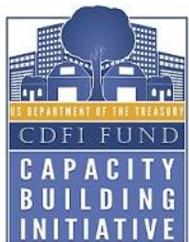


Preserving and Expanding CDFI Minority Depository Institutions: Introductory Session

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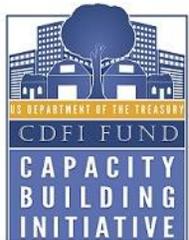
Deloitte shall not be responsible for any loss sustained by any person who relies on this training session.



Provided by: **Deloitte.**

CDFI Fund: Capacity Building Initiative

- The Community Development Financial Institutions Fund's (CDFI Fund), vision is to economically empower America's underserved and distressed communities by promoting economic revitalization and community development through investment in and assistance to community development financial institutions (CDFIs)
- The Capacity Building Initiative greatly expands technical assistance and training opportunities for CDFIs nationwide and significantly boosts the ability of CDFIs to deliver financial products and services to underserved communities
- Through the CDFI Fund Capacity Building Initiative, CDFIs can access free training workshops, webinars, market research, customized technical assistance, and informational resources to help them develop, diversify, and grow. CDFIs can use the assistance to:
 - Achieve long-term organizational sustainability
 - Attract external funding
 - Expand into new lines of business
 - Strengthen management or internal operation

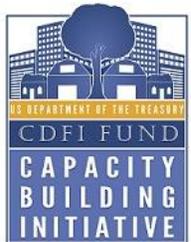


Capacity Building Initiative: Current Training Sessions

- Preserving and Expanding CDFI Minority Depository Institutions (MDIs)
- Strengthening Small and Emerging CDFIs
- Financing Community Health Centers
- The Leadership Journey II

Previous topics include: Small Business Lending, Scaling up Microfinance, Portfolio Management, Financing Healthy Food Options, CDFI Capitalization, Foreclosure Solutions

The CDFI Fund also offers a highly-specialized Resource Bank on its website, http://cdfifund.gov/what_we_do/CapacityBuildingInitiativeResourceBanks.asp, to provide additional reference materials to the CDFI industry on some of the training topics. The Resource Bank includes past training materials, case studies, and links to relevant outside resources

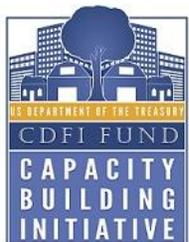


Preserving and Expanding CDFI Minority Depository Institutions

The series is designed to address the unique challenges facing CDFI MDIs, and to help improve their capacity to provide community development and financial services to their target markets

Key Stimuli of the Training Series

- **Changing Regulatory Environment:** Higher costs to implement regulatory changes and compliance requirements is challenging for CDFI MDIs with limited resources
- **Challenges in Accessing Tier One Capital:** Minority capital structure limits ability of MDIs to access the capital markets for new equity capital
- **Slow Recovery in Markets CDFI MDIs Serve:** More time spent in finding creditworthy borrowers and less access to deposits

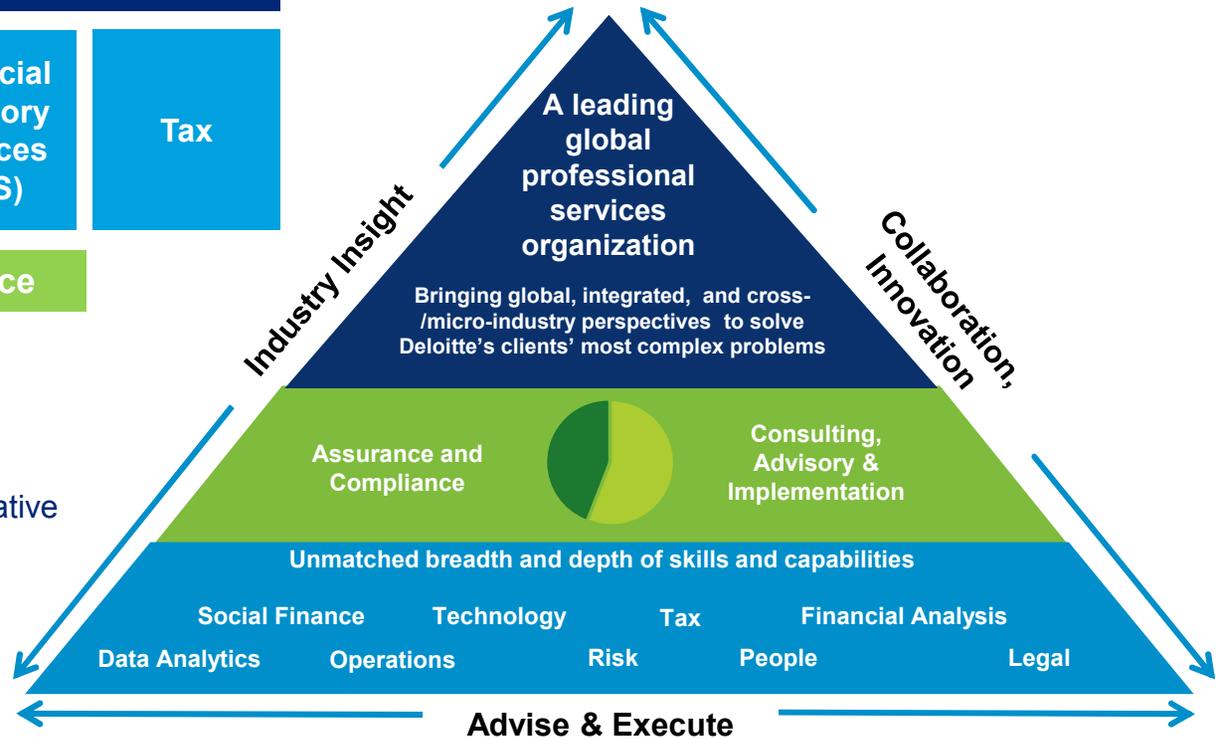


Overview of Deloitte



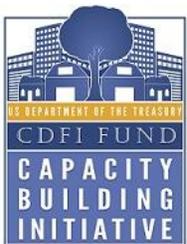
Commitment to Social Finance

- Pro-bono support to global organizations dedicated to **social impact measurement**
- Eminence and thought-ware for **Social Impact Bonds** and innovative lending programs
- International and domestic **community and economic development**
- Dedicated practice focused on **innovation** in the federal space



Deloitte's client service model is distinctive in our profession. By innovating off a stable base, Deloitte continues to enhance its mix of business capabilities and implementation services to help clients anticipate and meet their greatest challenges

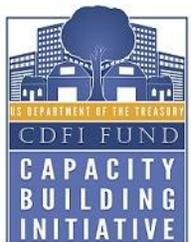
Deloitte is ranked No. 1 in Kennedy's 2011-2014 Financial Services Consulting marketplace report



Introduction to Your Trainers

- Deloitte Financial Advisory Services LLP (Deloitte FAS)
- CastleOak Securities
- 522 Capital Partners
- Community Development Bankers Association (CDBA)
- Wilson Consulting Associates

See your binder for detailed bios and contact information



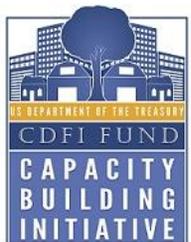
CDFI MDI Focused Development of the Training

Phase 1: CDFI MDI Needs Assessment

- Literature review
- Analysis of regulatory positioning of CDFI MDIs
- Analysis of the financial health of CDFI MDIs
- In-depth interviews with 9 CDFI MDIs
- Roundtable of CDFI MDI subject matter advisors

Phase 2: Development of Training Materials

- Interviews with CDFI MDIs to understand their current practices
- Documentation of CDFI MDI best practices



CDFI MDI Focused Development of the Training

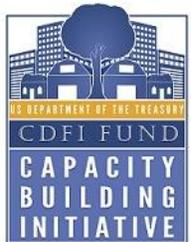
Phase 3: Delivery of Training Sessions and Webinars

- January 22nd and 23rd – Atlanta
- February 4th and 5th – New York
- Three Training Webinars – TBD

Phase 4: Technical Assistance (TA)*

- TA Webinars - TBD
- Direct Technical Assistance – Rolling Applications

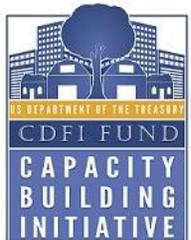
* Examples of potential technical assistance support are included in each training module. We are now accepting TA requests; please consider requesting free TA after this training session. There are limited TA hours available, so the sooner you apply, the more likely it is that you will receive support



CDFI MDIs and Peers Interviewed

Thank you to all the institutions and stakeholders that contributed to the development of this training:

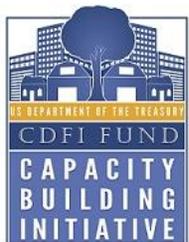
- National Bankers Association
- International Bank of Chicago
- Industrial Bank
- Bank 2
- American Metro Bank
- Bank of Cherokee County
- Neighborhood National Bank
- Carver State Bank
- City National Bank of New Jersey
- Pan American Bank
- Citizens Bank of Weir
- Liberty Bank
- Industrial Bank
- Security Federal Bank
- Enterprise Community Partners
- National Community Investment Fund
- National Community Stabilization Trust Program
- City First Bank
- Southern Bancorp
- Community Capital Bank of Virginia



Results of the Needs Assessment

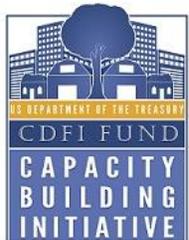
Needs Assessment: Interview Questions

1. What are some of the unique issues you face as a CDFI MDI?
2. What is your major motivation for maintaining CDFI status?
3. Are there organizational issues that keep you up at night?
4. What kind of capacity building is your institution most in need?
5. What training do you currently access, or recently (within last year or two)?
6. What training is needed in your bank that you currently cannot access?
7. What training needs may be unique to CDFI MDIs?
8. What kind of training would be worth your time attending in the next year?



Key Takeaways from the Needs Assessment

- The CDFI MDI industry tends to have more challenges with financial performance than the non-MDI industry
- It can be more difficult for CDFI MDIs to access the capital markets, especially tier one capital
- CDFI MDIs then have to have higher costs associated with each loan and charge lower fees to serve the market – a strain on revenues and costs
- There has been a slow recovery within CDFI MDI markets which has led to limited avenues for revenue growth
- CDFI MDIs have a customer base that is less able to place large deposits with the institution – limiting that source of capital from the community
- CDFI MDIs are unsure about what type of social impact data they are allowed to collect
- CDFI MDIs have challenges with attracting and retaining talent; compensation is a particularly limiting constraint



Top Ten Training Needs Identified in Needs Assessment

Accessing capital

Improving asset quality

Gaining operational efficiencies

Adopting new technology for front office

Measuring and collecting social impact data

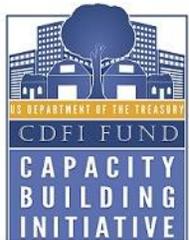
Finding new ways to generate revenues

Understanding the nuts and bolts of CDFI Programs

Complying with Basel III

Developing grant writing skills

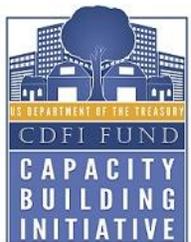
Building and developing strong board and executive leadership



Capacity Assessment Tool

Overview of Capacity Assessment Tool

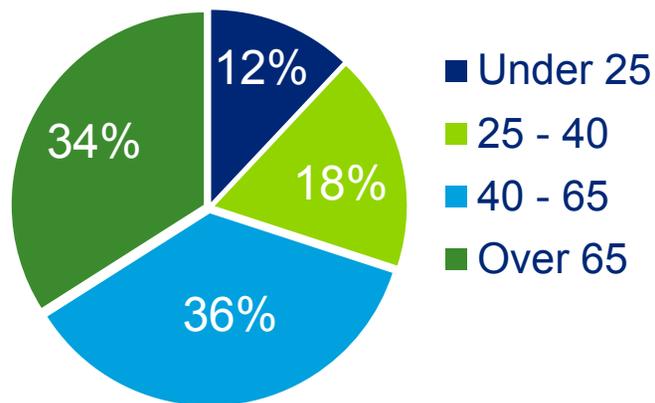
- **Purpose:** To support institutions with understanding their “current state” with both quantitative and qualitative analysis
- **Design:** Built along the CAMELS framework and training topics
 - Includes questions on capital adequacy, asset quality, management, earnings, liquidity, operations, human resources, strategic planning, etc.
- **Interpreting Your Results:** To analyze your strengths and weaknesses of your CDFI MDI



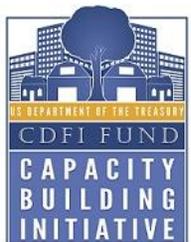
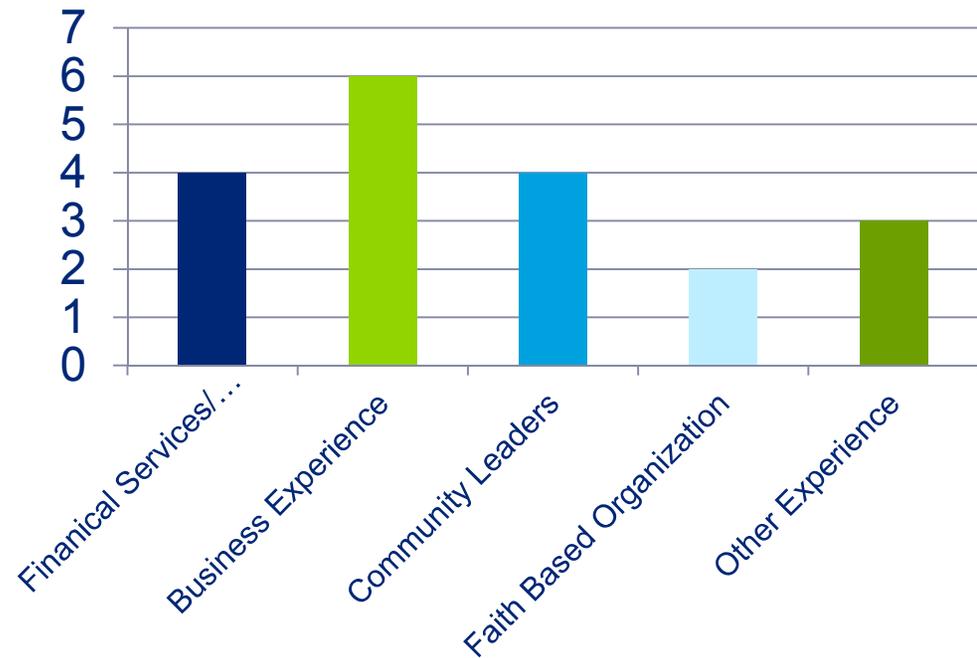
Results of the Capacity Assessment Tool

The results of the capacity assessment tool allow you to review the individual responses for your bank and the averages for attendees that completed the tool.

Customer Age Demographics

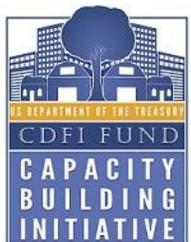


Experience of Board (Average #)



Use of Capacity Assessment Tool during Training

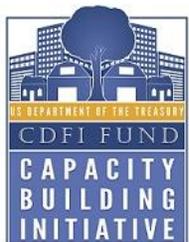
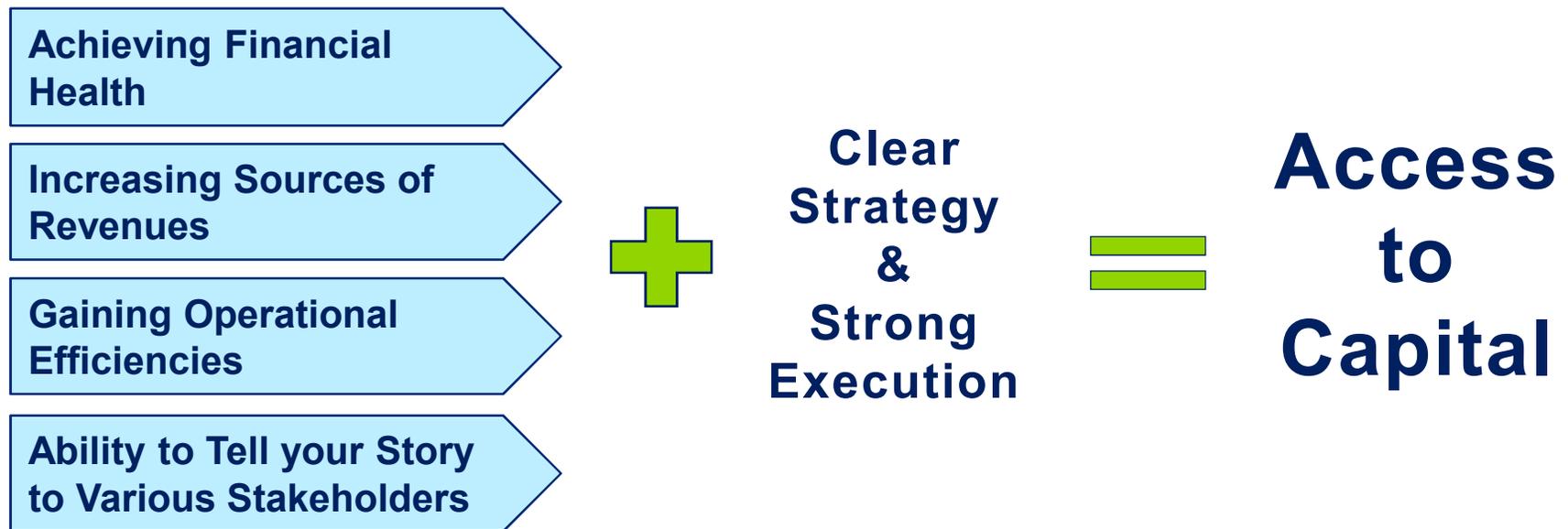
- Align training topics with capacity of CDFI MDIs in the room
- Build a peer benchmarking analysis for CDFI MDIs across topics
- Have CDFI MDIs understand key strengths or weaknesses in institutional capacity
- Inform development of CDFI MDI-specific strategic plan



Overview of Training

Capital is King! – Training Will Help You with the Biggest Challenge Identified: Access to Capital

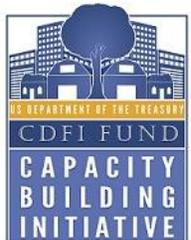
Key Inputs



Goals of the Training

Increase likelihood of accessing capital by:

- ***Achieving financial health*** by increasing asset quality and cleaning up your balance sheet by selling distressed assets
- ***Finding new sources of revenue*** through market expansion and product diversification while aligning with your mission
- ***Gaining operational efficiencies*** and learning to operate in an environment with tighter margins through innovations in front and back office technologies and processes
- ***Telling your story to various stakeholders***, especially existing and potential investors, the CDFI Fund, and your customers
- ***Building a clear strategic plan*** with strong execution and leadership



Day One of Training: Achieving Mission-Aligned Growth

1 Strategic Planning Your Capacity

- *Key elements of strategic planning*
- *Integrating risk-based planning*

Presented by Deloitte
Cynthia Newell
Bob Stradtman

2 Strategic Planning Action Plan

- *Tools to prioritize and create actionable goals*
- *Integration of CDFI capacity assessment tool*

Presented by Deloitte
Cynthia Newell
Bob Stradtman

3 Telling Your Social Impact Story

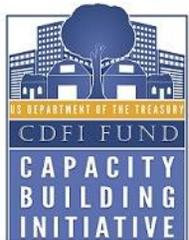
- *Defining social impact measurement*
- *Alignment with strategy, goals, and culture*
- *Systems and implementation*

Presented by CDBA
Jeannine Jacokes
Dana Weinstein

4 Reducing Costs Operational Efficiencies

- *Impact of CDFI MDI business model*
- *Analyzing areas for efficiency gains*
- *Possible operational and IT solutions*

Presented by Deloitte
Mitchell Glassman



Day Two of Training: Improving Financial Performance

1 Addressing Asset Quality

- *Overview of asset management*
- *How to ready your balance sheet*
- *How investors evaluate challenged assets*

Presented by 522 Capital Partners

Brenda Walker

Jennifer Robertson

2 Dealing with Distressed Assets

- *Steps for selling distressed assets*
- *Optimize by CRA* asset sales*
- *Buying portfolio*

Presented by CastleOak Securities

Steve Thomas

Art Hillard

3 Organic Capital Growth

- *Strategies for top-line growth including product development and product cross-selling*

Presented by 522 Capital Partners

Brenda Walker

Jennifer Robertson

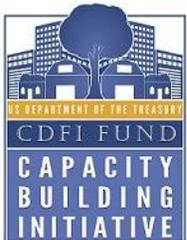
4 Accessing Capital Market Solutions

- *Importance of capital market partners*
- *Accessing the Federal Home Loan Banks*
- *Accessing programs of the GSEs*

Presented by CastleOak Securities

Steve Thomas

Art Hillard

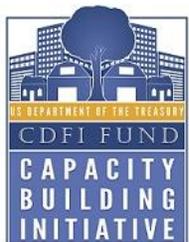
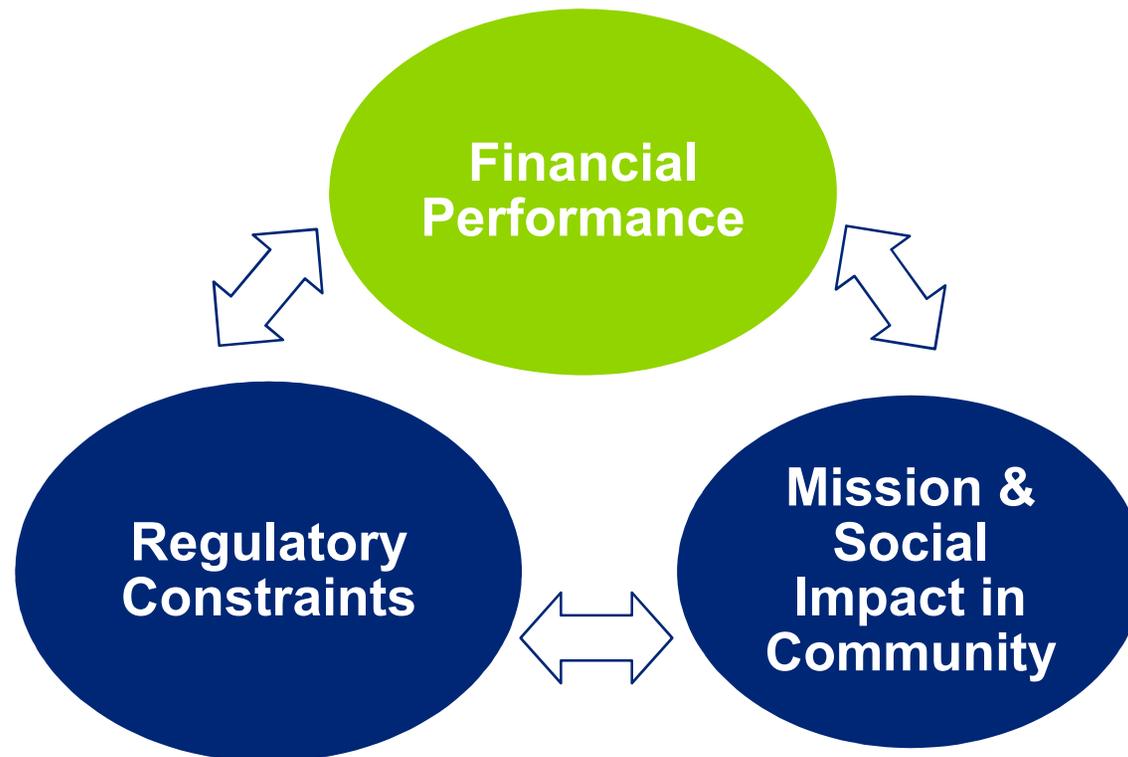


*Community Reinvestment Act qualifying loans

Importance of Strategic Planning

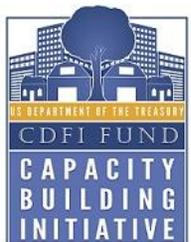
CDFI MDI Balancing Act

Your institutions are facing what at times feels like conflicting priorities. Strategic planning provides the framework for finding the right balance of priority for your CDFI MDI



Relevance of Strategic Planning to CDFI MDIs

- A lack of strategic planning is cited as a common weakness in regulator enforcement actions of CDFI MDIs
- Of respondents to the capacity assessment 21% have an outdated strategic plan
- It is important for regulator and investor confidence to show a roadmap for your institution and that leadership has the ability to drive the institutional goals
- It is an important tool for prioritizing all of the various challenges of your CDFI MDI and for achieving important goals like accessing capital
- It will provide a framework and tools to connect the dots between all of the topics covered during the training to help you build a targeted roadmap for your CDFI MDI



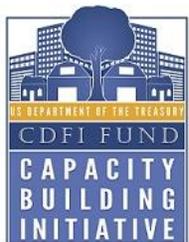
Role of Strategic Planning in Training Session

Throughout the Training Modules

- Provide you with benchmarks and indicators for performance – key to effective strategic planning and development of attainable goals
- Assess the impact of your business model on your priorities and which solutions may work for you

Strategic Planning Session

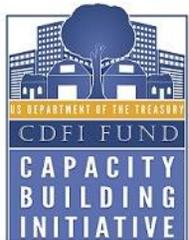
- Provide a framework for developing a strategy for improving financial health, getting lean, and growing
- Set goals aligned with your strategic priorities
- Create an action plan



Training “Rules”

- **Be Fully Present**
 - Please silence telephones
 - Kindly limit telephone calls and side discussions to break times
- **This Room is a Safe Space***
 - No idea or question is a bad one
 - Participate and share ideas and past experiences

*While this is being held at the FDIC, the CDFI Fund and the FDIC are not recording this training session. Nothing discussed here will have any funding decisions for any of the CDFI Fund’s programs and regulators will be asked to leave the room when discussing sensitive topics to preserve your organization’s ability to speak open and honestly





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