VERIBANC

Beyond 'CAMELS'

REGULATION F COMPLIANCE REPORT (STANDARD)

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Beyond 'CAMELS'

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FOREWORD

Since our beginning in 1981 VERIBANC® has never been paid by any institution to rate it. Following our standards of independence and zero tolerance for bias, no Bank or Credit Union is paying us to provide this information. You can be assured you are getting the **B.E.S.T.** rating's and financial information with VERIBANC®'s guarantee: there is no potential for conflict of interest.

THE B.E.S.T. . . . .

Balanced - our rating system blends predictability of bank failure with bank ratings degradation. This balance provides unmatched performance that has actually tracked the condition of the banking industry.

Effective - VERIBANC's ROR (Return On Ratings) is over 99 percent. We are able to detect banking problems with a high degree of reliability.

Seasoned - over the past twenty-four years (through the difficult and the good times of the banking industry) our rating system has produced remarkably consistent results.

Transparent - we are the only bank rating company that has always published our track record. Because of our transparency, several insurance companies have audited and approved its use for insuring deposits in excess of the FDIC's limit.

Thank you for your interest in the information VERIBANC® provides. We hope you find this report useful and as always, your thoughts on any improvements are welcome.

Sincerely,
VERIBANC®, Inc.
Michael M. Heller
Michael M. Heller
President

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REGULATION F COMPLIANCE REPORT
EXPOSURE OF CORRESPONDENT BANKS
PREPARED FOR: Sample Reg-F

Inst. Type	Name of Correspondent Institution	City	State	FDIC Certi-ficate Number	Assets ($Millions)	- - - CAPITAL CONDITION - - - Leverage Ratio (%)	Total Capital Risk Ratio (%)	Tier One Risk Ratio (%)	Interday Credit Exposure Limit (25 percent of Respondent's Total Capital - $000)	ERCC	VERIBANC Rating	Liquidity (%)
BK	SANTANDER BK NA	WILMINGTON	DE	29950	74,264	12.09	15.89	13.96	NOT APPLICABLE	W	GREEN/*	43.29
BK	BANK OF AMER NA	CHARLOTTE	NC	3510	1,433,716	9.20	13.84	12.34	NOT APPLICABLE	W	GREEN/*	55.20
BK	JPMORGAN CHASE BK NA	COLUMBUS	OH	628	1,945,467	7.35	14.13	11.93	NOT APPLICABLE	W	GREEN/*	87.06
BK	WELLS FARGO BK NA	SIOUX FALLS	SD	3511	1,373,600	8.32	12.93	10.41	NOT APPLICABLE	W	GREEN/*	51.43

Bank("BK") Reporting Date: 12/31/2013 Federal Regulators' Release Date: 02/28/2014 Latest Ratings Updated through 04/30/2014
ERCC - Estimated Regulatory Capital Classification (W = Well Capitalized, A = Adequately Capitalized, UC = Undercapitalized, SU = Significantly Undercapitalized, CU = Critically Undercapitalized)
N.A. indicates the item is not available, not applicable or not meaningful.
IMPORTANT - FOR YOUR OWN PROTECTION, PLEASE READ THE TERMS AND CONDITIONS

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REGULATION F COMPLIANCE REPORT
EXPOSURE OF CORRESPONDENT BANKS
PREPARED FOR: Sample Reg-F

		NET INCOME			PROBLEM LOANS, SECURITIES AND OREO				RESERVES AND POTENTIAL IMPACT OF PROBLEM ASSETS			
Name of Correspondent Institution	**FDIC Certi-ficate Number**	**Current Quarter ($000)**	**Year to Date ($000)**	**Annualized R.O.A for the Quarter (%)**	**Assets 90 days or More Past Due ($000)**	**Non-Accrual Assets ($000)**	**Renegotiated Restructured and Other Problem Assets ($000)**	**OREO ($000)**	**Loan Loss Reserves ($000)**	**EPL to Equity (%)**	**EPL & OREO to Equity (%)**	**HTM Securities Depreciation to Equity (%)**
SANTANDER BK NA	29950	71,062	427,654	0.38	3,793	993,426	602,107	88,603	834,337	5.98	6.67	0.00
BANK OF AMER NA	3510	3,624,000	16,516,000	1.01	4,468,000	15,493,000	13,154,000	1,947,000	11,963,000	11.83	12.92	1.52
JPMORGAN CHASE BK NA	628	4,850,000	15,452,000	1.00	5,272,000	8,168,000	11,976,000	2,697,000	13,134,000	7.25	8.85	0.17
WELLS FARGO BK NA	3511	4,889,000	19,325,000	1.42	5,636,000	12,784,000	10,979,000	3,838,000	12,421,000	12.32	15.10	0.07

Bank("BK") Reporting Date: 12/31/2013 Federal Regulators' Release Date: 02/28/2014 Latest Ratings Updated through 04/30/2014
N.A. indicates the item is not available, not applicable or not meaningful.
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VERIBANC®, INC.

TERMS AND CONDITIONS

The information contained in the Report (the "Report") has been derived from data released by the federal government bank, savings and loan association and/or credit union regulatory agencies, which have, in turn, received their information from the institutions that they regulate. Since VERIBANC has not verified independently the data on which the Report is based, VERIBANC makes no warranty, expressed or implied, or representation as to the accuracy, adequacy or completeness of the information contained in the Report. VERIBANC EXPRESSLY DISCLAIMS ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE that may exist with respect to the Report. VERIBANC further disclaims any and all liability for incidental or consequential damages. Your sole and exclusive remedy against VERIBANC, should any information contained in this report be inaccurate to your detriment, is limited to the return of the purchase price paid by you for the Report.

Since the information contained herein is based on federal regulatory agency reports published at substantial intervals and since the financial condition of the institution described herein may be subject to change within short periods of time, please consult the enclosed page(s) for the date when the data upon which the Report is based was released by the appropriate federal agency. Please check with VERIBANC or the management of the institution itself for additional, updated information should you deem that advisable.

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VERIBANC®, Inc.

REGULATION F HANDBOOK

1. INTRODUCTION

VERIBANC®'s Regulation F Compliance Report is intended to provide bank and thrift officers with a self-contained, quarterly summary that is completely responsive to the regulation. The report contains two parts - - a set of explanations issued once (or upon request) and a quarterly data update which lists all of the banks and thrifts specified by the report's user. This handbook is the first part of the report.

Part Two, the quarterly data update, contains all of the call report items specified by the regulation as well as additional items designed to fulfill the regulation's "other appropriate factors" wording. In particular, by using the same algorithms as employed by the FDIC and OTS to determine each institution's capital category, a particularly appropriate mix of liquidity risk, operational risk and contingent liabilities is addressed for each institution listed. Further details are presented in Section Three.

The remainder of the report is organized as follows. Section Two offers an overview of Regulation F. Section Three describes the financial data presented in the quarterly updates. Appendix A contains a specimen board of directors resolution which responds to the "written policies and procedures" required by the regulation. Appendix B provides an overview of relevant FDIC guidance, followed by a copy of the actual regulation. Appendix C presents further background on VERIBANC®'s rating system.

2. OVERVIEW OF REGULATION F

The objectives of Regulation F are to encourage banks to manage closely their credit and settlement exposure to correspondent banks. In particular, FDIC-insured institutions are expected to:

1. Establish and maintain written policies and procedures that take into account credit and liquidity risks (including operational risks) in selecting correspondents and terminating correspondent relationships

2. Establish "reasonable" exposure policies and limits to correspondents that account for:

   a. type and maturity of exposure,

   b. condition of correspondent,

   c. volatility of exposure,

   d. degree to which exposure approaches the limits the bank has established.

2. OVERVIEW OF REGULATION F (continued)

3. Conduct periodic reviews of each correspondent's financial condition which include capital, earnings, nonaccrual and past due loans/leases and other factors as appropriate or have Board of Directors review and approve the assessment criteria used by a third party information provider.

4. Perform a Board of Directors review and reapproval (or revision) of the foregoing policies and procedures at least once per year.

The regulation has been phased in as follows:

Through June, 1995	"Prudent" policies must be in place to conform with the regulation and to follow the regulation's directives for recognizing interbank liability risk; specific control procedures to respond to this risk must limit overnight credit exposure to any institution which is undercapitalized to no more than 50 percent of the "lender's" total capital.
After June 19, 1995	Overnight credit exposure to undercapitalized institutions can be no more than 25 percent of the respondent's total capital.

3. DESCRIPTION OF REPORT DATA

Overview - The report is based on current quarter call report data for all banks and thrifts specified by the report's user. Total capital of the respondent bank is used to determine the interim allowable credit exposure limit to correspondent institutions. The remainder of the information in the report is from the correspondent institutions' call report.

The respondent bank may also be listed as a "correspondent" so that its data is also included in the report. Also, a respondent bank need not be specified. In such a case, the report column, "Interday Exposure Limit" will always have the entry "not applicable," regardless of the financial condition of the institutions listed in the report.

The individual report items are defined as follows:

Report Data Page One (of two)†

Institution	Distinguishes institutions that file call reports with the FDIC, OCC or Federal Reserve Board ("Banks") from those which file with the Office of Thrift Supervision (Savings Associations)
Name, City, State	These columns present the location of the correspondent's call report filing office. In most, but not all cases, it is the organization's main office.

† For reports involving more than 25 institutions; pages with the information described in the following section are designated as "a"; e.g., page 1a of 2.

3. DESCRIPTION OF REPORT DATA (continued)

FDIC Certificate Number	The insurance certificate provides a unique identification number, generally unchanged over the past several years, which confirms an institution's identity when name and/or address information is ambiguous.
Assets	Total assets expressed in $millions, are reported on a fully consolidated basis.
Capital Condition Section	The three principal regulatory capital ratios (Tier1 Leverage Ratio, Total Risk-Based Capital Ratio, and Tier1 Risk-Based Capital Ratio) are presented. These three measures and VERIBANC®'s corresponding **E**stimate of each institution's **R**egulatory **C**apital **C**lassification (ERCC) are keyed directly to provisions called out in several sections of the regulation. The abbreviations in the column entries are: W = well capitalized; A = adequately capitalized; UC = undercapitalized; SU = significantly under-capitalized; CU = critically undercapitalized. These entries are strongly responsive to the capital factor called out in Section 206.3 (b)(2) of the regulation.
Interday Credit Exposure Limit	For correspondent institutions which are less than adequately capitalized, the maximum permitted credit exposure to the respondent bank or thrift is computed. In accordance with the final provisions of the regulations, the amount shown is 25 percent of the respondent institution's total (tier one plus ($Thousands) tier two plus tier three) capital. For correspondents that are adequately capitalized or well capitalized, the entry "Not Applicable" is used.
VERIBANC® Rating	The VERIBANC® rating provides a broad and widely recognized measure of an institution's health. The rating incorporates all of the variables required by the regulation [Section 206.3(b)(2)] as appropriate creditworthiness discriminants.
Color Classification	VERIBANC®'s color code is a quick-look measure of an institution's condition based on its equity strength and profitability. Three color categories are used – green, yellow and red. The criteria used by VERIBANC® to determine the color assigned to an institution are as follows:

GREEN	The institution's equity is five or more percent of its assets and it was profitable during the most recent reporting period. Of the three color categories, this is the highest based on the criteria described.
YELLOW	The institution's equity is between three and five percent of its assets or it incurred a net

† A quarterly loss is considered significant when it exceeds 18.75% of a bank or savings association's equity. If quarterly losses continue to exceed 18.75% of equity, the institution could become insolvent within one year. VERIBANC® has no way to know whether or not losses at an institution will continue.

3. DESCRIPTION OF REPORT DATA (continued)

YELLOW (con't) loss during the most recent reporting period. Both of these conditions may apply. If there was a net loss, the loss was not sufficient to erode a significant† portion of the institution's equity. The items that result in a yellow classification merit your attention.

RED The institution's equity is less than three percent of its assets or it incurred a significant net loss during the most recent reporting period (or both). The item or items that result in a red classification deserve your close attention.

Star Classification — In addition to the color code, VERIBANC® assigns each institution Three Stars (***), Two Stars (**), One Star (*) or No Stars (U). The star rating considers future trends and contingencies not accounted for in the color classification. The criteria used by VERIBANC® to determine the number of stars assigned to an institution are as follows:

******* The institution must meet the following primary conditions: equity that exceeds five percent of assets, equity which exceeds four percent of assets after deducting problem loans, securities and derivatives contracts in excess of its loan loss reserves and positive net income for the indicated reporting quarter. Banks and thrifts must also satisfy all three regulatory capital requirements (see below) and must not have been subject to any serious regulatory sanction. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. In addition, insider lending must not exceed 35 percent of equity. If the bank is owned by a holding company, all of the holding company's banks, taken together as if they were a single bank, must meet the criteria necessary for the group to receive at least a Two Stars rating. An institution may only have two or fewer volatile periods of asset growth/shrinkage over the past ten quarters. Problem investments for banks also include securities being held to maturity that, if sold, would realize less than their cost.

3. DESCRIPTION OF REPORT DATA (continued)

****** The institution meets any two of the three primary conditions for the Three Stars category and has equity that exceeds its unreserved problem loans, securities and derivatives contracts. If the institution had a net loss during the most recent reporting quarter, the loss was not significant. Banks and thrifts must also satisfy all three regulatory capital requirements (see below) and must not have been subject to any serious regulatory sanction. If the institution is a one-bank holding company, neither the holding company nor its member bank has been subject to a recent serious regulatory sanction. Additionally, if the bank is owned by a holding company, all of the holding company's bank, taken together as if they were a single bank, must meet the criteria necessary for the group to receive at least a Two Stars rating. An institution may only have three volatile periods of asset growth/shrinkage over the past ten quarters. For banks that have held-to-maturity securities investments with a current market value that is less than their cost, that difference must not exceed equity.

***** The institution meets at least one of the primary conditions required for the Three Stars category, reports equity which exceeds three percent of assets and also exceeds unreserved problem loans, securities and derivatives contracts. If the institution had a net loss during the indicated quarter, the loss was not significant. Moreover, banks and thrifts must meet at least two of the three federal capital requirements for tier one (core) capital, total capital and capital as a percentage of risk weighted assets. An institution may receive no higher than a One Star rating if it has been subject to a serious regulatory sanction. A bank or a one-bank holding company may receive no higher than a One Star rating if either the holding company or the bank have been subject to a recent serious regulatory sanction. Moreover, if all of the

3. DESCRIPTION OF REPORT DATA (continued)

* (con't)	banks in its holding company, taken together as if they were a single bank, receive a One Star or No Stars rating, the bank may not receive a higher rating than One Star. A One Star rating is assigned if an institution has four or more volatile periods of asset growth/shrinkage over the past ten quarters. Also, a bank may receive a One Star rating if, absent other reasons for downrating as stated above, the difference between cost and current market value of its held-to-maturity securities investments exceeds the institution's equity or if all of the banks in its holding company, taken together as if they were a bank, receive a One Star or No Stars rating.
NO STARS (U)	The institution does not meet the criteria above.

*** All institutions under the control of their Federal Regulator or have been closed are identified with a "FAILED" designation.**

In addition, VERIBANC® recognizes banks that meet unusual conditions of safety and soundness. More than 20 criteria are involved in this procedure which reaches beyond the rating system. Such banks are designated as "Blue Ribbon Banks." They are identified with the letter "B" following the rating.

Liquidity — Liquid assets are expressed as a percentage of total deposits. For banks, liquid assets consist of cash and due, securities held for sale and in trading accounts, repurchase agreements and fixed-rate loans and leases maturing within 12 months. Typically, 75 percent of all banks possess a liquidity value between 40 percent and 85 percent. The median value is usually near 58 percent. For savings associations, the total of liquid assets qualifying according to Office of Thrift Supervision (OTS) regulatory liquidity criteria is used in the numerator of the ratio. The denominator is total deposits. The span of values for 75 percent of OTS-supervised institutions is typically between 5 percent and 25 percent. Median liquidity for savings institutions is usually close to 18 percent.

Report Data Page Two (of two)†

Institution Name and the FDIC Certificate Number — These entries identify the row on the second data page (or the "b" pages) of report which connects with the corresponding row on data page one (or the "a" pages).

†For reports involving more than 25 institutions, pages with the information described in the following section are designated as "b"; e.g., 1b of 2.

3. DESCRIPTION OF REPORT DATA (continued)

Net Income ($Thousands)	Net income after taxes and extraordinary items is presented on both a quarterly and year-to-date basis. The annualized Return On Assets (ROA) is calculated as four times the current quarter's net income expressed as a percentage of end of quarter assets. These income entries provide multiple responsiveness to the call out in Section 206.3(b)(2) of the regulation that "level of earnings" be considered as an appropriate credit-worthiness factor.
Problem Assets ($Thousands)	The four principal types of problem assets indicated in the call report are listed. Problem assets are defined as: loans that are 90 days or more past due, loans which have been classified as nonaccrual and renegotiated/ restructured credits. The 90 day and nonaccrual categories also include delinquent debt securities and off-balance sheet derivatives contracts, if any. These entries provide more information than the minimum factors called out in Section 206.3(b)(2) of the regulation which specifies consideration of nonaccrual and past due loans only. OREO includes all of the institution's holdings other than its business premises. These holdings often consist of foreclosed real estate or property which the bank or S&L have received as a result of the owner's default on mortgage payment.
Reserves and Potential Impact of Problem Assets	This section provides specific consideration of possible future impact on capital and liquidity risks that could be caused by loan and foreclosed real estate chargeoffs, as well as by possible difficulties due to long-term holdings of depreciated securities. In particular, institutions with unreserved problem loans amounting to significant fractions of their equity (see "EPL" description below) could face increased borrowing difficulties which, in turn, could lead to liquidity problems.
Loan Loss Reserves ($Thousands)	For banks, amount listed is the total of loan loss reserves and, if applicable allocated risk transfer reserves. For savings associations, the amount consists of valuation allowances for mortgage and nonmortgage loans and for mortgage backed securities.
EPL (%) Equity	This measure considers all three categories of problem loans but excludes OREO. Collateral value of problem loans (unavailable in the call reports) tends to be offset by exclusion of OREO from the calculation. The "excess" or amount left after subtraction of the loan loss reserve balance is expressed as a percentage of equity.

EPL & OREO (%) Equity	The addition of OREO to the foregoing calculation presents a worst case scenario that considers the effect of charging off all problem loans, and REO without recovery of any collateral value.
HTM Securities Depreciation (%) Equity	Unrecognized losses in securities being Held to Maturity (HTM) are expressed as a percentage of the bank's equity. Large values (more than 10 percent) can indicate unusual sensitivity to future rises in interest rates. Large unrecognized losses in an institution's HTM securities account may also be adverse to its interest rate spread unless its liabilities have depreciated similarly or it employs compensating off-balance sheet hedges. This item is not available for savings associations.
Footnotes	Each data page of the report contains the end date of the applicable fiscal quarter. Also listed is the date on which the Federal Regulators released the call report data used as source information for this report.

VERIBANC®, Inc.

APPENDIX C

RECENT BANK FAILURE AND RATING STATISTICS

Average Number of Banks in Each Color and Star Classification
With Failure Rates Between 1991 and 2012

Color Code and Star Rating	Average No. of Banks in Category	Average Percentage of Banks in each Category	Annualized Failure Rate per 10,000 Banks/year
Green/***	7,077	81.06	1
Green/**	798	9.14	3
Yellow/**	621	7.11	7
Green/*	270	3.09	19
Yellow/*	175	2.00	78
Green/None	9	0.10	202
Yellow/None	39	0.45	614
Red/None	69	0.79	4,060

Note that the combinations Yellow/***, Red/***, Red/**, and Red/* are not used.