

Common Equity Tier 1 Term Sheet

This document sets out key terms for special instruments or certificates, issued by mutual-form banking organizations, eligible to qualify as common equity tier 1 capital, pursuant to section 217.20(b) of the Board's Regulation Q. See appendix for further details on Regulatory Q's requirements applicable to the terms for qualifying capital instruments. Banking organizations are encouraged to seek legal advice and consider additional legal requirements, such as state law or regulatory requirements, that may be applicable to the offering of mutual capital certificates. These key terms are offered as one method of complying with the requirements of section 217.20(b) for mutual-form banking organizations specifically. Banking organizations are encouraged to reach out to Federal Reserve staff if they have questions.

Key Terms for Mutual Capital Certificates ("Certificates")

Issuer:	Mutual-Form Bank Holding Company, Mutual-Form Savings and Loan Holding Company, or Mutual-Form State Member Bank ("Mutual Banking Organization")
Certificates Offered:	Certificates are instruments, issued by the Mutual Banking Organization, representing paid-in capital, the paid-in amount of which shall be classified as equity under U.S. Generally Accepted Accounting Principles. Certificates constitute a claim in liquidation, receivership, insolvency, or similar proceeding, on the residual assets of the Mutual Banking Organization, after the payment in full of all depositors, general creditors, subordinated debt holders, or other senior claimants.
Ordinary Distributions:	<p>The Mutual Banking Organization may make distributions on the Certificates only if declared by its board of directors (or a duly authorized committee of the board), to be paid out of the Mutual Banking Organization's net income, retained earnings, or surplus related to other common equity tier 1 instruments, after other legal obligations have been satisfied. The Mutual Banking Organization retains full discretion at all times to cancel distributions on the instrument without triggering an event of default, a requirement to make a payment-in-kind, or an imposition of other restrictions, except in relation to any distribution to holders of instruments that are on parity with the Certificates.</p> <p>Distributions on Certificates will not be cumulative, are not mandatory, and are not based on a specific distribution rate specified at issuance.¹</p>
Maturity:	Certificates are perpetual and have no maturity date.
Redemption:	Certificates have no maturity date, and holders of Certificates do not have the right to require redemption. The Mutual Banking Organization may, in its discretion, redeem the Certificates with the prior approval of the Board of Governors of the Federal Reserve System ("Board").
Ranking:	Certificates must be subordinated to all liabilities and other obligations, both with respect to payments and in a receivership, insolvency, liquidation, or similar proceeding. Certificates are not secured, nor covered by any guarantee of the Mutual Banking Organization or of an affiliate of the Mutual Banking Organization, and Certificates are not subject to any other arrangement that legally or economically enhances the seniority of the instrument.

¹ State member banks are subject to other legal restrictions on reductions in capital resulting from distributions, including out of the capital surplus account, under 12 U.S.C. § 324 and 12 CFR 208.5.

Voting rights:	Certificate holders can be granted voting rights to the extent permitted by the charter of the Mutual Banking Organization and applicable federal and state law.
Conflicts of Interest and Financing:	The Mutual Banking Organization, or an entity that the Mutual Banking Organization controls, may not purchase or, directly or indirectly, fund the purchase of the Certificates.
Listing:	Not required. Certificates can be listed or not listed.

Appendix - Common Equity Tier 1 Capital Requirements under Regulation Q

Citation to 12 CFR 217.20	Regulatory Text Requirement	Term
217.20(b)(1)(i)	The instrument is paid-in, issued directly by the Board-regulated institution, and represents the most subordinated claim in a receivership, insolvency, liquidation, or similar proceeding of the Board-regulated institution.	Certificates Offered; Ranking
217.20(b)(1)(ii)	The holder of the instrument is entitled to a claim on the residual assets of the Board-regulated institution that is proportional with the holder's share of the Board-regulated institution's issued capital after all senior claims have been satisfied in a receivership, insolvency, liquidation, or similar proceeding.	Certificates Offered; Ranking
217.20(b)(1)(iii)	The instrument has no maturity date, can only be redeemed via discretionary repurchases with the prior approval of the Board to the extent otherwise required by law or regulation, and does not contain any term or feature that creates an incentive to redeem.	Maturity; Redemption
217.20(b)(1)(iv)	The Board-regulated institution did not create at issuance of the instrument through any action or communication an expectation that it will buy back, cancel, or redeem the instrument, and the instrument does not include any term or feature that might give rise to such an expectation.	Maturity; Redemption
217.20(b)(1)(v)	Any cash dividend payments on the instrument are paid out of the Board-regulated institution's net income, retained earnings, or surplus related to common stock, and are not subject to a limit imposed by the contractual terms governing the instrument. State member banks are subject to other legal restrictions on reductions in capital resulting from cash dividends, including out of the capital surplus account, under 12 U.S.C. 324 and 12 CFR 208.5.	Distributions
217.20(b)(1)(vi)	The Board-regulated institution has full discretion at all times to refrain from paying any dividends and making any other distributions on the instrument without triggering an event of default, a requirement to make a payment-in-kind, or an imposition of any other restrictions on the Board-regulated institution.	Distributions
217.20(b)(1)(vii)	Dividend payments and any other distributions on the instrument may be paid only after all legal and contractual obligations of the Board-regulated institution have been satisfied, including payments due on more senior claims.	Distributions
217.20(b)(1)(viii)	The holders of the instrument bear losses as they occur equally, proportionately, and simultaneously with the holders of all other common stock instruments before any losses are borne by holders of claims on the Board-regulated institution with greater priority in a receivership, insolvency, liquidation, or similar proceeding.	Distributions; Redemption

Citation to 12 CFR 217.20	Regulatory Text Requirement	Term
217.20(b)(1)(ix)	The paid-in amount is classified as equity under GAAP.	Certificates Offered
217.20(b)(1)(x)	The Board-regulated institution, or an entity that the Board-regulated institution controls, did not purchase or directly or indirectly fund the purchase of the instrument.	Conflicts of Interest and Financing
217.20(b)(1)(xi)	The instrument is not secured, not covered by a guarantee of the Board-regulated institution or of an affiliate of the Board-regulated institution, and is not subject to any other arrangement that legally or economically enhances the seniority of the instrument.	Ranking
217.20(b)(1)(xii)	The instrument has been issued in accordance with applicable laws and regulations.	N/A
217.20(b)(1)(xiii)	The instrument is reported on the Board-regulated institution's regulatory financial statements separately from other capital instruments.	N/A