’t close?



Evolving Role of Private Equity in M&A

Bank Director
Acquire or Be Acquired Conference
January 2015





WHAT DRIVES THE DECISION?

Public vs. Private Equity

- Market conditions



WHAT DRIVES THE DECISION?

Public vs. Private Equity

- Market conditions
- Complexity of the transaction



WHAT DRIVES THE DECISION?

Public vs. Private Equity

- Market conditions
- Complexity of the transaction
- Size of the capital requirement



WHAT DRIVES THE DECISION?

Public vs. Private Equity

- Market conditions
- Complexity of the transaction
- Size of the capital requirement
- Timing



WHAT DRIVES THE DECISION?

Public vs. Private Equity

- Market conditions
- Complexity of the transaction
- Size of the capital requirement
- Timing
- Cost



WHAT DRIVES THE DECISION?

Public vs. Private Equity

- Market conditions
- Complexity of the transaction
- Size of the capital requirement
- Timing
- Cost
- Control



KEYS TO SUCCESS

- A shared vision



KEYS TO SUCCESS

- A shared vision
- Understanding of the business



KEYS TO SUCCESS

- A shared vision
- Understanding of the business
- Partnership



KEYS TO SUCCESS

- A shared vision
- Understanding of the business
- Partnership
- Open communication



STATUTORY / REGULATORY ISSUES

- Authorization



STATUTORY / REGULATORY ISSUES

- Authorization
- Regulatory clearance