EJF Investments Manager LLC
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Dear Shareholder:

We wanted to update investors on the passage of Senate bill S.2155 ("Bill"), which we believe includes some of the most sweeping changes to US community and regional bank regulation since the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Although timing is fluid, we expect the House of Representatives to ultimately attach a number of bipartisan amendments and for a final bill to be signed into law in the coming months. EJF Investments Manager LLC ("EJF") believes that these potential rule changes could have a positive impact on EJF Investments Ltd's investments in the debt issued by community and regional banks.

By way of reminder, EJF believes that the core provisions in the Bill could materially change capital allocation decisions for community and regional banks. We also believe that non-bank, direct-lending competition will slow for certain lending categories such as Non-Qualified Mortgages.

The specific changes and related impacts include:

- **SIFI (Systemically Important Financial Institution) Threshold –** The Bill immediately raises the level of the SIFI Threshold to $100 billion from the current $50 billion of assets. Additionally, the threshold is then raised to $250 billion of assets 18 months after the final bill is signed into law. We believe that the removal of the CCAR stress test process for the regional banks may lower regulatory costs and allow institutions to more effectively manage their balance sheets. Indeed, we believe that the impact will likely be lower capital levels (though above pre-financial crisis levels), increased loan growth, increased M&A activity, higher return on equity and greater prepayment of less efficient legacy debt such as bank trust preferred securities or bank "TruPS".

- **Small Bank Holding Company Policy Statement –** This policy statement allows small bank holding companies to issue subordinated debt and receive Tier 1 regulatory capital treatment at their bank subsidiary. The use of this capital is unlimited, with the flexibility for organic growth and acquisitions. The change to this policy statement would immediately raise the threshold level to $3 billion of assets from the current $1 billion of assets. This change would increase the number of positively impacted banks by 375, resulting in more than 5,200 banks which we believe could benefit from a reduced cost of capital, higher profitability and increased M&A activity within the community banking sector. We also believe this change could lead to accelerated prepayment of small bank TruPS as they alternatively seek to raise subordinated debt.

- **Non-Qualified Mortgage Relief –** The Bill extends the QM rule's safe harbor to all banks that are under $10 billion of assets and hold mortgage loans on their balance sheet. We believe that this rule has the effect of making lower cost mortgages available to borrowers who have been unable to meet what we believe are the onerous definitions in the current rule. We expect direct lenders to lose share in this category while community banks will gain share.

- **Additional Items** – The Bill also includes a handful of revisions that were politically negotiated following our November 2017 letter to investors. For example, the Supplementary Leverage Ratio (SLR) calculation was changed for trust and custody banks by removing central bank deposits from the denominator, thus increasing the capital ratio. Additionally, a slew of credit monitoring and reporting provisions were included in the Bill in the wake of the 145 million American consumers whose personal information was exposed in the Equifax data breach in 2017.

If you would like more detailed information on the proposed legislation, you may access the Bill here - Senate Bill S.2155.

If you have any questions or would like to discuss in greater detail, please contact EJF Investments Managers LLC at info@ejfi.com.

Thank you,

Neal J. Wilson
Chief Executive Officer

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