HOLDCO
ASSET MANAGEMENT

October 25, 2016

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First NBC Bank Holding Company
210 Baronne Street
New Orleans, Louisiana 70112

Dear Board of Directors:

WHY ARE WE ADDRESSING THIS LETTER TO THE BOARD AND NOT THE CEO?

Our prior letters[1] were addressed to First NBC Bank Holding Company's ("FNBC") CEO Ashton Ryan. It is not by mistake that this letter is addressed to FNBC's Board or Directors. As you know, the Board has fiduciary duties ***to the corporation for the benefit of all residual claimants.***[2] We believe – and recently it seems the markets and your regulators have come around to our thinking – that the "residual claimants" are probably not your common shareholders.

As you know, we own subordinated debt and are short your common stock.[3] Despite the Board's significant ownership of common stock (or in certain cases its affiliations with funds that own substantial amounts of common stock), we urge the Board to consider its duties in recognition of the fact that a "swing-for-the-fences" approach designed to benefit common stockholders does not befit the current state of affairs.

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[1] Our first letter, dated August 12, 2016, can be found at: http://holdcoam.com/wp-content/uploads/Letter_to_FNBC.pdf. Our second letter, dated August 17, 2016, can be found at: http://holdcoam.com/wp-content/uploads/Second_Letter_to_FNBC.pdf.

[2] *Prod. Res. Group, L.L.C. v. NCT Group, Inc.*, 863 A.2d 772, 791 (Del. Ch. 2004) ("The directors [of an insolvent firm] continue to have the task of attempting to maximize the economic value of the firm. That much of their job does not change. But the fact of insolvency does necessarily affect the constituency on whose behalf the directors are pursuing that end. By definition, the fact of insolvency places the creditors in the shoes normally occupied by the shareholders— that of residual risk-bearers" (footnote omitted)); *Trenwick Am. Litig. Trust v. Ernst & Young , L.L.P.*, 906 A.2d 168, 174-75 (Del. Ch. 2006) ("Even when the firm is insolvent, directors are free to pursue value maximizing strategies, while recognizing that the firm's creditors have become its residual claimants and the advancement of their best interests has become the firm's principal objective").

[3] We reserve the right to alter our positioning at any time without any prior or subsequent notice to anyone, including buying, selling, going long, or going short subordinated debt, SBLF Preferred Stock, common equity or any other interest or security.

WHAT IS THE PURPOSE OF THIS LETTER?

In this letter we provide you with a proposed transaction and indicative term sheet that will (i) bring much-needed capital to FNBC's banking subsidiary, First NBC Bank, (ii) preserve your tax assets without annual limitation under Section 382 of the Tax Code, and (iii) obviate the need for a non-consensual, contentious "free fall" bankruptcy proceeding that could destroy significant value. Our term sheet is attached to this letter as Appendix A.

As you will see, our proposed transaction has little execution risk and can be completed on a short time frame. Because it substantially de-levers FNBC through conversion of the subordinated debt and SBLF preferred stock to common equity and contemplates a significant shrinking of the bank by approximately $1 billion, our proposal only requires $67.5 million of new capital. Moreover, HoldCo Asset Management (subject to due diligence) is willing and able to fund $30.4 million of that $67.5 million.[4] The remaining $37.1 million that would need to be raised would constitute 24.0% of the pro forma common stock of FNBC. A single institutional investor (e.g. a private equity bank fund) could thus contribute that entire remaining investment and not be deemed a bank holding company – meaning that FNBC only needs to find one investor to get this deal done. Lastly, because this transaction would be consummated via a prepackaged voluntary bankruptcy proceeding, the board can move forward without the consent of its common equity holders.

Would the common equity be "left out in the cold"? Yes. But as it currently stands, and as we demonstrate below, your common equity is no longer the "residual claimant" deserving of your unwavering loyalty. All other stakeholders of FNBC and its bank subsidiary – the tax-payer backed depositors, subordinated debt holders, and preferred stock holders, not to mention the regulators – would be gratified by this transaction, which would stabilize an otherwise dangerous situation. Put another way – A looming February 2017 liquidity event would be avoided. A bad balance sheet would be cured. A new slow and stable growth trajectory would begin. Regulators would lift the shackles that have been recently placed on your institution. A long-term vision backed by the board, management, and shareholders would replace panicked reactions and the management obfuscations of today. In other words, at the risk of sounding melodramatic: it would be the dawn of a new day.

WHY SHOULD THE COMPANY CONSIDER A RESTRUCTURING TRANSACTION THAT WIPES OUT COMMON EQUITY HOLDERS?

The simple answer to this question is that if we believed that FNBC could raise sufficient capital prior to February 2017 (when a non-payment of subordinated debt interest would trigger an event of default) without needing to restructure its parent-company balance sheet and without needing to cancel its common stock, we would strongly suggest that this be done. We just don't think it can be. And given your bank's need for capital and the recent prohibitions placed on you by the Federal Reserve and your bank-level regulator, we do not believe that a "do nothing" approach is advisable. For this reason, we've proposed a less optimal but executable transaction that could be consummated reasonably easily and quickly, and we've agreed to invest nearly half the required capital ourselves. Before we describe

[4] Notwithstanding anything contained herein, any proposed transaction is preliminary, indicative, subject to due diligence and non-binding in all respects, unless and until a definitive written agreement, binding letter of intent or other similarly binding agreement with respect thereto has been executed and delivered. None of HoldCo Asset Management or its affiliates will be or are under any legal obligation of any kind whatsoever with respect to any transaction by virtue of this letter.

that transaction, we do think it is worth spending a few paragraphs explaining why we believe that your efforts to raise capital in a traditional bank recapitalization will fail.

FNBC needs to raise substantial capital in order to satisfy bank-level and parent-level regulatory capital thresholds as (i) its deferred tax assets phase out of regulatory capital under Basel III and (ii) its investments in tax credit entities phase into deferred tax assets under normal accounting treatment. Rather than rehash our previous arguments, we refer you to pages 13 through 15 of our first letter. We continue to believe that absent significant changes (i.e. if the bank does not shrink, FNBC does not convert its debt and preferred to common, and the investments in tax entities are not sold), FNBC will be required to raise $300 million of new capital. A very smart research analyst that we greatly respect believes that $150 million should be sufficient. We disagree with the assumptions of this analyst, but in any event and by all accounts, significant new capital needs to be raised under the current status quo.

At the same time, FNBC must raise capital in a manner that does not limit its tax assets. As detailed on pages 7 and 8 of our first letter, any new money raised that results in a "change of control" under Section 382 of the Tax Code will result in a severe limitation to the amount of deferred tax assets that may be applied to offset taxable income. This limitation is so severe that the value of FNBC's current tax assets (carried in the deferred tax asset line item of the balance sheet) and future tax assets (carried in the investment in tax credit entities and real estate entities line items on the balance sheet) would be near-worthless. Since these line items exceed the bank's book equity, any such limitation would render a capital raise impossible. Even if the investment in tax credit entities and real estate entities were sold to third parties, a limitation of the deferred tax asset would be fatal to a deal.

For this reason, FNBC cannot sell itself to another bank (which would clearly trigger the change of control) or raise capital from 3 or 4 or 5 institutional investors. Based on our understanding, FNBC would need to perform Olympic-level capital raising gymnastics to avoid a change of control and would likely need to raise money from at least 7 but probably many more institutional investors to have a chance to do it (under a structure where greater than 4.9% of new money investors would own less than 50% of FNBC and the remaining new money investors were less than 4.9%). Getting one institutional investor to make a commitment is hard enough, but getting this many investors to commit large amounts of capital in a short period of time is extremely difficult for a troubled bank with the severe issues miring FNBC.

Moreover, even assuming that FNBC's tax assets are preserved, we are skeptical that the math will be compelling enough to attract new money investors. To consummate a deal, any new money investor will require that there be positive pre-money "economic book value" – as distinct from "stated book value" – so that new money isn't wasted filling a black hole (resulting in new money investing at a premium to economic book value). And based on the analysis that follows in this letter, we do not think that FNBC has any positive economic common book value after making appropriate adjustments to the tax assets and loans and assuming that the $60 million of subordinated debt and $38 million of SBLF preferred stock remain in place (i.e. senior to new money's common stock).

WHY MUST FNBC ACT NOW RATHER THAN SIMPLY WAIT AND HOPE THAT THINGS "GET BETTER"?

If the Board falsely believes that its duties flow solely to common equity holders and that depositors, regulators, debtholders, and preferred holders are to be viewed as pesky third parties and nothing more, then it may think that a "do-nothing" approach is appropriate. Swinging for the fences – even if detrimental to the corporation and residual claimants – may indeed be a logical choice given those

faulty assumptions. And doing nothing in this situation is the same as swinging for the fences. Not acting is the most reckless action that FNBC's Board can take.

Thankfully, even if the Board were of this view, FNBC's primary regulators are not and have in no uncertain terms affixed the proverbial handcuffs. You stated in your recent 10-Q (emphasis added):

> The [Federal Reserve Bank of Atlanta] has also advised the Company that in light of its obligation to serve as a source of financial and managerial strength to the Bank, the Company should not incur indebtedness; ***distribute any interest***, principal or other sums on subordinate debentures; declare or pay dividends on any of the Company's equity securities; redeem any corporate stock; or make any other payment representing a reduction in capital, except for the payment of normal and routine operating expenses, without prior [Federal Reserve Bank of Atlanta] and [Louisiana Office of Financial Institutions] approval.

In other words, FNBC is prohibited from making interest payments to the subordinated debtholders (including the approximately $8 million owned by HoldCo Asset Management) unless it receives approval from the Federal Reserve Bank of Atlanta and the Louisiana Office of Financial Institutions. Such a prohibition in the world of distressed community banks is not unique; it stems from regulators' rational desire to conserve cash within the corpus of a distressed bank or bank holding company and eliminate any leakage to third party debtholders. And in our experience – we own and have owned debt instruments in distressed banks – regulatory "approvals" to circumvent such restrictions are not typically granted, whether or not cash sits idly on the balance sheet (as is the case here).

The next interest payment on the subordinated debt is February 18, 2017 – less than four months from today. If FNBC does not make the payment, then 30 days later an Event of Default under Section 401(3) of the subordinated debt indenture will occur. At that point, although a debtholder may not accelerate the principal, the debtholder would have the right to institute remedies against FNBC for repayment of interest. For example, a debtholder may institute a suit for judgment, and, once granted, the Board would likely have no choice but to file a voluntary bankruptcy. Alternatively, a debtholder could choose to institute an involuntary bankruptcy petition.

The consequences of a "free-fall" bankruptcy (i.e. neither prepackaged nor pre-arranged) could be significant, and we would strongly recommend against it. Although a bankruptcy would only involve FNBC and not the bank subsidiary, and although we don't believe that the bank would fail (the worst case would likely be a bankruptcy sale to a new buyer under Section 363 of the Bankruptcy Code), a contentious bankruptcy would destroy value and stakeholders would receive significantly less than they otherwise would.[5] This value destruction would be amplified if the contentiousness resulted in

[5] *See, e.g.,*

Financial Institution*	Sale Price ($000)	Total Debt Outstanding ($000)	Value to Common
Bank of Commerce Holdings, Inc.	$1,800	$10,000	$0
NBN Corporation	$5,720	$7,300	$0
Stonebridge Financial Corp.	$570	$10,000	$0
Bankers Bancorporation of Florida, Inc.	$1,900	$7,000	$0
Financial Holdings, Inc.	$14,380	$20,619	$0
Polish National Alliance of the US of NA	$1,200	$8,100	$0
American Bancorporation	$17,000	$37,000	$0

the failure to consummate a bankruptcy plan utilizing the 382(L)(5) exception that would preserve FNBC's valuable tax attributes. In our experience, as holders of debt in dozens of bank holding company bankruptcies since the financial crisis (one of the principals of HoldCo was on the oversight committee of post-bankruptcy Washington Mutual, one of the largest bank failures of all time and the other has served as a testifying expert in court on the subject matter of bank holding company bankruptcies), a consensual restructuring is significantly preferred. It is in this spirit that we suggest the consensual prepackaged bankruptcy plan described herein.

If, however, FNBC entered a "free-fall" bankruptcy, the music would stop and the Board would not find an open chair at the table waiting for it. We urge the Board to recognize February 18, 2017 as its day of reckoning and take appropriate measures to "figure this thing out" before that.

THROUGH WHAT FRAMEWORK SHOULD WE EXAMINE THE PROPOSED TRANSACTION?

The bank's current GAAP-stated book value includes the undiscounted hypothetical future value of the deferred tax assets and investment in tax entities. It also reflects loans as equal to their $3,703 million carrying value (i.e. $3,780 million of gross loans, including $170 million of NPLs, less $77 million in provisions). As any experienced community bank investment banker will tell you, a bank recapitalization investor will estimate the present value of the significant but amorphous tax shield. In this regard, an investor will assume a certain pre-tax earnings figure, apply an appropriate growth rate, forecast future tax savings, and then discount that savings back to derive a present value – which we estimate at $75 million. A reasonable bank investor will also apply a discount to the loan book (referred to as a "loan mark") to derive an estimate of fair value, particularly given FNBC's concentrated portfolio (top ten loans average $76.4 million) and FNBC's recent poor track record of underwriting (an ~$70 million ethanol receivable written to zero and a $120 million oil and gas loan that is currently in the nonperforming bucket). Valuing the investments in tax entities is another important task. We believe those investments have de minimus present value if left unsold and would be worth substantially more if sold to a third party, even though there will likely be a substantial GAAP loss incurred in doing so. Making assumptions that we believe generally give FNBC the benefit of the doubt results in a pre-money economic book value of the bank subsidiary of approximately $87 million. This figure is eclipsed by the parent's $60 million of subordinated debt and $38 million of preferred stock, leaving the preferred stock as the "residual claimant" in the capital structure and the common stock holders as "out-of-the-money" claimants. On the next page, you can see our bridge from stated book value to economic book value and the assumptions used therein are listed in the table below (**Table 1**).

See Table 1 on Next Page

First Mariner Bancorp	$18,700	$52,068	$0
North Texas Bancshares, Inc.	$11,890	$34,022	$0
Capital Bancorp, Inc.	$6,500	$151,296	$0
First Baldwin Bancshares, Inc.	$3,300	$7,250	$0
First Place Financial Corp.	$45,000	$61,856	$0
Big Sandy Holding Company	$5,500	$28,899	$0
Premier Bank Holding Company	$1,420	$12,000	$0
AmericanWest Bancorporation	$6,500	$41,239	$0

* Source: SNL Financial

Table 1. Stated Book Value to Economic Book Value Bridge

	6/30/2016				6/30/2016
	Stated Book [1]	DTA [2]	Sell Tax Entites [3]	Asset Mark [4]	Economic Book [5]
Cash, Securites and Other Assets (ex-NPAs)	694	-	-	-	694
Loans (ex-NPAs)	3,533	-	-	(71)	3,462
NPAs	183	-	-	(37)	147
DTA	253	(178)	-	-	75
Investment In Tax Entities	171	-	(85)	-	85
Intangibles	18	-	-	(18)	-
Ethanol Receivable	-	-	-	7	7
Total Bank Assets	**4,851**	**(178)**	**(85)**	**(118)**	**4,470**
Bank Liabilites	(4,383)	**-**	**-**	**-**	**(4,383)**
Bank Economic Book Value	**468**	(178)	(85)	(118)	**87**
Parent Sub Debt	(60)	-	-	-	(60)
Parent SBLF Preferred	(38)	-	-	-	(38)
Parent Economic Book Value	**371**	**(178)**	**(85)**	**(118)**	**(11)**

(1) *Stated GAAP book value as of FNBC's 2Q 2016 10-Q*

have calculated a pro forma economic book value of the DTA of $75 million assuming that (1) it can be preserved without any limitation, i.e. no change of control occurs, and (2) the core pre-tax earnings power of the bank (pro forma for asset shrinkage of approximately $1 billion) is approximately $20 million after elimating the tax credit business. The $20 million in earnings

(3) *Investment in Tax Entities is equal to the sum of Investment in Tax Credit Entities and Investments in Real Estate Properties. An investor will place very little value in these investments unless they are sold (since if they remain unsold, they will have very little value other than generating tax credits, and FNBC already has little hope of using its existing tax credits. Thus, we are assuming that FNBC is able to sell these Investments in Tax Entities for 50% of carrying value.*

(4) *An investor will place a negative mark on FNBC's assets, particularly, given that FNBC's top 10 loans average approximately $ 76.4 million each and between the ethanol exposure and the oil/gas loan, management has shown a propensity for making big mistakes. We assume a 2.0% mark on performing assets and a 20% mark on nonperforming assets, and assume that the ethanol receivable receives 10 cents on the dollar (keep in mind that the Abengoa bonds that have guarantees from the same subsidiary as the ethanol receivable but also have guarantees from more entities in the Abengoa complex trade at less than 5% of par value). We do understand that Abengoa has a potential look to Murex (the receivable seller) on grounds for fraud, but Murex is a private ethanol company that may not have the means to pay, and it appears is resolutely resisting paying.*

(5) *Economic book value is what an investor is willing to value FNBC's bank subsidiary's equity after making appropriate adjustments. Keep in mind that the approximately $87 million in economic book value shown above is the value of the bank subsidiary and that there is $60 million of subordinated debt and $38 million of SBLF preferred stock at the parent company. Thus, the economic book value of the bank is less than the debt and preferred obligations at the parent company and leaves the common equity owners "out of the money."*

The above analysis is helpful in determining the pre-money fair value of the bank subsidiary which will be allocated to subordinated debt and SBLF preferred stock holders (the subordinated debt will receive first currency as it ranks senior) in connection with any transaction.

However, a second leg of analysis is required in order to determine how much capital needs to be raised to satisfy regulatory ratios. After all, the amount of capital that needs to be raised is a function of regulatory ratios, not GAAP figures or estimates of economic value. We have attempted to bridge from our economic value balance sheet to our regulatory capital balance sheet by making adjustments shown on the following table, including the phase-out of the deferred tax asset under Basel III. We then solved for the amount of capital required to bring both the bank-level and parent-company *CET1 ratio* into compliance (at least 6.5%)[6]. In order to make the capital raise more manageable and preserve the ability to utilize the 382(L)(5) bankruptcy exception (discussed later), we made two critical assumptions: (1) a plan is developed to shrink the bank subsidiary by approximately $1 billion, which will significantly reduce the amount of capital needed; and (2) the subordinated debt and preferred stock agree, pursuant to a consensual prepackaged bankruptcy plan, to convert into common stock, thus creating substantial CET1 capital at the parent company (since subordinated debt and preferred stock do not count as CET1 capital). These two adjustments result in a capital need of "only" $68 million as shown in the table below (**Table 2**).

See Table 2 on Next Page

[6] The ratios of FNBC and its subsidiary will be identical given our assumption that subordinate debt and SBLF preferred stock holders will convert to common stock.

Table 2. Economic Book Value to Regulatory Capital Bridge

	6/30/2016 Economic Book [1]	DTA [2]	Asset Mark [3]	Shrink [4]	6/30/2016 Regulatory Capital [5]
Cash, Securites and Other Assets (ex-NPAs)	694	-	-	(167)	527
Loans (ex-NPAs)	3,462	-	71	(833)	2,700
NPAs	147	-	37	-	183
DTA	75	(55)	-	-	20
Investment In Tax Entities	85	-	-	-	85
Intangibles	-	-	-	-	-
Ethanol Receivable	7	-	-	-	7
Total Bank Assets	**4,470**	**(55)**	**107**	**(1,000)**	**3,523**
Bank Liabilites	**(4,383)**			**1,000**	**(3,383)**
Bank Economic Book Value	**87**	(55)	107	-	**140**
Total Risk Weighted Assets [6]					3,186
PF Capital for 6.5% CET1 Ratio (at bank & parent assuming debt/pref converts to common)					207
Deficiency [5]					**(68)**

(1) *From Table 1.*

(2) *Even though the economic book value of the deferred tax asset is approximately $75 million based upon the assumptions described in footnote 2 of Table 1, the amount that may be included in regulatory capital under Basel III will ultimately only be approximately $20 million using the assumptions in this table (i.e. 10% of adjusted CET1 post capital raise, which we calculate in the table as approximately $205 million).*

(3) *We reverse the asset marks (i.e. we add them back) taken in the bridge to economic book value (Table 1) because these marks will not impact regulatory capital (as they will only impact stated book value once ultimate losses are realized through provision expense).*

(4) *The amount of capital required to satisfy a 6.5% CET1 ratio is directly proportional to bank assets. We assume here that the bank establishes a plan to shrink by approximately $1 billion which in turn reduces the total amount of capital that will be needed. We understand that in the past FNBC has pursued a "grow like gangbusters" approach but difficult times sometimes call for a strategy reversal and we believe that shrinking to a more manageable $3.5 billion asset size bank will be extremely helpful in reducing the amount of capital needed to fill the regulatory hole.*

(5) *Thus, although the bank's economic book value is approximately $87 million, its bank regulatory capital figure will be, after making the assumptions herein, approximately $140 million. Even after shrinking the balance sheet by $1 billion, there is still approximately $68 million of new capital needed to bring the bank's CET1 ratio to 6.5%. The parent-level ratios will be substantially less than 6.5% in this scenario, however, unless the subordinated debt and the SBLF preferred both convert to common equity. This is what we propose.*

(6) *Risk Weighted Assets is calculated by taking 90% of the $3.8 billion asset number. The 90% figure is an estimate based on FNBC's current ratio (6/30/16) of Risk Weighted Assets/Total Assets*

Putting this all together, the pre-money economic value of the bank is $87 million and in connection with our proposed transaction is allocated solely between subordinated debt and preferred stock (first to subordinated debt, and second to preferred stock). The new money investors contribute $67.5 million, which satisfies the regulatory capital hole. Common stock representing 56% of FNBC will be given to prepetition debt and preferred holders (39% to the subordinated debt and 17% to the preferred) and common stock representing 44% of FNBC will be given to new money investors. Of this $67.5 million of new money, HoldCo Asset Management is interested in potentially contributing $30.4 million, which will result in its pro forma equity ownership of FNBC of 24.9% (including its $8 million subordinated debt interest which is receiving new common shares)[7]. The remaining $37.1 million of new money will receive 24% of common equity and can be satisfied by a single institutional investor that also does not wish to be a bank holding company (which typically occurs when a holder eclipses 24.9%). These figures are shown in the table below (**Table 3**):

Table 3. Pro Forma Capitalization Table [(1)]

	Face	Value	New Common Ownership %
Subordinated Debt & Other Liabilites[(2)]	60	60.0	*39%*
SBLF Preferred Stock [(3)]	38	26.9	*17%*
Pre-Petition Common Equity [(4)]		-	*0%*
New Money [(5)]		67.5	*44%*
Total	**98**	**154.4**	***100%***
Ownership of "old/cold" creditors / common [(6)]			***51.1%***
New money subscription by HoldCo			30.4
New money subscription by remaining new money			37.1
Pro forma % ownership by HoldCo			24.9%
Pro forma % ownership by remaining new money			24.0%

(1) Bank-level economic book value of approximately $87 million is allocated to stakeholders in order of priority

(2) Subordinated debt receives payment in full in the currency of new common stock for 39% of the pro forma company

(3) SBLF Preferred receives partial (not full) payment in the currency of new common stock for 17% of the pro forma company

(4) Pre-petition common equity is canceled in full and receives no consideration under the plan

(5) New money investors inject $67.5 million of equity and receive common stock for 44% of the pro forma company

(6) In order to presrve the deferred tax asset without an annual limitation, we propose a bankruptcy plan that utilizes the 382(l)(5) exception. This requires that "old and cold" creditors (i.e. creditors who have owned the debt for 18 months) and pre-petition equity owners receive more than 50% of the pro forma company. Assuming that all subordinated debt holders except HoldCo are "old and cold", this figure is greater than 50% (is 51.1%). The 51.1% figure is calculated by taking 1) the $52 million of the subordinated debt that assumed to be "old and cold" ($60 million less the $8 million owned by HoldCo) plus 2) the $27 million of equity given to SBLF Preferred Stock holders over 3) the $154 million in FNBC plan value.

[7] HoldCo does not wish to become a bank holding company and anticipates taking such steps as may be reasonably necessary to avoid becoming a bank holding company.

Importantly, this transaction will utilize an important bankruptcy exception that enables a distressed company to preserve deferred tax assets that would otherwise be squandered. Congress provided an exception to the severe "ownership change" limitations on deferred tax assets (as described on pages 7 and 8 of our first letter) in Section 382(L)(5). This exception generally allows a DTA to be largely preserved[8] – without any annual limitation on usage – if "old and cold" creditors and old equity holders receive more than 50% of the value and votes of newly issued stock instruments pursuant to a chapter 11 bankruptcy reorganization. In other words, if the "old and cold" subordinated debt holders (which, based on public information and belief, on February 18, 2017 will be all but the $8 million of subordinated debt owned by HoldCo Asset Management) and preferred equity holders receive more than 50% of the value and votes of the reorganized bank holding company in a chapter 11 plan, the 382(L)(5) exception "kicks in" and the DTA (subject to a usually minor reduction) can be utilized without any limitation. Our proposal appears to satisfy all of these necessary conditions.

IN CONCLUSION

All of our views and suspicions as outlined in our first letter have been confirmed. And they have been confirmed by third parties – (i) your auditor (who added a host of risk factors and disclosures to your recent filings acknowledging the validity of each of our concerns), (ii) your regulators (who have put FNBC on lockdown), and (iii) your shareholders (whose indiscriminate selling of your stock speaks for itself). Notably, the only parties who have not confirmed our views are you – FNBC's board of directors – and Mr. Ryan.

To the contrary, Mr. Ryan has been telling analysts that FNBC does not need to raise common equity – that FNBC can raise subordinated debt. This is just one of many categorically false and misleading statements uttered by Mr. Ryan. We purchased our subordinated debt at 74.25% of face value before Kroll downgraded FNBC's entire capital structure (including bank-level deposits) to junk; before we published our first letter; and before the Fed prohibited the issuance of new debt and restricted the payment of interest. It does not take a capital markets specialist to recognize that FNBC can't raise subordinated debt. Why deny obvious truths and affirmatively state obvious untruths? Do you think this is a good strategy?

Our goal in writing you this letter is to encourage you to act rationally and in accordance with your fiduciary duties. If you recognize what others recognize – and you act accordingly – then the pie (which includes a substantial amount of fragile tax assets) will be preserved and even maximized. We want you to do this not because we are saints, but because in this scenario HoldCo Asset Management will make money on both legs of its trade (long debt and short common stock). If you continue to act irrationally, then all bets are off.

We are willing to deploy our team to conduct on-site due diligence in respect of our proposed transaction at your earliest convenience. We recognize that a prepackaged bankruptcy plan that cancels the common equity is not your preference. But because the regulatory order creates significant urgency (February 2017 is the next interest payment date, and failure to pay would result in an event of default)

[8] This is an over-simplification because there is a "tolling charge" reduction equivalent to approximately 3 years of interest paid on debt. Also, to the extent the subordinated debt holders take a market value haircut, there may be some cancelation of debt income that would also reduce the NOL. Furthermore, old creditors must have held debt for more than 18 months prior to the commencement of the bankruptcy case in order to qualify as "old and cold" under the exception.

and your preference is unlikely to be achieved, we urge you to engage with us now so that we can move forward with this “backup plan” if necessary.

Sincerely,

HoldCo Asset Management

DISCLAIMER

As of the publication date of this letter, HoldCo Asset Management, LP and its affiliates (collectively "HoldCo"), have a long position in the subordinated debt and a short position in the stock of the company referenced herein. Taken as a whole, HoldCo holds a short position in FNBC that will profit if the price of FNBC's common stock declines. HoldCo may change its views about its investment positions in FNBC at any time, for any reason or no reason, and at any time may change the form or substance of any of its FNBC investment positions. If it does so, it will not be under obligation to inform anyone.

All content in this letter represent the opinions of HoldCo. HoldCo has obtained all information herein from publicly available sources they believe to be accurate and reliable. However, such information is presented "as is," without warranty of any kind whether express or implied. HoldCo stresses that this letter is a highly imperfect, and very rough, attempt to piece together limited public information to formulate answers to some of the most pressing questions that it has about FNBC. HoldCo is working with SEC filings that are outdated and currently being restated and a recent call report that lacks explanatory footnotes.

This document is for informational purposes only and is not intended as an official confirmation of any transaction. All data and other information are not warranted as to completeness or accuracy and reflect HoldCo's views as of this date, all of which are accordingly subject to change without notice.

This letter does not in any way constitute an offer or solicitation of an offer to buy or sell any investment, security, or commodity discussed herein, or any security in any jurisdiction in which such an offer would be unlawful under the securities laws of such jurisdiction.

The information contained in this document may include, or incorporate by reference, forward-looking statements, which would include any statements that are not statements of historical fact. These forward-looking statements may turn out to be wrong and can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, most of which are beyond the HoldCo's control.

We are not tax lawyers or accountants and nothing stated herein should be used or relied upon without consultation with your advisors including tax lawyers, bankruptcy lawyers, and tax accountants that have specialization in Section 382 of the Tax Code. Furthermore, the principal purpose of any structures recommended herein are based upon the prospect of recapitalizing FNBC and restoring and/or maximizing franchise value, and any tax benefits are secondary in nature.

Notwithstanding anything contained herein, any proposed transaction is preliminary, indicative, subject to due diligence and non-binding in all respects, unless and until a definitive written agreement, binding letter of intent or other similarly binding agreement with respect thereto has been executed and delivered. HoldCo will not be and is not under any legal obligation of any kind whatsoever with respect to any transaction by virtue of this letter.

APPENDIX A

FIRST NBC BANK HOLDING COMPANY

REORGANIZATION PLAN TERM SHEET

THIS TERM SHEET DESCRIBES A POTENTIAL RESTRUCTURING (THE "RESTRUCTURING") FOR FIRST NBC BANK HOLDING COMPANY ("FNBC" OR THE "DEBTOR") PURSUANT TO A PREPACKAGED PLAN OF REORGANIZATION (THE "PLAN") UNDER CHAPTER 11 OF TITLE 11 OF THE U.S. CODE (THE "BANKRUPTCY CODE") IN FORM AND SUBSTANCE ACCEPTABLE TO HOLDCO ASSET MANAGEMENT ("HOLDCO"). NOTWITHSTANDING ANYTHING TO THE CONTRARY, THIS TERM SHEET IS INDICATIVE AND NON-BINDING AND SUBJECT TO DUE DILIGENCE SATISFACTORY TO HOLDCO.

THIS TERM SHEET IS FOR INFORMATION PURPOSES ONLY AND IS NOT AN OFFER OR A SOLICITATION WITH RESPECT TO ANY SECURITIES OF FNBC. ANY SUCH OFFER OR SOLICITATION SHALL COMPLY WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE.

Overview	
Debtor:	First NBC Bank Holding Company
Instruments to Be Repaid/Restructured:	Indebtedness and equity instruments to be restructured under the Plan will include: (i) approximately $60 million subordinated debt (the "Subordinated Debt Claims"); (ii) approximately $38 million of liquidation preference of preferred stock (the "Preferred Stock Interests"); and (iii) approximately 19 million shares of common equity (the "Common Equity Interests").
New Money to Be Raised	On the effective date of the Plan (the "Effective Date"), cash of $67.5 million will be contributed to the Debtor as described herein by investors ("New Money Investors"). HoldCo would be willing to be a New Money Investor and would contribute $30.4 million. The remaining $37.1 million could be raised by one or more institutional investors with such investor(s) remaining below a 24.9% pro forma ownership.
Nature of Restructuring:	On the Effective Date, the Debtor shall become the reorganized Debtor (the "Reorganized Debtor"), discharged of all claims existing as of the Effective Date, and all assets of the Debtor shall

	become vested in the Reorganized Debtor free and clear of all liens, claims, and liabilities existing as of the Effective Date, except as otherwise provided in the Plan. The Reorganized Debtor shall continue to engage in owning and operating its subsidiary bank to maximize value for the benefit of its stakeholders, on the terms and conditions of, and subject to the restrictions contained in, the Plan. The common stock of the Reorganized Debtor shall be listed on a stock exchange acceptable to stakeholders.
Treatment of Claims and Interests Under the Proposed Plan	
Administrative Claims:	Administrative Claims will include investment banking fees associated with raising capital and attorney fees in connection with shepharding the Debtor through the Restructuring. On or as soon as practicable after the Effective Date, each holder of an allowed administrative expense shall be paid cash equal to the full amount of its claim, unless the holder otherwise agrees to less favorable treatment.
Pre-Petition Interests	
Subordinated Debt Claims:	Each holder of a Subordinated Debt Claim, in full and final satisfaction thereof, shall receive a *pro rata* distribution of 39% of common stock issued by the Debtor ("Reorganized Common Stock").
Preferred Stock Interests:	Each holder of a Preferred Stock Interest, in full and final satisfaction thereof, shall receive a *pro rata* distribution of 17% of Reorganized Common Stock.
Common Stock Interests:	All existing common stock interests will be cancelled on the Effective Date and common stock holders shall receive no distribution.
New Money	
New Money Investors	Each New Money Investor shall receive a *pro rata* distribution of 44% of Reorganized Common Stock.
Other Features of the Plan and Means of Implementation	
Customary Provisions:	Pursuant to the proposed Plan, from and after the Effective Date, the Debtor shall receive a discharge consistent with the provisions

	of the Bankruptcy Code. The Plan shall contain customary distribution, holdback, and reserve provisions regarding the distribution of Reorganized Common Stock to holders of allowed claims. Among other things, the Plan shall contain customary provisions that, in connection with any shareholder vote, all Reorganized Common Stock held in reserve shall be deemed to have voted in the same proportion as all holders of Reorganized Common Stock.
Corporate Governance:	The initial board of directors of the Reorganized Debtor (the "New Board") shall consist of the Debtor's existing board of directors and a representative of each of the Subordinated Debt Claims, Preferred Stock Interests, and New Money Investors. As of the Effective Date, the Reorganized Debtor shall take such actions necessary to incorporate in Delaware and shall be deemed to have complied in all respects with all legal requirements for reincorporation of a corporation under applicable non-bankruptcy law. The Reorganized Debtor shall have all rights and protections given to and afforded Delaware corporations, including the right to dissolve and/or liquidate the corporation. The certificate of incorporation of the Reorganized Debtor shall contain the appropriate provisions listed in this term sheet.
Indemnification/ insurance:	Mandatory indemnification of the members of the New Board consistent with Delaware law. The Reorganized Debtor will also acquire customary directors and officers insurance, including "Side A" coverage.
Senior Management:	Senior management of the Reorganized Debtor shall be selected by the New Board and shall be disclosed in accordance with 11 U.S.C. section 1129(a)(5), subject to a mutually agreeable employment agreement. Mr. Ashton Ryan may continue as CEO if the New Board and Mr. Ryan so elect.
Preservation of Tax Attributes:	Under the Plan, the New Board will institute a Tax Benefit Preservation Plan to protect FNBC's deferred tax assets from any change in control under Section 382 of the IRS Code and will present such plan to the holders of the Reorganized Common Stock for ratification at the first annual meeting of the Reorganized Debtor.

Executory Contracts and Unexpired Leases:	Executory contracts and unexpired leases shall be assumed or rejected, as the case may be, in the Debtor's discretion, in the Plan to the extent that any such executory contracts and unexpired leases have not been assumed or rejected by the Debtor in its discretion during the pendency of the chapter 11 case.
Cancellation of Instruments, Certificates and Other Documents:	On the Effective Date, except to the extent otherwise provided above, all instruments, certificates and other documents evidencing debt or equity interest in the Debtor shall be cancelled, and the obligations of the Debtor thereunder, or in any way related thereto, shall be discharged.
Retention of Jurisdiction:	The Bankruptcy Court shall retain jurisdiction over all customary matters.
Conditions and Binding Effect:	Notwithstanding anything contained herein, this term sheet and any proposed transaction is preliminary, indicative, subject to due diligence and non-binding in all respects, unless and until a definitive written agreement, binding letter of intent or other similarly binding agreement with respect thereto has been executed and delivered. None of HoldCo Asset Management or its affiliates will be or are under any legal obligation of any kind whatsoever with respect to any transaction by virtue of this term sheet.