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# *Preparing For The Future Under BASEL III*



*2014 East Coast Regional Conference*

## *Speakers:*

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MEMBER FINRA/SIPC

# Speaker Synopsis

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# Agenda

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- I. Overview of Basel III
- II. Impact on Community Banks
- III. Capital Management Under Basel III
- IV. Capital Markets Update



# Key Changes

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- ◆ Key changes from the 2012 NPR's incorporated into the final rule include:
  - Non-Qualifying Capital Instruments and Tier-1 Capital – TruPS and cumulative perpetual preferred stock issued prior to 5/19/10 by banking institutions with assets less than \$15 Billion as of 12/31/09, certain SLHC's (not exempt by insurance or commercial activities) or by mutual organizations formed as of 5/19/10, are grandfathered in Tier-1 capital
    - subject to a 25% limitation on inclusion in tier-1 capital elements, excluding non-qualifying instruments and after all regulatory capital deductions and adjustments have been applied to tier-1 capital
  - AOCI – non-advanced approaches institutions are provided a one-time option to filter certain AOCI components out of regulatory capital and must elect this option on the institution's first Call Report, FR Y9C, or FR Y-9SP, filed after January 1, 2015 (by March 31, 2015)
  - Mortgage Risk Weights – the final rule retains a 50% risk weight for prudently underwritten first lien mortgage loans that are not past due, reported as nonaccrual, or restructured and 100% risk weight for all other residential mortgages
  - Implementation Time Frame – Advanced Approaches Banks are required to comply with the final rule starting January 1, 2014 and all other banking organizations and SLHCs that are not excluded from the final rule to comply starting January 1, 2015

# Key Changes

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- ◆ Introduces stricter eligibility criteria for regulatory capital instruments going forward
- ◆ Introduces a minimum Common Equity Tier 1 (CET1) capital ratio
- ◆ Introduces the Capital Conservation Buffer
- ◆ Eliminates the use of Credit Ratings by introducing two new methodologies in which to determine appropriate risk weights for securitization exposures
- ◆ Imposes stricter limitations on MSAs, DTAs and certain investments by way of regulatory capital deductions
  - DTAs arising from temporary differences, MSAs and Significant investments in the capital of unconsolidated financial institutions in the form of common stock are:
    - Each subject to an individual limit of 10% of CET1, and
    - In aggregate subject to a 15% limitation
    - Amounts not deducted due to either the 10% or 15% thresholds are assigned a 250% risk-weight
- ◆ Revises risk weights for past due loans, HVCRE, some equity exposures and other selected asset classes

# Basel III Phase In

| Phase-in arrangements for non Advanced Approaches Institutions<br>(shading indicates transition periods) |   | 2015   | 2016   | 2017   | 2018          | 2019 and<br>Beyond |
|--|---|--|--------|--------|---------------|--------------------|
| <b>Risk-Based Measures</b>   | <i>Minimum Common Equity Tier-1 ("CET1")</i>  | 4.50%  | 4.50%  | 4.50%  | 4.50%         | 4.50%              |
|  | <i>Capital Conservation Buffer ("CCB")</i>  | n/a  | 0.625% | 1.250% | 1.875%        | 2.500%             |
|  | <i>Minimum Common Equity Plus CCB</i>   | 4.50%  | 5.13%  | 5.75%  | 6.38%         | <b>7.00%</b>       |
|  | <i>Minimum Tier 1 Risk-Based Capital</i>  | 6.00%  | 6.00%  | 6.00%  | 6.00%         | 6.00%              |
|  | <i>Capital Conservation Buffer ("CCB")</i>  | n/a  | 0.625% | 1.250% | 1.875%        | 2.500%             |
|  | <i>Minimum Tier 1 Risk-Based Plus CCB</i>   | 6.00%  | 6.63%  | 7.25%  | 7.88%         | <b>8.50%</b>       |
|  | <i>Minimum Total Risk-Based Capital</i>   | 8.00%  | 8.00%  | 8.00%  | 8.00%         | 8.00%              |
| <i>Capital Conservation Buffer ("CCB")</i>   | n/a   | 0.625%   | 1.250% | 1.875% | 2.500%        |                    |
| <i>Minimum Total Capital Plus CCB</i>  | 8.00%   | 8.63%  | 9.25%  | 9.88%  | <b>10.50%</b> |                    |
| <b>Leverage Measures</b>   | <i>Leverage Ratio - New Tier-1 Capital/Average Consolidated Assets</i>  | 5.00%  | 5.00%  | 5.00%  | 5.00%         | 5.00%              |
|  | <i>Capital Conservation Buffer ("CCB")</i>  |  | 0.000% | 0.000% | 0.000%        | 0.000%             |
|  | <i>Minimum Leverage Ratio</i>   | 5.00%  | 5.00%  | 5.00%  | 5.00%         | <b>5.00%</b>       |
| <b>Other Elements</b>  | <i>Phase-in Of Deductions &amp; Adjustments From CET1 (including amounts exceeding the limit for DTAs, MSRs and financials)</i> | 40%  | 60%    | 80%    | 100%          | 100%               |
|  | <i>Capital Instruments That No Longer Qualify As Non-Core Tier 1 Capital or Tier 2 Capital</i>                                  | Grandfathered for Banking Organizations < \$15 BN;<br>Phased out by 1/1/16 for Banking Organizations ≥ \$15 BN |        |        |               |                    |
|  | <i>New Risk-Weighted Asset Calculations - Standardized Approach</i>   | <b>Effective<br/>1/1/2015</b>  |        |        |               |                    |
|  | <i>AOCI Opt-Out Determination (upon first regulatory filing)</i>  | <b>3/31/2015</b>   |        |        |               |                    |

All dates are as of January 1; All ratios in support of the “adequately capitalized” status Capital Conservation Buffer (“CCB”) subject to tiered capital restrictions during phase in period; lowest capital ratio triggers restrictions. Under the final rule, the Capital Conservation Threshold (“CCB”) would not apply to the Leverage ratio, only to the regulatory ratios that include RWAs in their denominator. The CCB threshold is only breached when, by rule, it falls under 2.50% (once fully implemented) of risk weighted assets

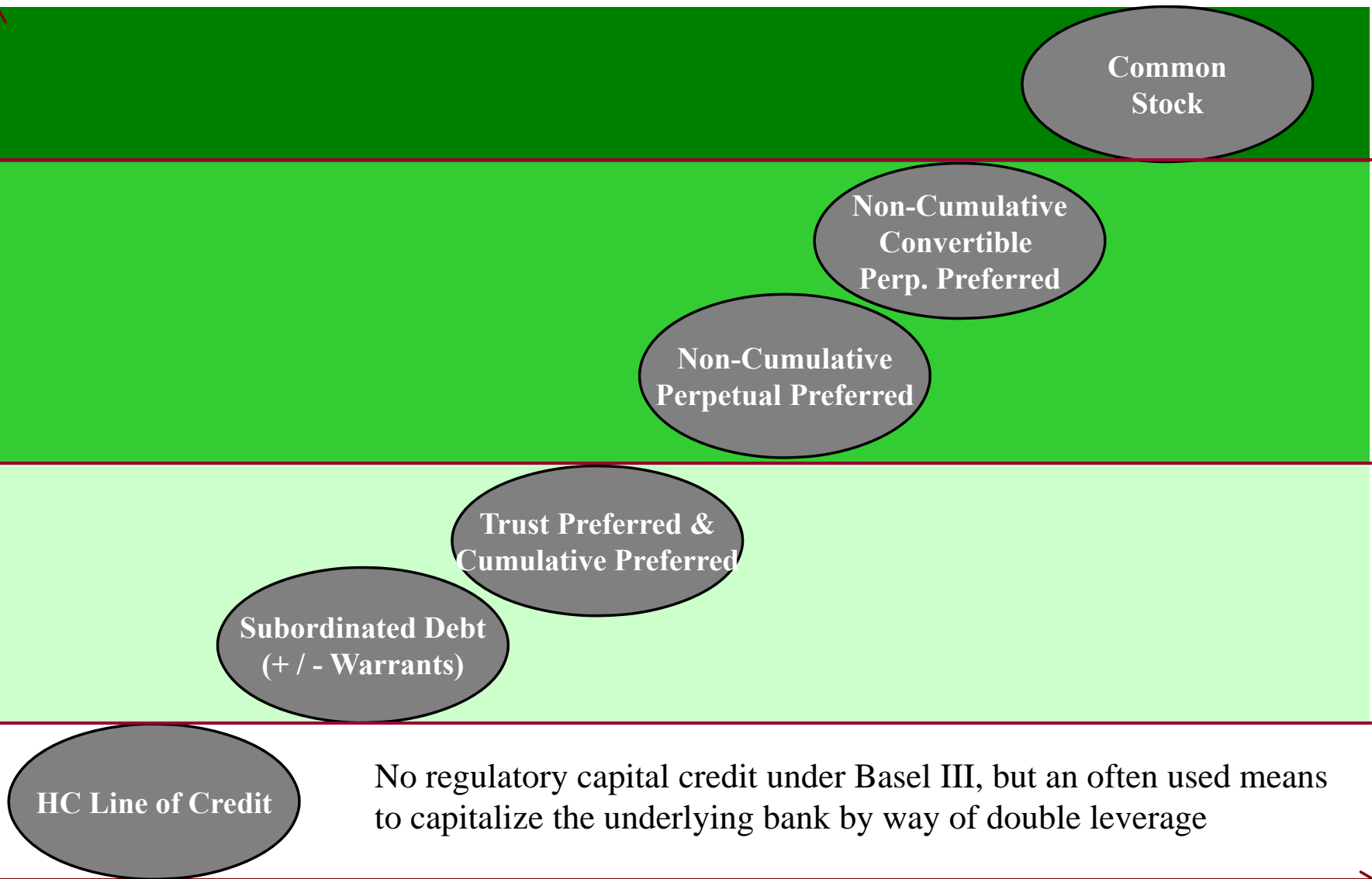
# Review/Preview: Tier 1 And Tier 2 Capital Elements (Basel III)

*Impact of Basel III: more capital and a lot more TCE*

*Financial Flexibility*

*High*

*Low*



CET 1

Add'l Tier 1

Tier 2

Common Stock

Non-Cumulative Convertible Perp. Preferred

Non-Cumulative Perpetual Preferred

Trust Preferred & Cumulative Preferred

Subordinated Debt (+ / - Warrants)

HC Line of Credit

No regulatory capital credit under Basel III, but an often used means to capitalize the underlying bank by way of double leverage

*Low Cost*

*High Cost*



# Deductions, Limitations and Adjustments

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## Deductions

- ◆ Goodwill
- ◆ Deferred Tax Assets (NOL and Tax Credit Carryforwards)
- ◆ Other Intangibles (except for MSAs)
- ◆ Gain on Sale of Securitization Exposures
- ◆ Certain investments in other unconsolidated financial institutions' capital instruments

## Adjustments

- ◆ Deduct unrealized gains and add unrealized losses on cash flow hedges

## Threshold Deductions

- ◆ Deduct amounts  $> 10\%$  individually or  $> 15\%$  aggregate of Common Equity Tier-1 Capital:
  - Mortgage Servicing Assets (MSAs)
  - Deferred Tax Assets related to temporary timing differences
  - Significant investments in other unconsolidated financial institutions' common stock

**Amounts not deducted are generally subject to a 250% Risk Weight**



# How Will Community Banks Respond to Basel III?

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- ◆ Regulators are permanently reducing leverage (and therefore equity returns) for the banking sector, absent a reaction from the industry
- ◆ Banks have three paths to choose from:
  - Do nothing
  - Alter pricing
    - **Pricing** on affected asset classes **will / should** rise or returns on risk-adjusted assets will drop, causing reduced investor demand for bank equities
  - Alter products and services
    - A response by banks by implementing a **re-allocation of lending** to B-III friendly asset classes (as opposed to a pricing response)
    - Higher risk weightings on product and business line profitability – capital allocation, cost of capital, ROIC, EVA by business line will affect the business model
    - Certain collateralized **Real estate lending classes are now affected** (high-volatility CRE and certain AD&C loans) – may cause a change in the business model
- ◆ Changes will occur to business models, large and small, causing real strategic discussion at the Board level

# Costs of Compliance

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## ◆ Banking Operations

- **Complexity in capital calculations** will put pressure on operations groups for some time
  - Over a dozen deductions and adjustments, bifurcation of hedging gains and losses, securities risk weighting changes based on credit performance and detrimental effects of the CCB if an institution falls short (restrictions on dividends, repurchases and some bonuses)
- Significant enhancement to the required **analysis and tracking of the investment portfolio**
- How to combat this ... **Systems, MIS, Systems, Data Enhancements, Systems, Reporting, Systems, Policies, Systems, Procedures, Systems**
- **Increased workload** on existing staff – a need for additional staff
- **Regulatory filings** will be a challenge initially and may change to accommodate Basel III requirements
- SEC and regulatory **reporting policies and procedures** will need to be re-vamped
- Terminology, concepts and awareness throughout all levels of staff heightened
- Enhancements to regulatory reporting data requirements: capital and liquidity
- Anticipated increased **depth in examinations** and in the calculations themselves

# **Banks and Their Culture Will Be Nudged One Step Closer To An Enterprise Risk Management (“ERM”) Framework**

## ◆ Corporate Culture

- Increase in overall expectations for the sophistication of both management and the Board
- Integrations of risk and finance and a convergence of the responsibilities of the CFO and CRO on strategic objectives
- Renewed emphasis on risk management and yet another step toward a true ERM culture - covering all business lines and markets
- Given the real impact of the CCB, policies and procedures will need to be revamped, budgeting and forecasting processes enhanced and dividend policies revisited
- Stress testing – not a requirement but we let the cat out of the bag and regulators will appreciate and possibly expect stress tests – absent a stress test, “sensitivity analysis” is a great way to bridge this gap and remain aware of potential policy breaches
- Banks that choose to use B-III as a tool for success rather than “another compliance cost” will get ahead in the long run

More Capital Required

Less Qualifying Capital Available

Higher Risk Weighting

Lower ROE's

Less Leverage

## Some Key Numbers

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- ◆ Banks have until January 1, 2019 before the CCB is fully Phased in. Earnings retention for many banks could satisfy the new minimums. However, banks are required to operate above the prescribed minimums, and we suspect the new ‘targeted’ capital levels will be:

8 / 8 / 10 / 12

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( CET1 / Leverage / Tier-1 / Total Capital Ratios )

- ◆ According to Basel Staff:
  - CET1 Compliance:
    - > 95% of BHC’s with less than \$10 BN in Assets would meet the 4.5% CET1 requirement
    - 100% of BHC’s over \$10 BN in Assets already meet the 4.5% CET1 requirement
  - CET1 Plus CCB:
    - 90% of BHC’s < \$10 BN in Assets would meet the 4.5% + 2.5% = 7.0% threshold
    - 95% of BHC’s > \$10 BN in Assets would meet the 4.5% + 2.5% = 7.0% threshold

# Basel III Preparatory Checklist

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*Assess how Basel III will impact your capitalization and capital calculations before it gets here*

- ◆ Understanding and full assessment of Bank Level and Holding Co. Level (if applicable) capital structure
- ◆ Confirmation whether TruPS and Cumulative Preferred Stock (if present) qualify as Tier-1
- ◆ Assess Deductions, Adjustments and Limitations to the calculation of equity
  - Deductions around DTAs related to NOLs and Tax Credits can be significant. Enhance DTA reporting as it will become critical to calculating capital
  - Adjustments related to unrealized gains and losses on cash flow hedges
  - Limitations related to MSAs, DTAs (timing differences) and Significant investments in other unconsolidated financial institutions' common stock
- ◆ Develop the list of loans and loan products that are or will be included in the definition of High Volatility Commercial Real Estate or “HVCRE”. Adjust pricing accordingly
- ◆ Review of all other on and off-balance sheet items and their proposed changes in risk weightings (other construction loans, unused credit facilities, other)
- ◆ Review and assess the investment portfolio, particularly securities that are non-agency in nature, deemed a securitization exposure or generally have a layer of structuring to it, for RWA
  - You may want to ask your broker for some help here, they sold them to you
- ◆ On a similar note, have your BOLI broker provide you an assessment of your portfolio under Basel III



# Basel III Preparatory Checklist

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*Assess what Basel III means to the business plan and more importantly, your business model*

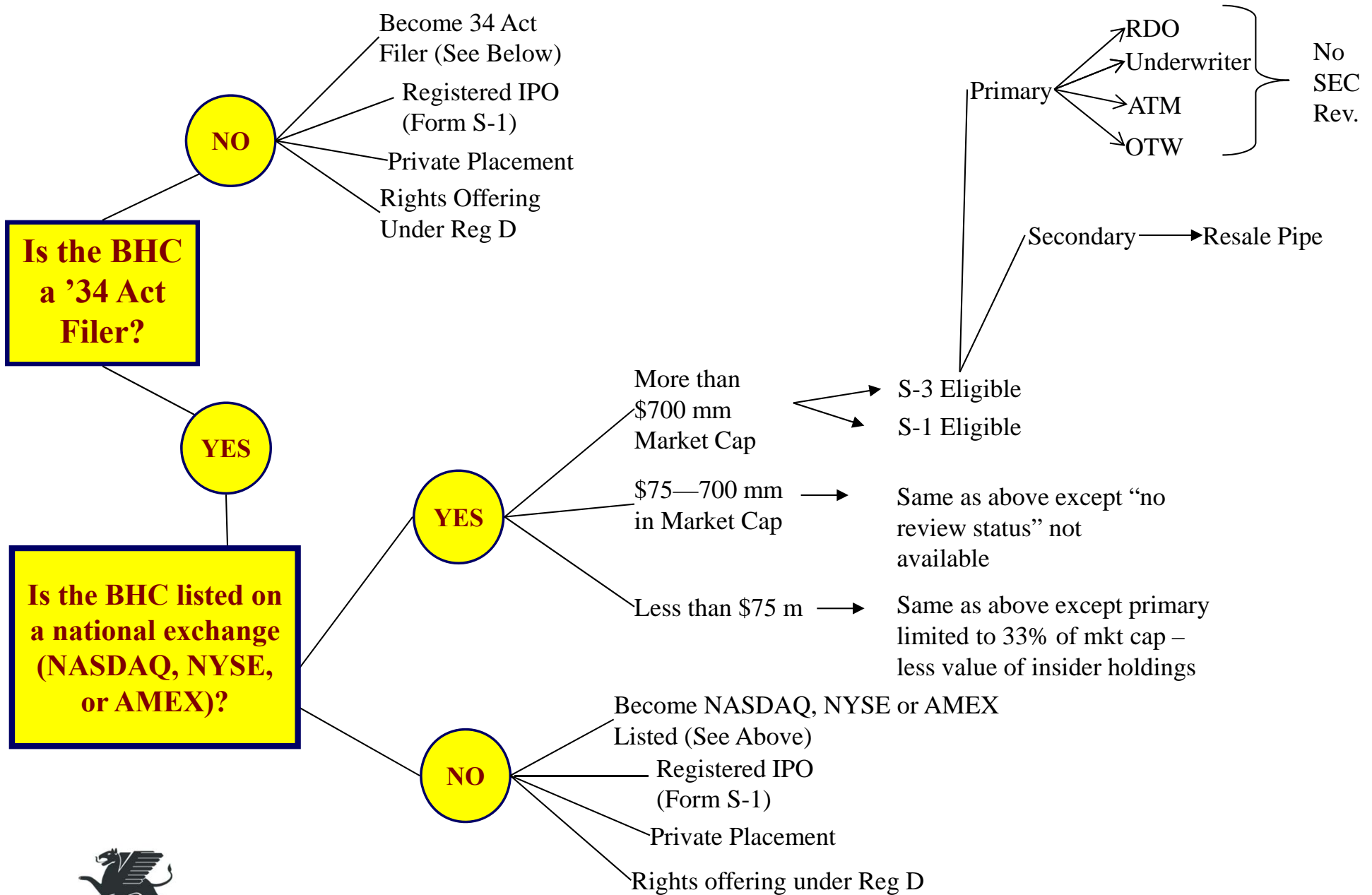
- ◆ Develop / update a 5 year (spanning full phase-in) forecast showing impact of Basel III, comparing forecasted regulatory capital ratios to the phased-in Basel III thresholds
- ◆ Develop a list of assets the ALCO wants to emphasize, de-emphasize and rationalize pricing around
- ◆ Ripple these affects through internal capital allocation or profitability analysis, whether it be Product, Business Unit, Market or overall Bank Profitability
- ◆ Consider exiting products or business lines that don't cover their cost of capital
- ◆ Prepare and maintain dialog with the lenders. All banks are going through this and invariably the certain asset classes, such as HVCRE, will suffer. Have a game plan.
- ◆ Ensure your staff understands the nuances of Basel III, your systems can track and maintain key data and you document this understanding in preparation of your first Basel III exam
- ◆ Produce a draft calculation as of June 30, 2014 (or sooner) for initial review with internal audit, inclusion in call report preparation and filing procedures as well as review with the Board of Directors
- ◆ Preparations to make final AOCI "opt-out" election prior to first call report filed under Basel III phase-in (presumably 3/31/15). Ensure all Board approvals have been received.
- ◆ Use your thorough understanding of Basel III as a competitive tool, not a distraction, excuse or cost



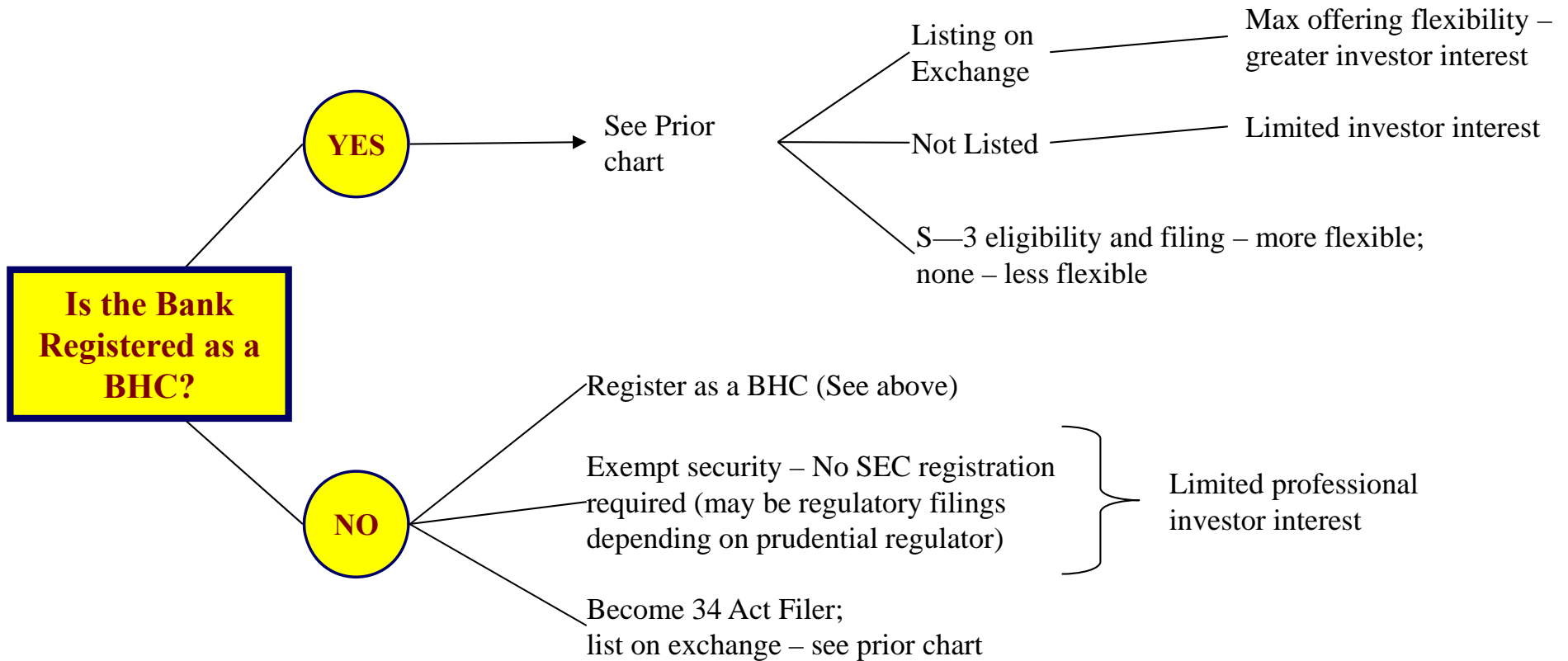
# Capital Alternatives

|  | Key Advantages  | Key Disadvantages  | Pricing Issues   |
|--|---|--|--|
| Common Stock                             | <p>Tier 1 Capital</p> <p>Foundation of Capital Base</p> <p>Increase Float / Exposure</p> <p>Favored by regulators</p> | <p>Highest Cost of Capital</p> <p>Dilutive to Earnings</p> <p>May Expect Dividends</p> <p>Periods of Market Volatility</p> <p>Offering and Short Selling</p> <p>Usually Pressure Price</p> | <p>Best pricing obtained from friends and family</p> <p>Institutional investors may require significant discount</p> |
| Non-Cumulative Perpetual Preferred Stock | <p>Tier 1 Capital</p> <p>Callable at Par</p> <p>Fixed or Floating Coupon</p>  | <p>Lack of Tax Deductibility</p> <p>Pressure on Dividend from bank to BHC</p>  | <p>Best pricing obtained from friends and family</p> <p>Lower rates require convertibility</p>                       |
| Tier 2 Subordinated Debt                 | <p>Lowest Cost of Capital</p> <p>Tier 2 Treatment</p> <p>Tax Deductible</p> <p>Can be Callable at Par</p>             | <p>No Tier 1 Treatment</p> <p>Short-term Capital</p> <p>Capital impact diminishes starting 5 years prior to maturity</p>   | <p>Best pricing obtained from friends and family</p> <p>Lower rates require warrants</p>                             |

# Flow Chart of Capital Raising Alternatives: Bank Holding Companies (“BHCs”)



# Flow Chart of Capital Raising Alternatives: Bank



# Comparison of Offering Alternatives

| Type of Offering                          | Key Advantages  | Key Considerations  |
|---|---|---|
| <p><b>Fully Marketed Offering</b></p>     | <ul style="list-style-type: none"> <li>• Provides management with the opportunity to tell its story and showcase the Company during the offering process</li> <li>• Numerous investor one-on-ones</li> <li>• Allows for retail participation</li> <li>• Lowest discount to current market prices</li> </ul> | <ul style="list-style-type: none"> <li>• Issuer should have S-3 in place</li> <li>• Limited market windows</li> <li>• Multi week process</li> <li>• Potential for a “failed” offering (Compare EGCs)</li> <li>• Highest gross spread</li> <li>• Current shareholder dilution</li> </ul> |
| <p><b>Delayed Registration PIPE</b></p>   | <ul style="list-style-type: none"> <li>• Generally not as dependent on public market conditions as follow-on offering</li> <li>• Fast transaction timeline</li> <li>• Less expensive than follow-on</li> <li>• No deal-specific public disclosure</li> </ul>  | <ul style="list-style-type: none"> <li>• Current shareholders diluted</li> <li>• Sometimes requires greater discount versus offering of registered shares as a result of illiquidity if S-3 shelf not up and running</li> <li>• Exchange considerations</li> </ul>                      |
| <p><b>Shareholder Rights Offering</b></p> | <ul style="list-style-type: none"> <li>• Existing shareholders can maintain proportional ownership</li> <li>• Shareholders can purchase stock at an attractive price</li> <li>• Opportunity to arrange for stand-by investors if offering not fully subscribed</li> </ul>                                   | <ul style="list-style-type: none"> <li>• Less market visibility than public offering</li> <li>• Very slow timing</li> <li>• Current shareholders may not have significant interest to invest</li> </ul>   |
| <p><b>Registered Direct Offering</b></p>  | <ul style="list-style-type: none"> <li>• Generally not as dependent on public market conditions as a follow-on offering</li> <li>• Less expensive than follow-on</li> <li>• Smaller valuation discount than a delayed registration PIPE</li> <li>• No deal-specific public disclosure</li> </ul>            | <ul style="list-style-type: none"> <li>• Current shareholders diluted</li> <li>• Must have S-3 shelf in place</li> <li>• Must assess impact of filing shelf</li> </ul>  |

# Comparison of Offering Alternatives

| Type of Offering  | Key Advantages  | Key Considerations  |
|---|---|---|
| <b>Accelerated Offering with Confidential Pre-Marketing (Wall-Crossing)</b> | <ul style="list-style-type: none"> <li>• Enables Issuer to gauge likely demand for the offering without exposing the entire offering</li> <li>• Minimizes potential downward pressure on stock price during volatile market environment</li> <li>• Allows for some retail participation</li> <li>• Larger amounts of capital can be raised in a shorter period of time</li> <li>• Minimizes possibility of a “failed” deal</li> </ul>   | <ul style="list-style-type: none"> <li>• Must be '34 Act Filer and have S-3 in place</li> <li>• Marketing reach limited relative to a fully-marketed offering</li> <li>• Accelerated offering exposes stock to some volatility, potentially leading to offering price discounts</li> <li>• Confidentiality agreements not regulated</li> </ul>                                  |
| <b>At-The-Market Offering</b>   | <ul style="list-style-type: none"> <li>• Flexibility to raise capital opportunistically and mitigate volatility</li> <li>• Fast transaction timeline</li> <li>• Cost of issuance is significantly less than a traditional underwritten offering</li> <li>• Can be effected in tandem with other sales of equity securities</li> </ul>   | <ul style="list-style-type: none"> <li>• Current shareholders diluted</li> <li>• S-3 Shelf must be up and running</li> <li>• Must assess impact of filing shelf</li> <li>• If shelf not yet filed, have to wait a period of time after shelf is effective to begin transaction</li> </ul>   |
| <b>Dividend Reinvestment Plan</b>   | <ul style="list-style-type: none"> <li>• Investors benefit by not paying broker commissions, and administrative fees charged may be lower than broker’s commissions</li> <li>• Companies benefit from the ability to cross-market their products and services – and raise capital inexpensively</li> <li>• Benefit from long term investors that ordinarily invest in these types of plans</li> <li>• Since individual investors buy through these plans – a company reduces its risk of losing control when it sells stock through its plan</li> </ul> | <ul style="list-style-type: none"> <li>• Investors can’t dictate the stock prices at which they buy stock in these plans – since trades are made on a regular periodic basis</li> <li>• Some companies charge fees for their plans – so they may not be cost-effective, particularly since broker commission rates have dropped dramatically over the past few years</li> </ul> |



## **IV. Capital Markets Update**



## Executive Summary | 2014 Key Themes

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- ◆ Institutional investors continue to move “*down the ladder*” in asset size as opportunities become more scarce in the liquid names at the upper end and the more attractively valued lower end experiences more stability
- ◆ Subsiding of geo-political noise of previous years presenting a more favorable issuance environment in which the window opens longer and wider
- ◆ Entry points remain critical. As much of the industry’s investible dry-powder remains in the Private Equity sector, decision makers continue to *rely on estimated IRRs* as a crucial benchmark for the approval process
- ◆ As viable re-capitalization opportunities fade, some funds are *reducing minimum check sizes* to take advantage of potential investments they previously excluded
- ◆ Investment decisions continue to migrate from P/TBV valuations to more historical *P/E multiple* valuations

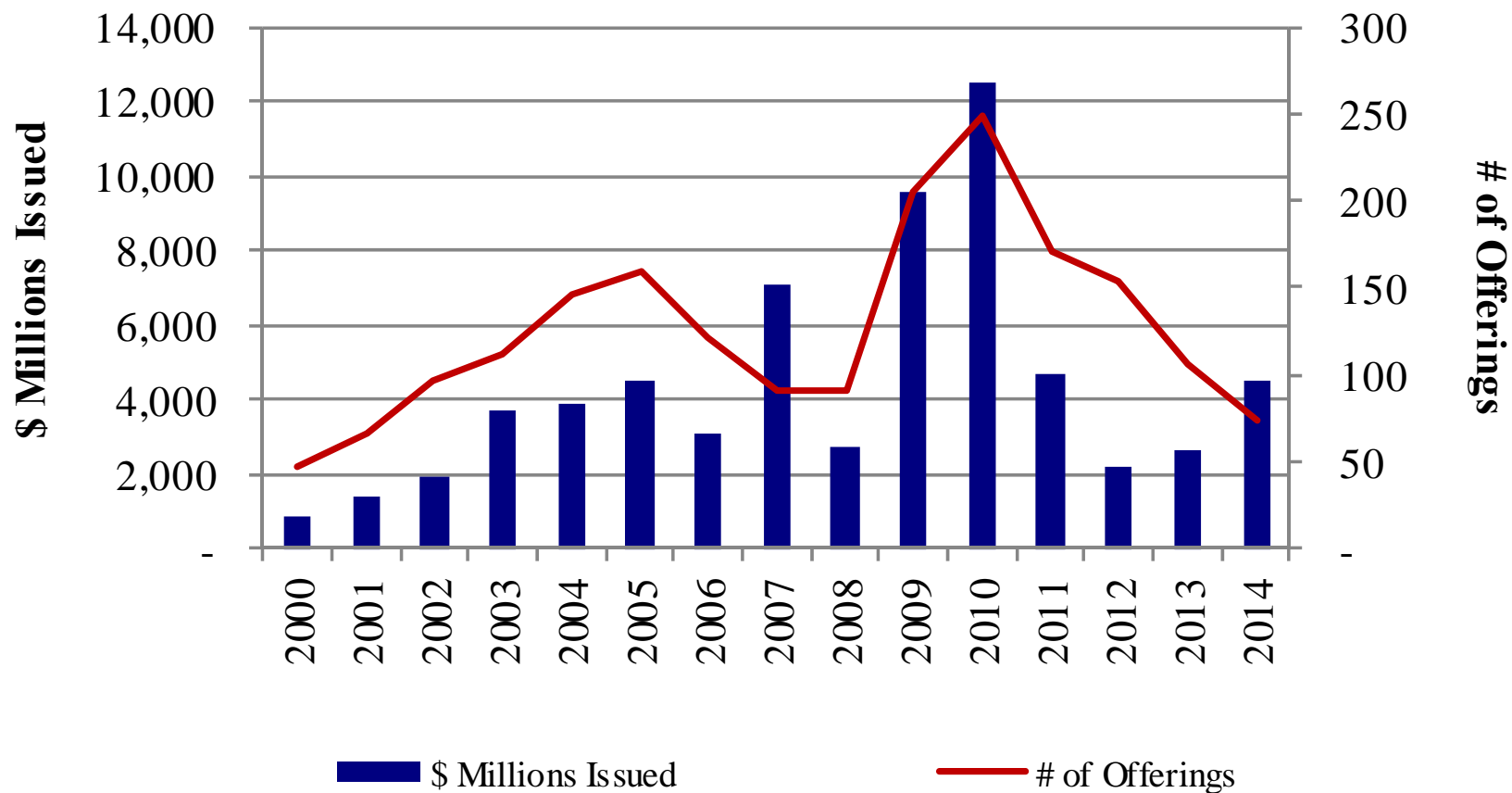
## Executive Summary | 2014 Key Themes (cont'd)

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- ◆ ***Growth*** oriented opportunities garner more support than low valuations investments. Avoidance of “bear trap” scenarios becoming a dominate investor theme as many recapitalized issues remain mired with legacy issues and reputational wounds
- ◆ Acquirers’ share prices are more frequently increasing following acquisition announcements (versus declining due to arbitrage effects) as ***investors award strategic buyers who seek increasing scale*** opportunities. Management remains a core investment component as investors tend to bet more on the “jockey” than the “horse.” Demographics and geography of the “horse” remain core issues to determining franchise attractiveness
- ◆ ***Adjustments to balance sheets*** will continue to ***drive capital issuance*** as new regulatory rules are implemented, TARP dividend rate increases to 9%, SBLF rate increase approaches in 2016, increasing interest rates driving AOCI to losses; rapidity of move of greater concern than the move itself

# Annual Trends in Common Stock Issuance

## Common Volume and Offerings



Source: SNL Financial as of 9/2/2014.  
Shelf registrations, terminated offerings, and secondary offerings excluded.  
Excludes banks with greater than \$20 billion in total assets.

# Investor Demand in the Public Markets Remains an Obstacle, Especially for Smaller Institutions

## Among Common Offerings Completed Since 1/1/2013

| Asset Group  | Number    |           |                     |                             | Aggregate Value (\$000) |                  |                     |                             |
|--------------|-----------|-----------|---------------------|-----------------------------|-------------------------|------------------|---------------------|-----------------------------|
|              | Public    | Private   | Subscription Rights | Mutual-to-Stock Conversions | Public                  | Private          | Subscription Rights | Mutual-to-Stock Conversions |
| > \$20B      | 2         | 3         | -                   | -                           | 185,000                 | 1,967,000        | -                   | -                           |
| \$5-20B      | 5         | -         | -                   | -                           | 470,217                 | -                | -                   | -                           |
| \$1-5B       | 20        | 36        | 4                   | 4                           | 729,696                 | 600,406          | 56,994              | 922,077                     |
| \$500M-1B    | 9         | 14        | 3                   | 2                           | 267,518                 | 69,759           | 16,286              | 75,396                      |
| \$250-500M   | 3         | 10        | 4                   | 2                           | 45,184                  | 51,710           | 12,507              | 119,687                     |
| < \$250M     | 2         | 10        | 2                   | 5                           | 615                     | 46,537           | 5,000               | 36,961                      |
| <b>Total</b> | <b>41</b> | <b>73</b> | <b>13</b>           | <b>13</b>                   | <b>1,698,230</b>        | <b>2,735,412</b> | <b>90,787</b>       | <b>1,154,121</b>            |

# Nationwide: Public Offerings of Common Equity Completed since January 2013 by Institutions Under \$1 Billion in Assets

| Completion Date | Issuer Name                           | State | Gross Proceeds (\$000) | Total Assets (\$000) MRQ | ROAA (%) LTM  | ROAE (%) LTM  | NPAs/ Assets (%) MRQ | Tang. Eq./ Tang. Assets (%) MRQ | Increase in Share Count (%) | Offering Price/ PF TBV (%) |
|-----------------|---------------------------------------|-------|------------------------|--------------------------|---------------|---------------|----------------------|---------------------------------|-----------------------------|----------------------------|
| 7/22/2014       | Pan American Bank                     | CA    | NA                     | 40,776                   | (5.74)        | (98.73)       | 12.20                | 2.32                            | 624.4                       | NM                         |
| 7/22/2014       | Pan American Bank                     | CA    | NA                     | 40,776                   | (5.74)        | (98.73)       | 12.20                | 2.32                            | 94.7                        | NM                         |
| 6/30/2014       | Investar Holding Corporation          | LA    | 45,994                 | 673,964                  | NA            | NA            | 0.91                 | 7.94                            | 83.3                        | 105.2                      |
| 6/30/2014       | River Valley Bancorp                  | IN    | 19,401                 | 483,943                  | 0.93          | 13.01         | 3.19                 | 7.35                            | 61.6                        | 104.2                      |
| 5/15/2014       | Bankwell Financial Group, Inc.        | CT    | 48,649                 | 812,055                  | 0.74          | 7.98          | 0.56                 | 8.71                            | 72.0                        | 109.8                      |
| 4/30/2014       | Northern States Financial Corporation | IL    | 6,024                  | 392,412                  | (0.39)        | (11.80)       | 14.23                | 2.46                            | 470.2                       | NM                         |
| 3/4/2014        | Guaranty Federal Bancshares, Inc.     | MO    | 17,250                 | 619,888                  | 0.82          | 10.34         | 3.17                 | 8.12                            | 54.9                        | 89.2                       |
| 11/27/2013      | Atlantic Coast Financial Corporation  | FL    | 48,300                 | 714,114                  | (0.64)        | (12.65)       | 6.63                 | 4.18                            | 489.9                       | 76.5                       |
| 11/22/2013      | First Internet Bancorp                | IN    | 31,740                 | 738,518                  | 0.84          | 8.88          | 1.40                 | 7.79                            | 55.5                        | 102.4                      |
| 11/15/2013      | First Bank                            | NJ    | 23,000                 | 425,699                  | 0.65          | 7.71          | 1.16                 | 7.41                            | 81.8                        | 93.7                       |
| 11/12/2013      | John Marshall Bank                    | VA    | 32,400                 | 627,448                  | 1.17          | 12.11         | 0.35                 | 9.22                            | 40.8                        | 124.0                      |
| 9/26/2013       | Community Financial Corporation       | MD    | 29,837                 | 980,102                  | 0.65          | 7.83          | 2.43                 | 8.27                            | 52.3                        | 97.7                       |
| 8/1/2013        | Independence Bancshares, Inc.         | SC    | 615                    | 126,806                  | (1.22)        | (11.05)       | 8.66                 | 15.57                           | 3.9                         | 93.2                       |
| 7/15/2013       | Consumers Bancorp, Inc.               | OH    | 274                    | 349,407                  | 0.77          | 9.05          | 0.69                 | 8.36                            | 0.9                         | 111.9                      |
| 6/19/2013       | Virginia Heritage Bank                | VA    | 23,762                 | 804,829                  | 1.14          | 12.18         | 0.64                 | 8.80                            | 38.5                        | 107.8                      |
| 6/6/2013        | First Virginia Community Bank         | VA    | 21,910                 | 419,495                  | 0.49          | 4.78          | 1.39                 | 9.46                            | NA                          | NM                         |
| 2/11/2013       | ConnectOne Bancorp, Inc.              | NJ    | 51,520                 | 883,846                  | 1.02          | 12.95         | 0.92                 | 7.92                            | 58.4                        | 116.2                      |
| <b>Mean</b>     |                                       |       | <b>26,712</b>          | <b>537,299</b>           | <b>(0.28)</b> | <b>(7.88)</b> | <b>4.16</b>          | <b>7.42</b>                     | <b>142.7</b>                | <b>102.4</b>               |
| <b>Median</b>   |                                       |       | <b>23,762</b>          | <b>619,888</b>           | <b>0.70</b>   | <b>7.91</b>   | <b>1.40</b>          | <b>7.94</b>                     | <b>60.0</b>                 | <b>104.2</b>               |

Source: SNL Financial as of 9/2/2014.

Shelf registrations, terminated offerings, secondary offerings, subscription rights offerings, mutual-to-stock conversions, and identified recapitalizations excluded.

## Mid-Atlantic: Public Offerings of Common Equity Completed Since January 2012 by Institutions Under \$1 Billion in Assets

| Completion Date | Issuer Name                     | State | Gross Proceeds (\$000) | Total Assets (\$000) MRQ | ROAA (%) LTM | ROAE (%) LTM | NPAs/ Assets (%) MRQ | Tang. Eq./ Tang. Assets (%) MRQ | Increase in Share Count (%) | Offering Price/ PF TBV (%) |
|-----------------|---------------------------------|-------|------------------------|--------------------------|--------------|--------------|----------------------|---------------------------------|-----------------------------|----------------------------|
| 7/2/2014        | ConnectOne Bancorp, Inc.        | NJ    | 44,344                 | 1,676,160                | 1.17         | 11.57        | 0.56                 | 9.46                            | -                           | 204.3                      |
| 11/15/2013      | First Bank                      | NJ    | 23,000                 | 425,699                  | 0.65         | 7.71         | 1.16                 | 7.41                            | 81.8                        | 93.7                       |
| 9/26/2013       | Community Financial Corporation | MD    | 29,837                 | 980,102                  | 0.65         | 7.83         | 2.43                 | 8.27                            | 52.3                        | 97.7                       |
| 2/11/2013       | ConnectOne Bancorp, Inc.        | NJ    | 51,520                 | 883,846                  | 1.02         | 12.95        | 0.92                 | 7.92                            | 58.4                        | 116.2                      |
| <b>Mean</b>     |                                 |       | <b>37,175</b>          | <b>991,452</b>           | <b>0.87</b>  | <b>10.02</b> | <b>1.27</b>          | <b>8.27</b>                     | <b>48.1</b>                 | <b>128.0</b>               |
| <b>Median</b>   |                                 |       | <b>37,091</b>          | <b>931,974</b>           | <b>0.84</b>  | <b>9.70</b>  | <b>1.04</b>          | <b>8.10</b>                     | <b>55.3</b>                 | <b>107.0</b>               |

# Mid-Atlantic: Placements of Common Equity Completed Since January 2012 by Institutions Under \$1 Billion in Assets

| Completion Date | Issuer Name                       | State | Gross Proceeds (\$000) | Total Assets (\$000) MRQ | ROAA (%) LTM  | ROAE (%) LTM  | NPAs/ Assets (%) MRQ | Tang. Eq./ Tang. Assets (%) MRQ | Increase in Share Count (%) | Offering Price/ PF TBV (%) |
|-----------------|-----------------------------------|-------|------------------------|--------------------------|---------------|---------------|----------------------|---------------------------------|-----------------------------|----------------------------|
| 8/14/2014       | Sun Bancorp, Inc.                 | NJ    | 20,000                 | 2,894,658                | (1.26)        | (15.35)       | 0.67                 | 6.63                            | 6.5                         | 156.7                      |
| 7/2/2014        | Royal Bancshares of Pennsylvania, | PA    | 13,943                 | 734,410                  | 0.39          | 5.58          | 3.67                 | 7.03                            | 89.2                        | 76.4                       |
| 5/15/2014       | Bay Bancorp, Inc.                 | MD    | 7,000                  | 429,593                  | 0.75          | 6.07          | 1.78                 | 12.03                           | 15.2                        | 91.3                       |
| 5/12/2014       | Liberty Bell Bank                 | NJ    | 2,100                  | 155,975                  | (2.18)        | (39.18)       | 5.61                 | 4.50                            | 62.7                        | 59.8                       |
| 5/12/2014       | Liberty Bell Bank                 | NJ    | 2,900                  | 155,975                  | (2.18)        | (39.18)       | 5.61                 | 4.50                            | 86.5                        | 63.0                       |
| 4/22/2014       | Republic First Bancorp, Inc.      | PA    | 45,000                 | 961,665                  | (0.37)        | (5.07)        | 1.71                 | 6.54                            | 45.6                        | 130.6                      |
| 4/16/2014       | Highlands Bankshares, Inc.        | VA    | 9,356                  | 598,312                  | 0.25          | 4.69          | 5.30                 | 5.51                            | 53.3                        | 62.3                       |
| 3/26/2014       | Codorus Valley Bancorp, Inc.      | PA    | 13,000                 | 1,150,641                | 0.96          | 10.08         | 1.97                 | 9.36                            | 13.5                        | 114.0                      |
| 3/20/2014       | F & M Bank Corp.                  | VA    | 12,775                 | 552,788                  | 0.85          | 9.32          | 2.96                 | 9.36                            | 30.8                        | 84.9                       |
| 12/30/2013      | Delmarva Bancshares, Inc.         | MD    | NA                     | 200,446                  | NA            | NA            | NA                   | NA                              | NA                          | NM                         |
| 9/13/2013       | Old Line Bancshares, Inc.         | MD    | 12,026                 | 1,147,085                | 0.54          | 6.38          | 0.74                 | 8.39                            | 9.4                         | 130.8                      |
| 3/27/2013       | ES Bancshares, Inc.               | NY    | 1,095                  | 149,692                  | (0.03)        | (0.39)        | 3.98                 | 6.99                            | 23.7                        | 49.7                       |
| 2/28/2013       | First Priority Financial Corp.    | PA    | 6,622                  | 275,146                  | 0.27          | 2.70          | 3.11                 | 9.68                            | 40.3                        | 96.8                       |
| <b>Mean</b>     |                                   |       | <b>12,151</b>          | <b>723,568</b>           | <b>(0.17)</b> | <b>(4.53)</b> | <b>3.09</b>          | <b>7.54</b>                     | <b>39.7</b>                 | <b>93.0</b>                |
| <b>Median</b>   |                                   |       | <b>10,691</b>          | <b>552,788</b>           | <b>0.26</b>   | <b>3.69</b>   | <b>3.04</b>          | <b>7.01</b>                     | <b>35.6</b>                 | <b>88.1</b>                |

# Nationwide: Non-Cumulative Preferred Offerings Since January 2012 by Institutions Under \$1 Billion in Assets

| Completion Date | Issuer Name                       | State | Gross Proceeds (\$000) | Total Assets (\$000) MRQ | ROAA (%) LTM | ROAE (%) LTM | NPAs/ Assets (%) MRQ | Tang. Eq./ Tang. Assets (%) MRQ | Dividend Rate (%) | Description   |
|-----------------|-----------------------------------|-------|------------------------|--------------------------|--------------|--------------|----------------------|---------------------------------|-------------------|---|
| 8/22/2014       | F & M Bank Corp.                  | VA    | 10,000                 | 569,443                  | 0.90         | 8.70         | 2.01                 | 11.49                           | 5.10              | 5.100% Series A non-cumulative mandatorily convertible perpetual preferred stock, \$5.00 par value            |
| 7/28/2014       | CCF Holding Company               | GA    | 8,000                  | 370,209                  | (0.06)       | (2.53)       | 15.49                | 2.08                            | 6.00              | 6.000% Series A non-cumulative mandatory convertible preferred stock  |
| 7/25/2014       | Select Bancorp, Inc.              | NC    | 7,645                  | 520,276                  | 0.45         | 4.31         | 3.04                 | 10.84                           | NA                | Variable rate series A non-cumulative perpetual preferred stock issued through the SBLF                       |
| 7/15/2014       | Central Federal Corporation       | OH    | 5,250                  | 258,989                  | (0.13)       | (1.43)       | 4.10                 | 8.76                            | 6.25              | 6.250% Series B non-cumulative convertible perpetual preferred stock, \$0.01 par value                        |
| 6/30/2014       | MVB Financial Corp.               | WV    | 4,000                  | 997,425                  | 0.46         | 4.59         | 0.49                 | 8.32                            | 6.00              | 6.000% Series B convertible non-cumulative perpetual preferred stock, \$1,000 par value                       |
| 6/27/2014       | Katahdin Bankshares Corporation   | ME    | 10,000                 | 639,618                  | 0.62         | 6.54         | 1.16                 | 8.51                            | NA                | Floating rate series D non-cumulative perpetual preferred stock, \$0.01 par value                             |
| 5/24/2014       | Merchants Bancorp                 | OR    | 2,200                  | 173,083                  | 1.02         | 39.88        | NA                   | 3.18                            | NA                | Preferred stock   |
| 5/12/2014       | Central Federal Corporation       | OH    | 6,750                  | 255,748                  | (0.39)       | (4.04)       | 4.26                 | 8.94                            | 6.25              | 6.250% Series B non-cumulative convertible perpetual preferred stock, \$0.01 par value                        |
| 5/5/2014        | Kinderhook Bank Corporation       | NY    | 7,400                  | 354,019                  | 0.79         | 7.92         | 0.50                 | NA                              | NA                | Series C non-cumulative convertible preferred stock   |
| 4/16/2014       | Highlands Bankshares, Inc.        | VA    | 7,169                  | 598,312                  | 0.25         | 4.69         | 5.30                 | 5.51                            | NA                | Series A convertible perpetual non-cumulative preferred stock, \$2.00 par value                               |
| 4/10/2014       | Cordia Bancorp Inc.               | VA    | 15,428                 | 235,148                  | 0.30         | 5.12         | 3.11                 | 5.59                            | 7.00              | Variable rate series A mandatory convertible non-cumulative perpetual preferred stock, \$0.01 par value       |
| 12/31/2013      | FFW Corporation                   | IN    | 3,250                  | 339,852                  | 0.84         | 8.80         | 3.80                 | 8.83                            | 5.00              | Variable rate series C cumulative perpetual preferred stock   |
| 12/30/2013      | Delmarva Bancshares, Inc.         | MD    | NA                     | 200,446                  | NA           | NA           | NA                   | NA                              | NA                | Preferred stock   |
| 12/23/2013      | Parke Bancorp, Inc.               | NJ    | 20,000                 | 747,129                  | 1.18         | 10.53        | 14.48                | 11.60                           | 6.00              | 6.000% Series B non-cumulative perpetual convertible preferred stock, \$0.10 par value                        |
| 12/11/2013      | FNBH Bancorp, Inc.                | MI    | 17,510                 | 301,799                  | 1.08         | 37.55        | 8.43                 | 3.03                            | NA                | Series B mandatorily convertible non-cumulative junior participating perpetual preferred stock, no par value  |
| 10/18/2013      | Community Southern Holdings, Inc. | FL    | NA                     | 213,578                  | 0.84         | 6.65         | 1.41                 | 12.03                           | NA                | Variable rate non-cumulative preferred stock issued through the SBLF  |
| 9/30/2013       | Community Financial Shares, Inc.  | IL    | 733                    | 356,607                  | (1.16)       | (26.30)      | 2.86                 | 5.25                            | NA                | Series D convertible non-cumulative perpetual preferred stock, \$1.00 par value                               |
| 8/22/2013       | Broadway Financial Corporation    | CA    | NA                     | 345,199                  | (0.56)       | (11.58)      | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock                                 |
| 8/22/2013       | Broadway Financial Corporation    | CA    | NA                     | 345,199                  | (0.56)       | (11.58)      | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock                                 |
| 8/22/2013       | Broadway Financial Corporation    | CA    | NA                     | 345,199                  | (0.56)       | (11.58)      | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock                                 |
| 8/22/2013       | Broadway Financial Corporation    | CA    | NA                     | 345,199                  | (0.56)       | (11.58)      | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock                                 |
| 7/17/2013       | Community Financial Shares, Inc.  | IL    | 119                    | 354,470                  | (1.29)       | (37.46)      | 2.86                 | 5.77                            | NA                | Series C convertible non-cumulative perpetual preferred stock, \$1.00 par value                               |
| 7/17/2013       | Community Financial Shares, Inc.  | IL    | 139                    | 354,470                  | (1.29)       | (37.46)      | 2.86                 | 5.77                            | NA                | Series D convertible non-cumulative perpetual preferred stock, \$1.00 par value                               |
| 6/28/2013       | HomeTown Bankshares Corporation   | VA    | 14,000                 | 376,945                  | 0.47         | 4.86         | 4.81                 | 9.80                            | 6.00              | 6.000% Series C non-cumulative perpetual convertible preferred stock  |
| 5/22/2013       | CMS Bancorp, Inc.                 | NY    | 1,500                  | 263,151                  | (0.04)       | (0.45)       | NA                   | 8.42                            | 6.00              | 6.000% Series A noncumulative perpetual preferred stock, \$0.01 par value                                     |
| 3/31/2013       | Pascack Bancorp, Inc.             | NJ    | 1,110                  | 373,780                  | 0.35         | 4.62         | NA                   | 7.10                            | NA                | Variable rate series 2011C non-cumulative convertible preferred stock, no par value                           |
| 3/29/2013       | Colombo Bank                      | MD    | 1,300                  | 217,468                  | (4.39)       | (93.20)      | 12.10                | 7.04                            | NA                | Series A non-cumulative non-voting preferred stock  |
| 3/22/2013       | First Bancshares, Inc.            | MS    | 20,000                 | 721,385                  | 0.57         | 6.45         | 1.82                 | 7.63                            | 6.00              | 6.000% Series D non-voting non-cumulative perpetual mandatorily convertible preferred stock, \$1.00 par value |
| 2/28/2013       | United American Bank              | CA    | 2,300                  | 266,042                  | (1.13)       | (17.05)      | 6.09                 | 6.54                            | NA                | Non-cumulative perpetual preferred stock  |
| 1/22/2013       | SouthCrest Financial Group, Inc.  | GA    | 5,544                  | 558,266                  | (1.25)       | (12.87)      | 2.00                 | 9.32                            | 6.50              | 6.500% Series C non-cumulative convertible preferred stock  |
| 1/3/2013        | Mid Penn Bancorp, Inc.            | PA    | 5,000                  | 723,504                  | 0.72         | 9.36         | 1.76                 | 7.73                            | 7.00              | 7.000% Series B non-cumulative non-voting non-convertible perpetual preferred stock, \$1.00 par value         |
| Mean            |                                   |       | 7,054                  | 408,349                  | (0.10)       | (3.87)       | 6.02                 | 7.10                            | 8.01              |   |
| Median          |                                   |       | 5,544                  | 349,609                  | 0.25         | 4.31         | 3.95                 | 7.07                            | 6.25              |   |



# Nationwide: Subordinated Debt Offerings Since January 1, 2012 by Institutions Under \$1 Billion in Assets

| Completion Date | Issuer Name                             | State | Gross Proceeds (\$000) | Total Assets (\$000) MRQ | ROAA (% ) LTM | ROAE (% ) LTM | NPAs/ Assets (%) MRQ | Tang. Eq./ Tang. Assets (%) MRQ | Dividend Rate (%) | Description   |
|-----------------|---|-------|------------------------|--------------------------|---------------|---------------|----------------------|---------------------------------|-------------------|---|
| 8/22/2014       | F & M Bank Corp.                        | VA    | 10,000                 | 569,443                  | 0.90          | 8.70          | 2.01                 | 11.49                           | 5.10              | 5.100% Series A non-cumulative mandatorily convertible perpetual preferred stock, \$5.00 par value                        |
| 7/29/2014       | Northern Trust Corporation              | IL    | 400,000                | 105,761,200              | 0.74          | 9.44          | 0.32                 | 7.06                            | 5.85              | 5.850% Depository shares representing 1/1000th share of series C non-cumulative perpetual preferred stock, no par value   |
| 7/28/2014       | CCF Holding Company                     | GA    | 8,000                  | 370,209                  | (0.06)        | (2.53)        | 15.49                | 2.08                            | 6.00              | 6.000% Series A non-cumulative mandatory convertible preferred stock  |
| 7/25/2014       | Select Bancorp, Inc.                    | NC    | 7,645                  | 520,276                  | 0.45          | 4.31          | 3.04                 | 10.84                           | NA                | Variable rate series A non-cumulative perpetual preferred stock issued through the SBLF                                   |
| 7/15/2014       | Central Federal Corporation             | OH    | 5,250                  | 258,989                  | (0.13)        | (1.43)        | 4.10                 | 8.76                            | 6.25              | 6.250% Series B non-cumulative convertible perpetual preferred stock, \$0.01 par value                                    |
| 6/30/2014       | MVB Financial Corp.                     | WV    | 4,000                  | 997,425                  | 0.46          | 4.59          | 0.49                 | 8.32                            | 6.00              | 6.000% Series B convertible non-cumulative perpetual preferred stock, \$1,000 par value                                   |
| 6/27/2014       | Katahdin Bankshares Corporation         | ME    | 10,000                 | 639,618                  | 0.62          | 6.54          | 1.16                 | 8.51                            | NA                | Floating rate series D non-cumulative perpetual preferred stock, \$0.01 par value   |
| 5/24/2014       | Merchants Bancorp                       | OR    | 2,200                  | 173,083                  | 1.02          | 39.88         | NA                   | 3.18                            | NA                | Preferred stock   |
| 5/12/2014       | Central Federal Corporation             | OH    | 6,750                  | 255,748                  | (0.39)        | (4.04)        | 4.26                 | 8.94                            | 6.25              | 6.250% Series B non-cumulative convertible perpetual preferred stock, \$0.01 par value                                    |
| 5/5/2014        | Kinderhook Bank Corporation             | NY    | 7,400                  | 354,019                  | 0.79          | 7.92          | 0.50                 | NA                              | NA                | Series C non-cumulative convertible preferred stock   |
| 4/16/2014       | Highlands Bankshares, Inc.              | VA    | 7,169                  | 598,312                  | 0.25          | 4.69          | 5.30                 | 5.51                            | NA                | Series A convertible perpetual non-cumulative preferred stock, \$2.00 par value   |
| 4/15/2014       | Independent Bank Group, Inc.            | TX    | 23,938                 | 2,163,984                | 1.04          | 9.90          | 0.58                 | 9.21                            | NA                | Variable rate series A senior non-cumulative preferred stock issued through the SBLF, \$0.01 par value                    |
| 4/10/2014       | Cordia Bancorp Inc.                     | VA    | 15,428                 | 235,148                  | 0.30          | 5.12          | 3.11                 | 5.59                            | 7.00              | Variable rate series A mandatory convertible non-cumulative perpetual preferred stock, \$0.01 par value                   |
| 3/31/2014       | BCB Bancorp, Inc.                       | NJ    | 200                    | 1,207,959                | 0.80          | 10.18         | 3.88                 | 8.28                            | 6.00              | 6.000% Series B noncumulative perpetual preferred stock, \$0.01 par value   |
| 2/28/2014       | BCB Bancorp, Inc.                       | NJ    | 570                    | 1,207,959                | 0.80          | 10.18         | 3.88                 | 8.28                            | 6.00              | 6.000% Series B noncumulative perpetual preferred stock, \$0.01 par value   |
| 1/15/2014       | Stonagate Bank                          | FL    | 12,750                 | 1,086,162                | 0.86          | 7.00          | 2.16                 | 11.78                           | NA                | Variable rate series A senior non-cumulative perpetual preferred stock issued through the SBLF, \$5.00 par value          |
| 1/1/2014        | Community Bankers Trust Corporation     | VA    | NA                     | 1,114,976                | 0.56          | 5.48          | 2.79                 | 9.03                            | 9.00              | Variable rate series A cumulative perpetual preferred stock issued under TARP, \$0.01 par value                           |
| 12/31/2013      | FFW Corporation                         | IN    | 3,250                  | 339,852                  | 0.84          | 8.80          | 3.80                 | 8.83                            | 5.00              | Variable rate series C cumulative perpetual preferred stock   |
| 12/30/2013      | Delmarva Bancshares, Inc.               | MD    | NA                     | 200,446                  | NA            | NA            | NA                   | NA                              | NA                | Preferred stock   |
| 12/23/2013      | Parke Bancorp, Inc.                     | NJ    | 20,000                 | 747,129                  | 1.18          | 10.53         | 14.48                | 11.60                           | 6.00              | 6.000% Series B non-cumulative perpetual convertible preferred stock, \$0.10 par value                                    |
| 12/19/2013      | First Citizens Banc Corp                | OH    | 25,000                 | 1,147,787                | 0.61          | 6.84          | 2.28                 | 7.00                            | 6.50              | Depository shares representing 1/40th share of 6.500% non-cumulative redeemable convertible perpetual preferred stock     |
| 12/11/2013      | FNBH Bancorp, Inc.                      | MI    | 17,510                 | 301,799                  | 1.08          | 37.55         | 8.43                 | 3.03                            | NA                | Series B mandatorily convertible non-cumulative junior participating perpetual preferred stock, no par value              |
| 10/31/2013      | BCB Bancorp, Inc.                       | NJ    | 4,010                  | 1,182,975                | 0.70          | 9.06          | 4.03                 | 7.94                            | 6.00              | 6.000% Series B noncumulative perpetual preferred stock, \$0.01 par value   |
| 10/29/2013      | F.N.B. Corporation                      | PA    | 110,877                | 12,790,279               | 0.96          | 8.22          | 1.01                 | 6.09                            | 7.25              | Depository shares each representing a 1/40th interest in variable rate series E non-cumulative perpetual preferred stock  |
| 10/18/2013      | Community Southern Holdings, Inc.       | FL    | NA                     | 213,578                  | 0.84          | 6.65          | 1.41                 | 12.03                           | NA                | Variable rate non-cumulative preferred stock issued through the SBLF  |
| 9/30/2013       | Community Financial Shares, Inc.        | IL    | 733                    | 356,607                  | (1.16)        | (26.30)       | 2.86                 | 5.25                            | NA                | Series D convertible non-cumulative perpetual preferred stock, \$1.00 par value   |
| 8/22/2013       | Broadway Financial Corporation          | CA    | NA                     | 345,199                  | (0.56)        | (11.58)       | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock   |
| 8/22/2013       | Broadway Financial Corporation          | CA    | NA                     | 345,199                  | (0.56)        | (11.58)       | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock   |
| 8/22/2013       | Broadway Financial Corporation          | CA    | NA                     | 345,199                  | (0.56)        | (11.58)       | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock   |
| 8/22/2013       | Broadway Financial Corporation          | CA    | NA                     | 345,199                  | (0.56)        | (11.58)       | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock   |
| 8/22/2013       | Broadway Financial Corporation          | CA    | NA                     | 345,199                  | (0.56)        | (11.58)       | 12.79                | 4.81                            | 13.00             | Variable rate Series F non-cumulative mandatorily convertible preferred stock   |
| 7/26/2013       | South State Corporation                 | SC    | 65,000                 | 5,043,078                | 0.80          | 8.00          | 1.79                 | 7.94                            | 9.00              | Variable rate series A senior cumulative perpetual preferred stock, \$0.01 par value                                      |
| 7/17/2013       | Community Financial Shares, Inc.        | IL    | 139                    | 354,470                  | (1.29)        | (37.46)       | 2.86                 | 5.77                            | NA                | Series D convertible non-cumulative perpetual preferred stock, \$1.00 par value   |
| 7/17/2013       | Community Financial Shares, Inc.        | IL    | 119                    | 354,470                  | (1.29)        | (37.46)       | 2.86                 | 5.77                            | NA                | Series C convertible non-cumulative perpetual preferred stock, \$1.00 par value   |
| 7/1/2013        | Bank of California, Inc.                | CA    | 10,000                 | 2,051,055                | 0.43          | 3.43          | 0.99                 | 8.64                            | NA                | Variable rate series B senior non-cumulative perpetual preferred stock issued through the SBLF, \$0.01 par value          |
| 6/28/2013       | HomeTown Bankshares Corporation         | VA    | 14,000                 | 376,945                  | 0.47          | 4.86          | 4.81                 | 9.80                            | 6.00              | 6.000% Series C non-cumulative perpetual convertible preferred stock  |
| 6/12/2013       | Eastern Virginia Bankshares, Inc.       | VA    | 23,843                 | 1,093,682                | 0.35          | 3.78          | 1.75                 | 7.83                            | NA                | Series B non-voting mandatorily convertible non-cumulative preferred stock, \$2.00 par value                              |
| 6/5/2013        | Bank of California, Inc.                | CA    | 40,250                 | 2,051,055                | 0.43          | 3.43          | 1.78                 | 8.64                            | 8.00              | 8.000% Depository shares representing 1/40 share of series C non-cumulative perpetual preferred stock, \$0.01 par value   |
| 5/22/2013       | CMS Bancorp, Inc.                       | NY    | 1,500                  | 263,151                  | (0.04)        | (0.45)        | NA                   | 8.42                            | 6.00              | 6.000% Series A noncumulative perpetual preferred stock, \$0.01 par value   |
| 4/17/2013       | Boston Private Financial Holdings, Inc. | MA    | 50,000                 | 6,196,421                | 0.95          | 10.19         | 1.70                 | 7.98                            | 6.95              | 6.950% Depository shares representing 1/40th share of series D non-cumulative perpetual preferred stock, \$1.00 par value |
| 4/1/2013        | VantageSouth Bancshares, Inc.           | NC    | 17,949                 | 1,085,225                | 0.41          | 2.52          | 1.10                 | 13.75                           | 9.00              | Variable rate series B cumulative perpetual preferred stock issued under TARP, no par value                               |
| 3/31/2013       | Pascack Bancorp, Inc.                   | NJ    | 1,110                  | 373,780                  | 0.35          | 4.62          | NA                   | 7.10                            | NA                | Variable rate series 2011C non-cumulative convertible preferred stock, no par value                                       |
| 3/29/2013       | Colombo Bank                            | MD    | 1,300                  | 217,468                  | (4.39)        | (93.20)       | 12.10                | 7.04                            | NA                | Series A non-cumulative non-voting preferred stock  |
| 3/22/2013       | United Community Financial Corp.        | OH    | 21,841                 | 1,808,365                | (1.06)        | (10.71)       | 4.62                 | 9.43                            | 12.00             | 12.000% Series A perpetual mandatory convertible non-cumulative preferred shares, no par value                            |
| 3/22/2013       | First Bancshares, Inc.                  | MS    | 20,000                 | 721,385                  | 0.57          | 6.45          | 1.82                 | 7.63                            | 6.00              | 6.000% Series D non-voting non-cumulative perpetual mandatorily convertible preferred stock, \$1.00 par value             |
| 3/21/2013       | Texas Capital Bancshares, Inc.          | TX    | 150,000                | 10,540,844               | 1.35          | 16.92         | 0.78                 | 7.76                            | 6.50              | 6.500% Series A non-cumulative perpetual preferred stock, \$0.01 par value  |
| 3/12/2013       | Astoria Financial Corporation           | NY    | 135,000                | 16,496,642               | 0.31          | 4.15          | 2.70                 | 6.80                            | 6.50              | Depository shares representing 1/40th of 6.500% series C non-cumulative perpetual preferred stock, \$1.00 par value       |
| 2/28/2013       | United American Bank                    | CA    | 2,300                  | 266,042                  | (1.13)        | (17.05)       | 6.09                 | 6.54                            | NA                | Non-cumulative perpetual preferred stock  |
| 1/28/2013       | FirstMerit Corporation                  | OH    | 100,000                | 14,913,012               | 0.92          | 8.34          | 0.80                 | 8.16                            | 5.88              | Depository shares representing a 1/40th interest in a share of 5.875% series A non-cumulative perpetual preferred stock   |
| 1/22/2013       | SouthCrest Financial Group, Inc.        | GA    | 5,544                  | 558,266                  | (1.25)        | (12.87)       | 2.00                 | 9.32                            | 6.50              | 6.500% Series C non-cumulative convertible preferred stock  |
| 1/3/2013        | Mid Penn Bancorp, Inc.                  | PA    | 5,000                  | 723,504                  | 0.72          | 9.36          | 1.76                 | 7.73                            | 7.00              | 7.000% Series B non-cumulative non-voting non-convertible perpetual preferred stock, \$1.00 par value                     |
| <b>Mean</b>     |   |       | <b>31,804</b>          | <b>3,960,977</b>         | <b>0.18</b>   | <b>0.12</b>   | <b>4.42</b>          | <b>7.65</b>                     | <b>7.71</b>       |   |
| <b>Median</b>   |   |       | <b>10,000</b>          | <b>569,443</b>           | <b>0.45</b>   | <b>4.77</b>   | <b>2.86</b>          | <b>7.94</b>                     | <b>6.50</b>       |   |

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