

**Andy Meisner Presentation to  
Birmingham Senior Men's Club  
Friday, May 3, 2024**

1. The State of Banking
2. Banks in Michigan
3. How we started a Bank

# The State of Banking

**The Banking System has been in the news quite a bit recently, including:**

- Silicon Valley Bank
- Signature Bank
- First Republic
- New York Community Bank/Flagstar

## What is a Bank?

Banking is one of the oldest professions, though not quite the oldest

The essence of the banking business model is demonstrated by the concept of "Net Interest Margin," which is found by subtracting the cost of the use of funds (Deposits) from earnings on Loans

4% is a good target Net Interest Margin

Banks also pursue "Non Interest Income" from sources other than lending, and sometimes offer different lines of business

Banks invest capital that is not yet deployed in investments on a "Hold to Maturity (HTM) or "Available for Sale (AFS) basis

## What is a “Safe and Sound” Bank?

Banking is one of the most highly-regulated industries in the country and in the world.

In the U.S., Banking Regulators include:

1. The Federal Reserve
2. The Federal Deposit Insurance Corporation (FDIC)
3. The Office of the Comptroller of the Currency (OCC)
4. State Regulators

## What is a “Safe and Sound” Bank?

Regulators track supervise everything that banks do through ongoing dialogue, document sharing and a schedule of regular “Examinations”

After each Examination, banks are given a “Report Card” that assigns a number score to each of the CAMELS categories:

C – Capital Adequacy

A – Asset Quality

M – Management

E – Earnings

L - Liquidity

S - Sensitivity

## What is a “Safe and Sound” Bank?

While “Safety and Soundness” is a difficult term to define given its complexity, it essentially means that a bank is actively engaged in managing risk associated with its business plan, and that the bank is not taking on undue risk.

A hallmark of banking regulations is that banks should avoid “Concentrations,” which means having too much of one thing, like:

- Being overly concentrated in a single category of loans, like multi-family housing in New York
- Having a concentration of a single depositor or depositor type
- Any other type of concentration

## Safety and Soundness

Another element of Safety and Soundness relates to the investment of excess capital in one of the buckets, HTM or AFS

The goal of bank investments is to earn money to boost NIM and, more importantly, ensuring that funds are available to meet both loan demand and to return depositors' money as needed

Concentrations and Investment Practices proved to be the undoing of many of those banks we heard about in the news from the first slide, so lets go back to that one...

## What Did they do Wrong?

**The Banking System has been in the news quite a bit recently, including:**

- Silicon Valley Bank
- Signature Bank
- First Republic
- New York Community Bank/Flagstar
- Republic First (Over the last weekend)



## **Banks in Michigan**

Banks chartered in Michigan are regulated by the Department of Insurance and Financial Services (DIFS)

There are currently about 75 banks in Michigan, a dramatic decrease in numbers from years past

Some Michigan banks in Michigan are well over 100 years old, while the newest bank is less than one year old and it is located right here in Birmingham, Community Unity Bank, or CUB

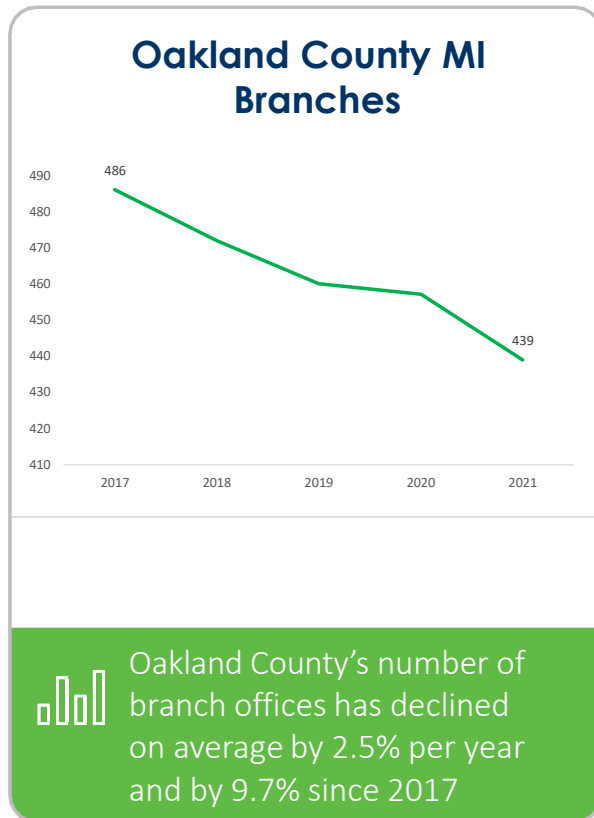
## **Banks in Michigan**

Michigan banks had its share of bank failures during the Great Recession and has also experienced a lot of merger and acquisition activity

Prominent local examples include Talmer Bank, Level One and Main Street Bank

Michigan, and Oakland County especially, has experienced a large reduction in the number of bank branches, as over 60% of banking transactions now occur on the digital platform of banks such as a website or mobile app

# BRANCH CONSOLIDATION OPENS DOORS FOR COMMUNITY BANKS



- There has been a decline of branches due to closures and consolidation across the industry. The number of branches in Michigan has declined from 486 in 2017 to 439 as of June 30, 2021.
  - Bank of America and Huntington Bank have the most closures in this time at 13 each.
- Since 2000 there have been 14 banks that have closed in Michigan.
- Oakland County has experienced 3 bank closures and all ended up as acquisitions:
  - 2008 – Main Street Bank acquired by Monroe Bank & Trust
  - 2009 – Michigan Heritage Bank acquired by Level One Bank
  - 2010 – Paramount Bank acquired by Level One Bank
- In the same time period, Oakland has only 1 bank open – Mi Bank in 2019

## **Banks in Michigan**

Banks in Michigan are fairly healthy, though like any bank they must ensure they practice safety and soundness in all they do and remain sensitive to trends

The interest rate environment is always difficult to navigate, especially during our current high interest rate environment that gives some borrowers pause about borrowing at high interest rates

The average NIM in Michigan is currently about 3.6%

## How We Started a Bank

Recognizing that industry consolidation, bank failures and branch reductions had a dramatic impact on Oakland County prompted me to pose the following question:

“How do you start a bank?”

I sought out the expertise of friends who had experience with this question who generously shared their knowledge, read a lot and watched YouTube

It became clear early on that starting a bank is definitely a team sport

## WHO WE ARE



### ANDY MEISNER, CEO

- ▶ Former Treasurer Andy Meisner served as “banker for the County” from 2009 to 2021, during which time he helped lead financial operations for nationally-recognized and AAA-rated Oakland County, Michigan.
- ▶ As Executive Board Member of the County’s Business Finance Corporation (BFC) Andy was ex officio member of the Loan Review Committee, overseeing hundreds in millions in SBA loans.
- ▶ Andy managed over \$1 billion in short term cash investments in accordance with Public Act 20 and the Oakland County Investment Policy, and led risk management, cybersecurity and treasury management for the Treasurer’s Office. Andy has a broad network of public, private and nonprofit sector financial decisionmakers.



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## WHO WE ARE



### MARIA DUBIEL, CHIEF CREDIT OFFICER

- ▶ Maria Dubiel has 36 years of banking experience in commercial lending, credit administration and compliance, recently completing service as Director of Special Assets with TCF National Bank. Maria specializes in writing loan policy and procedures ensuring the overall quality of the loan portfolio and monitoring and controlling credit risk in accordance with Bank and regulatory guidelines.
- ▶ Maria has managed all aspects of the credit risk management function, including portfolio analysis, loan approval process, and problem loan administration, and works closely with the executive team, the Board of Directors and State and Federal Regulators to support the Bank's long term sustainable growth and profitability.
- ▶ Ms. Dubiel holds an MBA and a Bachelor of Arts, both from University of Detroit Mercy. She maintains a number of voluntary positions with various nonprofit organizations including Grant Committee Lead for Impact 100.



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## WHO WE ARE



### MIKEY HALE, CHIEF LENDING OFFICER

- ▶ Chief Lending Officer Mikey Hale is enjoying a distinguished almost 20-year career as a commercial lender, formerly at Level One Bank as Vice President, Commercial Banking, and at Comerica Bank as Vice President, Business Banking, prior to joining CUB.
- ▶ Ms. Hale executed \$26MM in PPP loans, along with Director PPP Loans, resulting in favorable fee income for the bank, and is knowledgeable of all facets of non-traditional lending and proposed several SBA 7a, SBA 504, MEDC, and USDA Rural Loans
- ▶ In her roles, Ms. Hale built a Loan, Deposit, and Treasury Management portfolio across a myriad of industries, including Transportation and Logistics, Tier I and II Automotive Suppliers, Real Estate, and Non-Profits.



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## WHO WE ARE



### TIM BLAZEJEWSKI, CFO

- ▶ Chief Financial Officer Tim Blazejewski, a Certified Public Accountant, has been a key executive in several banks, including roles as Chief Financial Officer, Chief Accounting Officer and Treasurer over 30 plus years in banking.
- ▶ Most recently, his roles with Talmer Bank and Chemical Bank over the past 10 years included deep experience managing liquidity and multi-billion dollar investment portfolios through a period of dramatic growth and transformation.
- ▶ Mr. Blazejewski's duties for the proposed Bank will include, but will not be limited to, preparation, analysis and presentation of all financial reporting, investments, asset/liability management, and human resource manager functions.



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# COMMUNITY UNITY BANK **CUB** TEAM



**Andy Meisner**  
President and CEO



**Maria Dubiel**  
Chief Credit Officer



**Michele Spear**  
Chief Compliance  
Officer



**Mikey Hale**  
Chief Lending Officer



**Tim Blazejewski**  
Chief Financial Officer



**Shelley Kirschner  
Pulice**  
Vice President of  
Operations



**Lee Davey**  
Vice President, Retail  
Services Director



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# BOARD OF DIRECTORS



**Ron Klein**  
Chairman  
JK Ventures



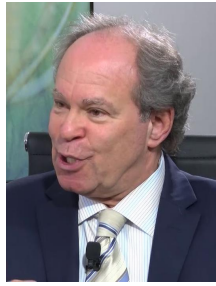
**Lisa Canada**  
Michigan  
Regional  
Counsel of  
Carpenters



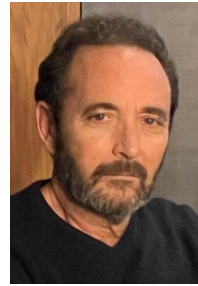
**Alexis Dishman**  
Michigan  
Women Forward



**Ian Burnstein**  
Storage Pros  
Management



**Jeff Kopelman**  
Main Street  
Bank, Retired



**David Victor**  
American  
Educational  
Institute



**Steve Rosenthal**  
Rock Companies



**Jason Jarjosa**  
Bloomfield Capital



**Dr. Jason Peter**  
Pain Clinic of  
Michigan



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## The Board of Directors

Community Unity Bank (In Organization) Board will be comprised of a diverse group of individuals with significant expertise and deep ties to the local community

- Chair, Director
- Director, Loan Committee Chair
- Director, Audit Committee Chair
- Director, ALCO Committee Chair
- Director, Comp/Nominating Chair
- Director, Chair CRA Committee
- Director, Loan and Audit Committees
- Director, ALCO Committee
- Director, Loan Committee
- Director, Comp/Nominating Committee
- Director

**Ron Klein**  
**Alexis Dishman**  
**Steve Rosenthal**  
**Jeff Kopelman**  
**Lisa Canada**  
**Andy Meisner**  
**David Victor**  
**Jason Jarjosa**  
**Ian Burnstein**  
**Dr. Jason Peter**  
**Maria Dubiel**

## ATTORNEYS AND CONSULTANTS



**J Brennan Ryan** – Attorney | Nelson Mullins  
Over 100 Bank startups and former COO of TCF Bank.



**Don Musso** – Consultant  
CEO of FinPro helped start over 150 new banks  
Cofounder of 5 banks



**Don Mann** – Consultant  
31 years State of Michigan Banking Regulator



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# MARKET OPPORTUNITY

## Five key ELEMENTS align suggesting now is the right time to start a new community bank:



1. Industry consolidation: merger and acquisition activity has created a market void, particularly in small business and lower middle market commercial lending, a need acknowledged by state and federal regulators.
2. Focused customer service and relationship banking combined with a differentiated digital experience can capture market share from national banks. We can be both “high-touch and high-tech,” while bigger banks are more technology-dependent.
3. Locally-owned and managed banks can offer holistic underwriting using a more complete borrower profile than big banks, providing dramatically quicker and more efficient loan processing with greater personal interaction with customers.
4. Rising interest rate environment should boost net interest margins and thus speed bank profitability with a more conservative growth trajectory.
5. Opportunity to build a clean, higher interest rate loan portfolio with no low interest rate legacy loans.

Banking is a simple business: lend money at a higher rate than what you pay for it. With the rising net interest margins and the right Board and Management Team to execute our business plan, projecting to achieve profitability in Month 21.

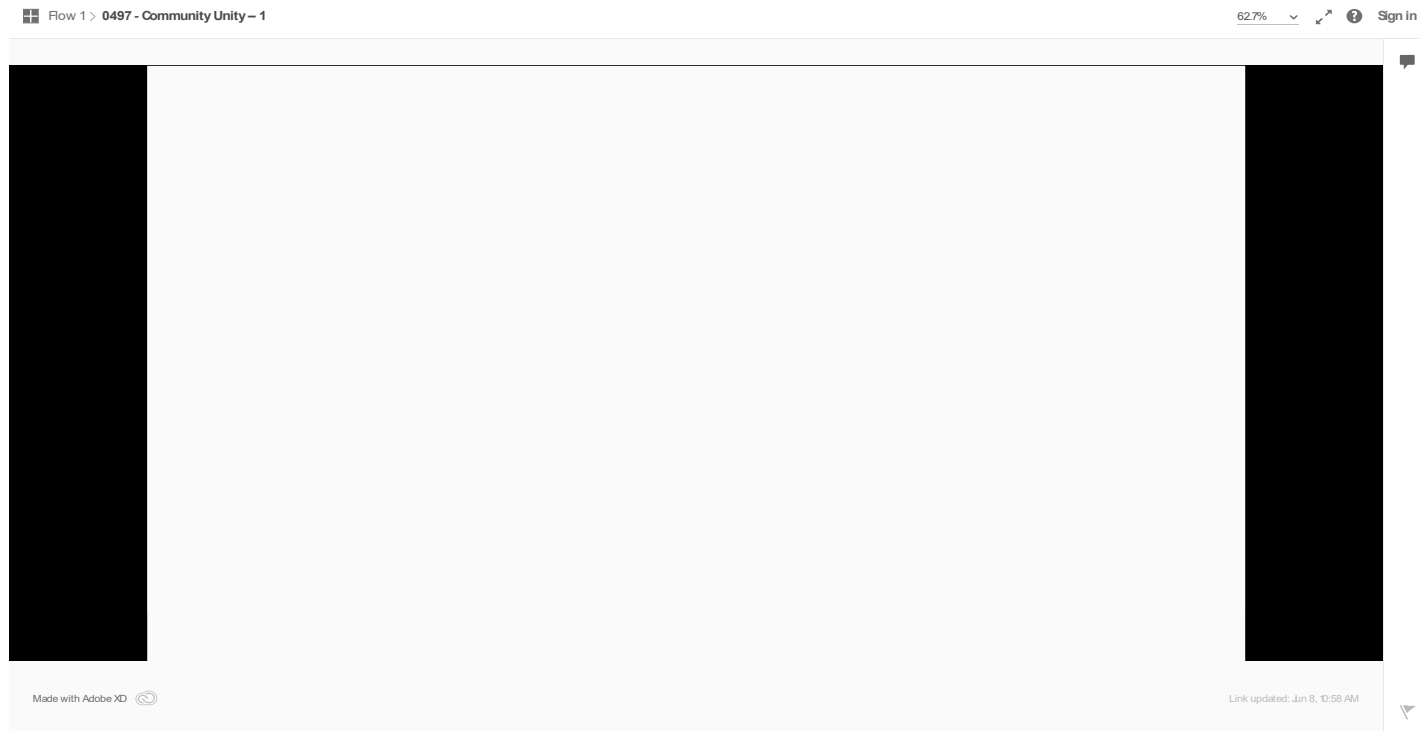
| Median of Recent De Novos   | Year 1     | Year 2     | Year 3     |
|-----------------------------|------------|------------|------------|
| Total Assets (000s)         | \$ 86,050  | \$ 156,038 | \$ 311,335 |
| Total Loans & Leases (000s) | \$ 45,830  | \$ 133,903 | \$ 238,964 |
| Total Deposits (000s)       | \$ 64,553  | \$ 127,888 | \$ 227,121 |
| Total Equity Capital (000s) | \$ 23,477  | \$ 24,365  | \$ 28,705  |
| Net Income (000s)           | \$ (2,745) | \$ (992)   | \$ 1,273   |
| Net Interest Margin (%)     | 2.83       | 3.53       | 3.26       |
| ROAA (%)                    | -2.58      | -0.71      | 0.71       |
| ROAE (%)                    | -9.58      | -3.26      | 5.24       |

Source: S&P Financial

| CUB Bank (In Organization)  | Year 1     | Year 2     | Year 3     |
|-----------------------------|------------|------------|------------|
| Total Assets (000s)         | \$ 74,693  | \$ 145,088 | \$ 229,762 |
| Total Loans & Leases (000s) | \$ 49,643  | \$ 101,133 | \$ 177,625 |
| Total Deposits (000s)       | \$ 52,083  | \$ 110,083 | \$ 172,583 |
| Total Equity Capital (000s) | \$ 21,503  | \$ 21,428  | \$ 23,888  |
| Net Income (000s)           | \$ (2,667) | \$ (467)   | \$ 2,064   |
| Net Interest Margin (%)     | 3.95       | 4.03       | 4.11       |
| ROAA (%)                    | -5.46      | -0.43      | 1.07       |
| ROAE (%)                    | -11.89     | -2.20      | 9.15       |

Source: CUB internal projections





**OUR TECH: Our North Star is to provide a differentiated digital experience for our users, and we have selected the right tech partners to make that happen.**





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## LEVEL ONE BANCORP PROVIDED 10.4% IRR TO INITIAL SHAREHOLDERS, EXCLUDING DIVIDENDS, IN FIRST MERCHANTS DEAL

 Farmington Hills, MI  
 17 Total Branches  
 **Founded: 2007**  
 Initial Stock Price: \$10

 **LTM ROAA: 1.28**  
 **LTM ROAE: 14.24**

### Announcement Deal Terms

|                               |                     |
|-------------------------------|---------------------|
| Announcement Date             | November 4, 2021    |
| Purchase Price (\$mm)         | \$324.66            |
| Purchase Price per Share (\$) | \$41.35             |
| Price/Tangible Book Value     | 183.31%             |
| Price/LTM Earnings            | 10.04x              |
| Price/Assets                  | 13.06%              |
| Core Deposit Premium (%)      | 9.69%               |
| Consideration                 | 75% Stock, 25% Cash |

Source: S&P Financial




### Closing Deal Terms

|                               |               |
|-------------------------------|---------------|
| Completion Date               | April 1, 2022 |
| Purchase Price (\$mm)         | \$313.96      |
| Purchase Price per Share (\$) | \$39.98       |
| Price/Tangible Book Value     | 173.11%       |
| Price/LTM Earnings            | 10.12x        |
| Price/Assets                  | 12.77%        |
| Core Deposit Premium (%)      | 8.60%         |

### Balance Sheet

| (Dollars in Thousands) | Announcement | Completion |
|------------------------|--------------|------------|
| Total Assets           | 2,543,883    | 2,515,869  |
| Total New Loans        | 1,713,337    | 1,644,248  |
| Deposits               | 2,066,992    | 2,040,082  |
| Loans/Deposits         | 83.20%       | 81.01%     |

# MAIN STREET BANK PROVIDED 9.9% IRR TO INITIAL SHAREHOLDERS, EXCLUDING DIVIDENDS, IN SUPERIOR NATIONAL DEAL

 Bingham Farms, MI  
 2 Total Branches  
 **Founded: 2005**  
 Initial Share Price: \$10

 **LTM ROAA:** 0.76  
 **LTM ROAE:** 8.60

## Announcement Deal Terms

|                               |                    |
|-------------------------------|--------------------|
| Announcement Date             | September 18, 2019 |
| Purchase Price (\$mm)         | \$42.00            |
| Purchase Price per Share (\$) | \$41.17            |
| Price/Tangible Book Value     | 177.60%            |
| Price/LTM Earnings            | 21.20x             |
| Price/Assets                  | 14.82%             |
| Core Deposit Premium (%)      | 14.73%             |
| Consideration                 | 100% Cash          |

Source: S&P Financial

## Closing Deal Terms

|                               |                  |
|-------------------------------|------------------|
| Completion Date               | February 4, 2020 |
| Purchase Price (\$mm)         | \$42.00          |
| Purchase Price per Share (\$) | \$41.17          |
| Price/Tangible Book Value     | 166.60%          |
| Price/LTM Earnings            | 20.08x           |
| Price/Assets                  | 15.18%           |
| Core Deposit Premium (%)      | 14.66%           |

## Balance Sheet

| (Dollars in Thousands) | Announcement | Completion |
|------------------------|--------------|------------|
| Total Assets           | \$283,494    | \$276,606  |
| Total Gross Loans      | \$266,788    | \$260,794  |
| Deposits               | \$239,984    | \$235,136  |
| Loans/Deposits         | 111.17%      | 110.91%    |

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# UPON SALE, WOLVERINE BANCORP, INC. PROVIDED A 28% IRR TO INITIAL SHAREHOLDERS, EXCLUDING DIVIDENDS

 Midland, MI  
 3 Total Branches  
 Initial Stock Offering: 2011  
 Initial Stock Price: \$10

 LTM ROAA: 0.91  
 LTM ROAE: 8.19

## Announcement Deal Terms

|                               |                     |
|-------------------------------|---------------------|
| Announcement Date             | April 12, 2017      |
| Purchase Price (\$mm)         | \$88.28             |
| Purchase Price per Share (\$) | \$41.92             |
| Price/Tangible Book Value     | 141.93%             |
| Price/LTM Earnings            | 17.84x              |
| Price/Assets                  | 24.19%              |
| Core Deposit Premium (%)      | 17.38%              |
| Consideration                 | 70% Stock, 30% Cash |

Note: Wolverine was a Mutual to Stock and was originally founded in 1933

## Closing Deal Terms

|                               |                  |
|-------------------------------|------------------|
| Completion Date               | October 17, 2017 |
| Purchase Price (\$mm)         | \$95.1           |
| Purchase Price per Share (\$) | \$43.50          |
| Price/Tangible Book Value     | 147.3%           |
| Price/LTM Earnings            | 18.3x            |
| Price/Assets                  | 24.64%           |
| Core Deposit Premium (%)      | 19.14%           |

## Balance Sheet

| (Dollars in Thousands) | Announcement | Completion |
|------------------------|--------------|------------|
| Total Assets           | \$379,325    | \$385,889  |
| Total Gross Loans      | \$315,946    | \$314,432  |
| Deposits               | \$271,110    | \$262,673  |
| Loans/Deposits         | 119.76%      | 122.48%    |

Source: S&P Financial

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Questions? Contact Andy Meisner at 248-421-2639 or [andymeisner@gmail.com](mailto:andymeisner@gmail.com) to schedule a follow up.