EJF Investments Manager LLC
2107 Wilson Boulevard, Suite 410
Arlington, VA 22201

May 23, 2018

Dear Shareholder,

Yesterday the U.S. House of Representatives voted to pass Senate Bill S.2155 (known as the "Economic Growth, Regulatory Relief and Consumer Protection Act") (the "Bill") with bi-partisan support. The Senate had previously passed the Bill in March 2018. We expect President Trump will sign the Bill into law in the near future. EJF Investments Manager LLC ("EJF") believes that the passage of this Bill is another positive development for the U.S. bank exposures across our debt and equity strategies.

The Bill contains three primary regulatory changes that we believe could have a positive impact on the banking sector. First, the threshold for a systemically important financial institution ("SIFI") under Dodd Frank will be immediately raised from $50 billion in assets to $100 billion in assets, followed by an additional increase to $250 billion within 18 months of the Bill being signed into law. This increase will remove most regional banks from the CCAR stress test requirement thereby lowering their regulatory costs. In addition, we believe these banks will now be able to more effectively manage their balance sheets, returning more capital to shareholders (and debtholders), resulting in an increase in return on equity ("ROE"). We would also expect these regional banks to become active acquirers going forward.

Second, the Bill increases the Small Bank Holding Company Policy Statement ("SBHC") threshold from $1 billion in assets to $3 billion in assets. Under the SBHC, banks can issue subordinate debt at the holding company level and count it as equity at their bank subsidiary. By increasing the threshold from $1 billion to $3 billion, hundreds of additional banks will be able to issue fixed-rate subordinated debt and redeem their less efficient legacy debt securities such as trust preferred securities ("TruPS").

Third, the Bill extends the Qualified Mortgage ("QM") safe harbor rules which we believe would allow community banks to grow mortgage loan books faster and take market share from larger banks.

We believe EJFs bank related investment strategies are positioned to potentially benefit from these regulatory developments.

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

Thank you,

Neal J. Wilson
Chief Executive Officer

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