State Bank Tax Analysis

Pennsylvania Bankers Association

February 10, 2015

Audit | Tax | Advisory | Risk | Performance

Table of Contents

Executive Summary

Legislation enacted in 2013 made significant changes to the Pennsylvania bank shares tax. The Pennsylvania Bankers Association engaged Crowe Horwath LLP to assist with preparing a comparison of the bank shares tax with the bank tax regimes of five neighboring states, Delaware, Maryland, New Jersey, Ohio and New York, along with the bank tax regimes of Michigan and North Carolina.

<u>The analysis indicates that under the various scenarios considered substantially similar banks generally would pay more—often significantly more—state tax if headquartered in Pennsylvania than if headquartered in one of the other states.</u>

As a starting point, for purposes of analysis and comparison hypothetical composite bank taxpayers were constructed, using average financial data from published call reports of similarly sized banks. Because the rules for calculating a bank's state tax liability differed in some of the states depending on an institution's size, composite bank taxpayers of three different asset levels were considered: small, assets of $500 million; medium, assets of $3 billion; and large, assets of $15 billion.

For the purpose of evaluating the impact of the different tax apportionment rules, two scenarios were considered for each size bank: (1) 100% of the loan portfolio located in the headquarters state, and (2) 50% of the loan portfolio sourced outside the headquarters state.

A three year period was assumed, applying the state bank tax provisions in effect as of January 1, 2015 in Year 1. In order to consider the impact of a bank having unfavorable operating results in an individual tax year, a pre-tax loss equal to 50% of Year 1 pre-tax income was assumed for each composite bank in Year 2 and pre-tax income for Year 3 was assumed equal to Year 1 pre-tax income.

Where applicable, the analysis assumed that the composite banks made elections and applied statutory provisions that generally would minimize tax liability in the headquarters state. A number of assumptions were made to reduce the level of complexity. In all, six scenarios were modeled.

For the small composite bank, taxes are lowest in New York and highest in Pennsylvania in Year 1 and over the three year period, under both apportionment scenarios. For example, over the three year period Pennsylvania tax liability is more than 7½ times as much as New York tax liability under both apportionment scenarios.

As with the small composite bank, for the medium composite bank the calculated tax liability is smallest in New York in Year 1 and over the three year period, with differences in tax liability similar to those in the small composite bank scenarios. Assuming 100% apportionment in the headquarters state, Maryland tax liability is greater than the Pennsylvania bank shares tax liability in Year 1. And, assuming 50% of loan income is sourced outside the headquarters state, both Maryland and New Jersey taxes in Year 1 are higher than the Pennsylvania bank shares tax when Method 1 is applied. Under Method 2, however, the Year 1 Pennsylvania bank shares tax is greater than the tax liability in all the other states, including Maryland and New Jersey. Over the three year period, bank taxes imposed by the other states are less than the calculated Pennsylvania bank shares tax liability in all the scenarios.

For the large composite bank, calculated tax liability is greater in Maryland and New Jersey in Year 1 than in Pennsylvania under both apportionment scenarios. Also under both apportionment scenarios, Year 1 tax liability is smallest in Michigan (34% to 40% of Pennsylvania bank shares tax) and smallest over the three year period in Delaware (24% to 35% of Pennsylvania bank shares tax). Over the three year period, under all the large bank scenarios considered, the calculated Pennsylvania bank shares tax is greater than the bank taxes imposed by the other states.

Regardless of bank size and the apportionment methodology assumed, Pennsylvania bank shares tax liability is greater than tax liability in Michigan and Ohio, the two other states that impose a bank tax based solely on equity/capital.

In a few circumstances, Year 1 tax liability in Maryland and New Jersey, two of the states that impose a corporate income tax on banks, is somewhat greater than the Pennsylvania bank shares for the medium and large composite banks. However, over the three year period, for all bank sizes and under all apportionment scenarios, the Pennsylvania bank shares tax is greater than taxes imposed by all the other states analyzed (inclusive of Maryland and New Jersey).

Overview

Legislation enacted in 2013, Act of July 9, 2013 (P.L. 270, No. 52) ("Act 52"), made significant changes to the Pennsylvania bank shares tax ("BST"). The Pennsylvania Bankers Association engaged Crowe Horwath LLP ("Crowe") to assist with comparing the BST, as revised by Act 52, with the bank tax regimes of five neighboring states, Delaware, Maryland, New Jersey, Ohio and New York.[1] The bank tax regimes of two additional states, Michigan and North Carolina, were also considered. Including Pennsylvania, the tax regimes of eight states (collectively the "States") were analyzed.

As a threshold matter, significant variability generally exists with respect to taxes imposed on banks by states. This holds true for the States. Components of tax systems that contribute to the lack of consistency include:

- The tax base
- The tax rate
- Apportionment
- Statutory provisions specific or relevant to banks

The tax base. The tax base is the financial metric upon which a tax is imposed. The bank tax base of Pennsylvania, Michigan and Ohio, is equity or capital, and the bank tax base of Delaware, Maryland and New Jersey consists of the taxpayer's net income. North Carolina imposes both a net income tax and a tax on capital (as well as a separate, albeit nominal, bank franchise tax). Beginning in 2015, New York tax liability is computed using three bases: net income, capital and a fixed dollar minimum. Corporate taxpayers, including banks, pay the greatest of the three calculated tax amounts.

The tax rate. Tax rates obviously differ depending upon the tax base—net income or equity/capital. However, even for the same tax base, tax rates vary significantly amongst the States. Equity/capital tax rates range from 0.29% in Michigan to 0.89% in Pennsylvania.[2] Ohio's tax rate begins at 0.80%, but decreases to 0.25% for capital value greater than $1.3 billion.

Income tax rates range from 5% in North Carolina (beginning in 2015) to 9% in New Jersey. New York's income tax rate will decrease from 7.1% to 6.5% for tax years beginning on or after January 2016, and New York's rate for tax on capital decreases annually, from .15% in 2015 to 0% in tax year 2021. Delaware's stated bank franchise tax rate of 8.7% (the same rate that applies to the state's corporate income tax) is somewhat misleading. This is because under the state's bank franchise tax regime a bank's taxable income is only 56% of its net operating income after adjustments. Thus, Delaware's 8.7% tax rate effectively is 4.872% (8.7% x 56%). In fact, Delaware's bank franchise tax rate is *regressive*, decreasing from 8.7% to 1.7% for taxable income greater than $650 million.

Apportionment. Apportionment (referred to as allocation by some states) is the method by which the amount of the tax base subject to the tax rate generally is determined. Six of the States—Pennsylvania, Michigan, New Jersey, New York (beginning in 2015), North Carolina and Ohio—apply a receipts-only apportionment factor. Maryland applies a three factor formula consisting of property, payroll and double-weighted receipts. While technically not a method of apportionment, Delaware allows a reduction from net operating income for specific subsidiaries and out-of-state branches.

[1] Although contiguous with Pennsylvania, West Virginia was not considered in the analysis.
[2] North Carolina's capital-based corporate franchise tax rate is 0.15%. As noted, however, banks—as well as other corporations—also are subject to a net income tax.

Although seven of the States (including Maryland) take receipts into consideration for purposes of apportionment, the differences amongst the states are more than nuanced. Pennsylvania and Ohio, for example, have statutory elections for apportioning certain types of portfolio income, and Maryland apportions interest and dividend income based on the taxpayer's property and payroll factors. For tax years beginning on or after January 1, 2015, a series of special rules apply to apportioning income from "financial transactions" apply in New York. These new rules generally are favorable to banks.

<u>Statutory provisions specific or relevant to banks</u>. Four of the States (including New York beginning in 2015) do not have separate bank tax regimes. Instead, banks are subject to the same taxes as other corporations.[3] In addition to generally favorable apportionment rules for sourcing intangible income in some of the States, other statutory provisions and interpretations favor banks based on size. The regressive graduated tax rate structures of Delaware and Ohio appear to benefit larger institutions. Conversely, recent statutory changes in New York specifically benefit only smaller institutions, those with average total combined assets of $8 billion or less.

Further complicating the analysis, significant legislative changes affecting banks recently were enacted by four of the eight states: Michigan, effective in 2012; Ohio and Pennsylvania (Act 52), effective in 2014; and New York, effective in 2015.

Due to the variability and complexity of the bank tax regimes of the States, simply considering particular elements used in the calculation of tax liability (e.g., the tax base or tax rates) cannot provide an informative comparison. However, bank taxes imposed by the States can be evaluated and compared by applying the respective bank tax rules of the States to banks with assumed identical operational and financial profiles.

[3] In addition to corporate income and franchise taxes, a third (though nominal) bank privilege tax is imposed on banks in North Carolina. This additional tax was taken into consideration when calculating estimated North Carolina tax liability.

Approach

To develop an identical starting point for comparing the States' tax regimes, hypothetical composite bank taxpayers were constructed using the mean of specific bank financial metrics from call reports of 10 similarly-sized banks. These metrics included the assets, equity, pre-tax income, net income, loan interest income, portfolio income, U.S. obligations and goodwill. The data used were taken directly from each of ten banks' September 30, 2014 call reports. The pre-tax income, net income, loan interest income and portfolio income were annualized by multiplying each of these metrics by four-thirds (4/3).

Because the rules for calculating a bank's state tax liability differ in some of the States depending on an institution's size, hypothetical composite bank taxpayers of three different asset levels were considered: small, assets of $500 million; medium, assets of $3 billion; and large, assets of $15 billion. The assets of the ten small sample banks used ranged from $376 million to $600 million and had a mean of $498 million. The assets of the ten medium sample banks used ranged from $2.964 billion to $3.455 billion and had a mean of $3.141 billion. And, the assets of the ten large sample banks used ranged from $14.551 billion to $15.995 billion and had a mean of $15.215 billion.

The specific financial metrics used to construct the composite banks and the means used to represent the three hypothetical composite banks are included in Appendices G through I.

For the purpose of evaluating the impact of the States' respective apportionment rules, two scenarios were considered for each size bank: (1) 100% of the loan portfolio located in the headquarters state, and (2) 50% of the loan portfolio sourced outside the headquarters state.

A three-year time period was assumed, applying state bank tax provisions in effect as of January 1, 2015 in Year 1. In order to consider the impact of a bank having unfavorable operating results in an individual tax year, a pre-tax loss equal to 50% of Year 1 pre-tax income was assumed for each composite bank in Year 2. Pre-tax income for Year 3 was assumed equal to Year 1 pre-tax income.

The analysis takes into consideration:

- Tax bases and the type or types of tax or taxes imposed—income- and/or equity/capital-based;
- Tax rates;
- Apportionment;
- Certain adjustments for equity/capital-based taxes; and
- The carry-forward of net operating losses.

In order to reduce the level of complexity and simplify the computations, a number of assumptions were made:

- The taxpayer is a single bank entity (except for purposes of the New Jersey and New York calculations) subject to tax under Subchapter C of the Internal Revenue Code of 1986, as amended.
- Pre-tax book income is equal to federal taxable income.
- No state additions (e.g., state income tax expenses), subtractions (e.g., interest from U.S. and municipal obligations) or other adjustments (e.g., depreciation expenses) are made to federal taxable income.

- For the receipts factor, only loan interest is sourced outside the headquarters state.

- Non-headquarters state business activity generally is proportionate to loan income (branch locations for Delaware, and property and payroll for Maryland).

- Throw-back receipts are not considered.

- A combined federal and state effective tax rate for calculating the roll-forward of equity is assumed: 36% for the small composite bank, and 38% for the medium and large composite banks. The carry-forward value of tax deferred assets associated with net operating losses is not considered.

- Local jurisdiction taxes are not considered.

- Statutory credits and negotiated incentives are not considered.

Where applicable, the analysis assumes that the composite taxpayer banks make elections and apply statutory provisions that generally would minimize tax liability in the headquarters state. For example, Ohio-headquartered banks would elect to source portfolio income based on the ratio of Ohio-sourced other receipts to total other receipts (i.e., in a manner similar to Method 1 of the BST as revised by Act 52). Similarly, the analysis assumes that the small and medium banks headquartered in New York would take advantage of the captive real estate investment trust (REIT) subtraction modification, and New Jersey-headquartered banks would hold their non-loan portfolio assets in a statutory investment company. Non-statutory tax-favored structures, such as so-called Delaware holding companies, are not considered.

In all, six scenarios were modeled.

Summary of Bank Tax Provisions by State

Pennsylvania

The BST is an equity/capital-based tax imposed under a separate bank tax regime. Institutions subject to the BST are not subject to the corporate net income tax or the capital stock-franchise tax. The BST tax rate is 0.89%.

Beginning in 2014, a single receipts-only factor is used for apportionment purposes. Customer-based (market-based) sourcing generally applies. Although Notice 2014-1 issued by the Pennsylvania Department of Revenue (April 12, 2014) effectively requires all banks to use Method 2 to apportion portfolio income, both Method 1 and Method 2 are considered in the analysis.[4]

Goodwill is subtracted from total bank equity, and a deduction from the tax base for U.S. obligations (equal to net bank equity multiplied by the percent of U.S. obligations of net assets) also applies.

The BST is applied on a separate entity basis.

Delaware

In Delaware, banks generally are subject to a net income-based bank franchise tax. The standard bank franchise tax is based on “net operating income.” The analysis assumes that net operating income is equal to federal taxable income.

For purposes of the analysis, the standard Delaware franchise tax is assumed.[5] The maximum 8.7% tax rate effectively is 4.872% (8.7% x 56%) because only 56% of the bank’s adjusted taxable income is subject to tax. Delaware’s bank franchise tax rate is *regressive*, decreasing from 8.7% to 1.7% for taxable income greater than $650 million. Unlike the other States with an income tax, there is no provision for the carry-forward of net operating losses.

While technically not a method of apportionment, Delaware allows a reduction from net operating income for specific subsidiaries and out-of-state branches. The analysis assumes that branch locations are proportionate to receipts (i.e., the scenarios that assume 50% of loans outside Delaware, assume that half of the composite bank’s branch locations are located outside of the state). 100% of portfolio income is sourced to Delaware in all six scenarios.

The Delaware bank franchise tax generally is applied on a unitary-combined basis.

Maryland

In Maryland, banks are subject to the corporate income tax; there is no separate tax regime for banks. The corporate income tax rate is 8.25%.

Taxable income is apportioned based on a three factor formula with double-weighted sales. Customer-based sourcing generally applies to receipts; however, gross income from intangible items such as dividends and interest are included in the numerator of the apportionment factor based upon the average of the property and payroll factors. The analysis assumes that property and payroll are proportionate to receipts.

The corporate income tax is applied on a separate entity basis.

[4] 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B).
[5] In Delaware, banks may elect to be subject to an alternative franchise tax instead of the standard franchise tax. The alternative franchise tax is not considered in the analysis.

Michigan

Banks are subject to an equity/capital-based financial institutions tax in Michigan. The financial institutions tax rate is 0.29%.

The starting point for computing the financial institutions tax is the average of net capital of the current and preceding four years. The analysis assumes that the five-year average is equal to current year net capital.

A single receipts-only factor, with customer-based sourcing, is used for apportionment purposes.

The average book value of Michigan and U.S. obligations are subtracted from equity capital before the apportionment factor is applied. The analysis only takes into consideration the subtraction for U.S. obligations.

The Michigan financial institutions tax is applied on a unitary-combined basis.

New Jersey

The New Jersey corporation business tax ("CBT"), a net income-based tax, applies to banks as well as to most other corporations. There is no separate tax regime for banks. The CBT tax rate is 9%.

A single receipts-only factor is used for CBT apportionment purposes. Loan interest income generally is sourced to the location of loan collateral or the location of the borrower for unsecured loans. Portfolio income generally is sourced to the taxpayer's commercial domicile.

For CBT purposes, if a taxpayer qualifies to be treated as an "investment company," only 40% of the taxpayer's income is subject to tax. The analysis assumes that investment portfolio assets are held by an investment company subsidiary of the bank.

Under the CBT regime, an annual minimum tax of $2,000 applies.

The CBT is applied on a separate entity basis.

New York

For tax years beginning on or after January 1, 2015, banks are subject to the same tax regime that covers most other corporations. A separate financial institutions franchise applied in prior years.[6]

The corporation franchise tax is based on the greatest of three tax calculations—an entire net income tax, a tax on capital or a fixed dollar minimum tax. The tax rate for the entire net income tax is 7.1%; the rate will decrease to 6.5% for tax years beginning on or after January 1, 2016.

A single receipts-only factor is used for corporation franchise tax apportionment purposes. Customer-based sourcing generally applies. However, a series of special, and generally favorable, apportionment rules apply to portfolio income ("financial instruments"). The analysis assumes that 8% of portfolio income is apportioned to New York.

Statutory incentives are available for banks with total combined assets under $8 billion ("subtraction modifications"). The analysis assumes that the small and medium composite banks have grandfathered captive REITs. The annual REIT dividend deduction is assumed equal federal/state taxable income which

[6] Legislation enacted on March 31, 2014 eliminated New York State's franchise tax on banking corporations (Article 32). For tax years beginning on or after January 1, 2015, banks will be subject to the general corporation franchise tax (Article 9-A).

results in the tax on bank equity (0.15% in Year 1, 0.125% in Year 2, and 0.10% in Year 3) being the greater tax for the small and medium size composite banks.

In the large composite bank scenarios, the statutory REIT deduction is unavailable and the income tax is the higher tax imposed, with the exception of the loss year in Year 2 when the 0.125% tax on bank equity applies.

The corporation franchise tax is applied on a unitary-combined basis.

North Carolina

In North Carolina, banks are subject to a corporate income tax, as well as a capital-based franchise tax. An additional bank privilege tax also applies.

For tax years beginning on or after January 1, 2015 the corporate income tax rate is 5%. The franchise tax rate is 0.15%. The analysis assumes that the computations of franchise tax based on tangible/real property do not apply.

Banks typically meet the definition of an “excluded corporation” for corporate income tax apportionment purposes; accordingly, a single receipts-only apportionment factor applies. Generally favorable apportionment rules apply to investment portfolio income, which is sourced to the state of the “payer’s commercial domicile.”

The bank privilege tax ($30 for each $1 million in assets) is included in the capital tax for purposes of the analysis.

The corporate income tax and franchise tax (as well as the bank privilege tax) are applied on a separate entity basis.

Ohio

Beginning in 2014, Ohio banks are subject to an equity/capital-based financial institution tax. The tax rate is *regressive*, decreasing from 0.8% to 0.25% for equity capital in excess of $1.3 billion.

A single receipts-only factor is used for financial institution tax apportionment purposes. Customer-based sourcing generally applies. Similar to Pennsylvania’s Method 1/Method 2 election, a bank taxpayer elects the manner in which portfolio income is apportioned in its first taxable year. The analysis assumes that portfolio income is apportioned based on the ratio of other income sourced to Ohio (similar to the BST’s Method 1 alternative).

The Ohio financial institution tax is applied on a unitary-combined basis.

Conclusions

The analysis indicates that under the scenarios considered substantially similar banks generally pay more state tax if headquartered in Pennsylvania than if headquartered in one of other the States.

For the small composite bank, taxes are lowest in New York and highest in Pennsylvania in Year 1 and over the three year period, under both apportionment scenarios. This holds true notwithstanding the application of Method 1 when calculating the BST (assuming the Method 1 election is available). Under the scenario that assumes 100% apportionment in the headquarters state, in Year 1 Pennsylvania tax liability is more than 6 times as much as New York tax liability, and over the three year period Pennsylvania tax liability is more than 7½ times as much as New York tax liability. Assuming 50% of loan income is sourced outside the headquarters state, in Year 1 Pennsylvania tax liability is more than 6 times and more than 7 times as much as New York tax liability, under Method 1 and Method 2, respectively; and, over the three year period, Pennsylvania tax liability is more than 7½ times and more than 8½ times as much as New York tax liability, under Method 1 and Method 2, respectively.

Assuming 100% apportionment in the headquarters state, Maryland tax liability is 5.6% greater than the BST liability in Year 1 for the medium composite bank. Assuming 50% of loan income is sourced outside the headquarters state, both Maryland and New Jersey taxes in Year 1 are higher than the BST, by 5.6% and 5.1%, respectively, when Method 1 is applied. Under Method 2, however, the Year 1 BST is greater than the tax liability in the other States. Over the three year period, which takes into account the assumed loss in Year 2, taxes imposed by the other States are less than the calculated BST liability in all scenarios (even assuming a Method 1 election).

As with the small composite bank, for the medium composite bank the calculated tax liability under all scenarios is smallest in New York in Year 1 and over the three year period. The differences in tax liability are similar to those in the small composite bank scenarios. The substantial differences between Pennsylvania and New York tax liability in the small and medium composite bank scenarios can be attributed to the favorable tax provisions for small banks (those with total combined assets under $8 billion), and to a lesser extent, the favorable apportionment rules for investment portfolio income. While Pennsylvania tax liability also is greater than New York tax liability in the large composite bank scenarios, the differences are less pronounced.

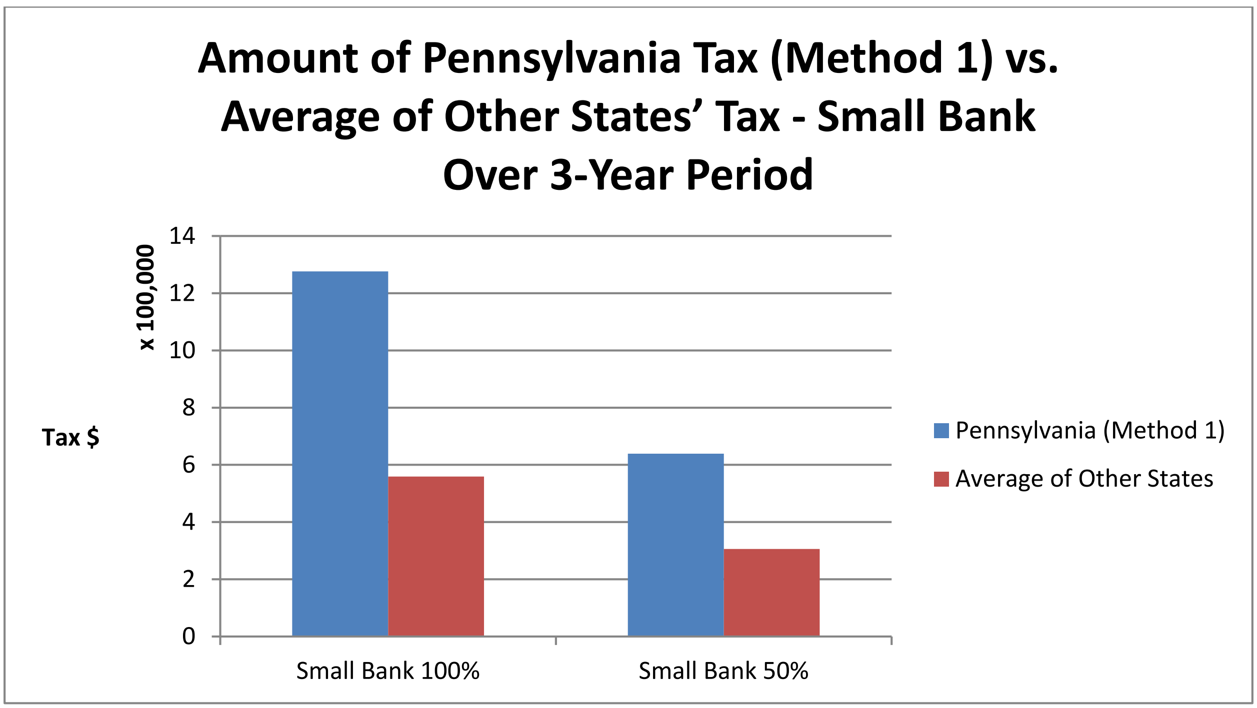
For the large composite bank, tax liability is greater in Year 1 in Maryland and New Jersey than in Pennsylvania under both apportionment scenarios: 29.3% and 6.9%, respectively, assuming 100% apportionment to the headquarters state; and, 29.3% and 29.7% under Method 1, and 11.9% and 12.2% under Method 2, respectively, assuming 50% of loan income is sourced outside the headquarters state.

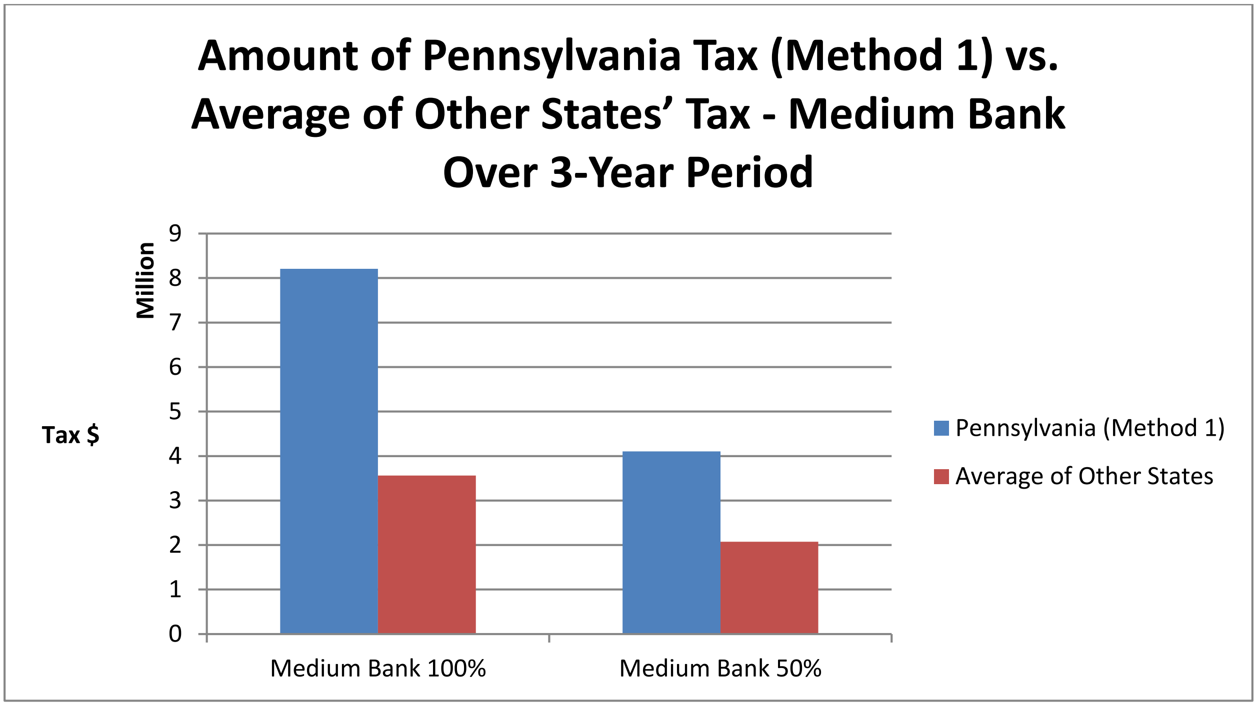
Also under both apportionment scenarios, Year 1 tax liability is smallest in Michigan and smallest over the three year period in Delaware. Taxes imposed by all of the other States are less than the BST over the three year period (irrespective of the Method 1/Method 2 election for the BST). Under the scenario that assumes 100% apportionment in the headquarters state, in Year 1 Pennsylvania tax liability is almost 3 times as much as Michigan tax liability, and over the three year period (again, which takes into account the assumed loss in Year 2) Pennsylvania tax liability is more than 4 times as much as Delaware tax liability. Assuming 50% of loan income is sourced outside the headquarters state, in Year 1 Pennsylvania tax liability is 2½ times and almost 3 times as much as Michigan liability, under Method 1 and Method 2, respectively; and, over the three year period, Pennsylvania tax liability is more than 2½ times and more than 3 times as much as Delaware tax liability, under Method 1 and Method 2, respectively. The difference in tax liability between the BST and the Michigan financial institutions tax—both equity/capital-based tax regimes—is due primarily to Michigan’s significantly lower tax rate. The BST rate of .89% is 3 times as much as the Michigan financial institutions tax rate of .29%. Similarly, although based on net operating income, the small Delaware tax liability compared to tax liability in Pennsylvania and in the other States is due primarily to the Delaware bank franchise tax’s low (regressive) effective tax rate.

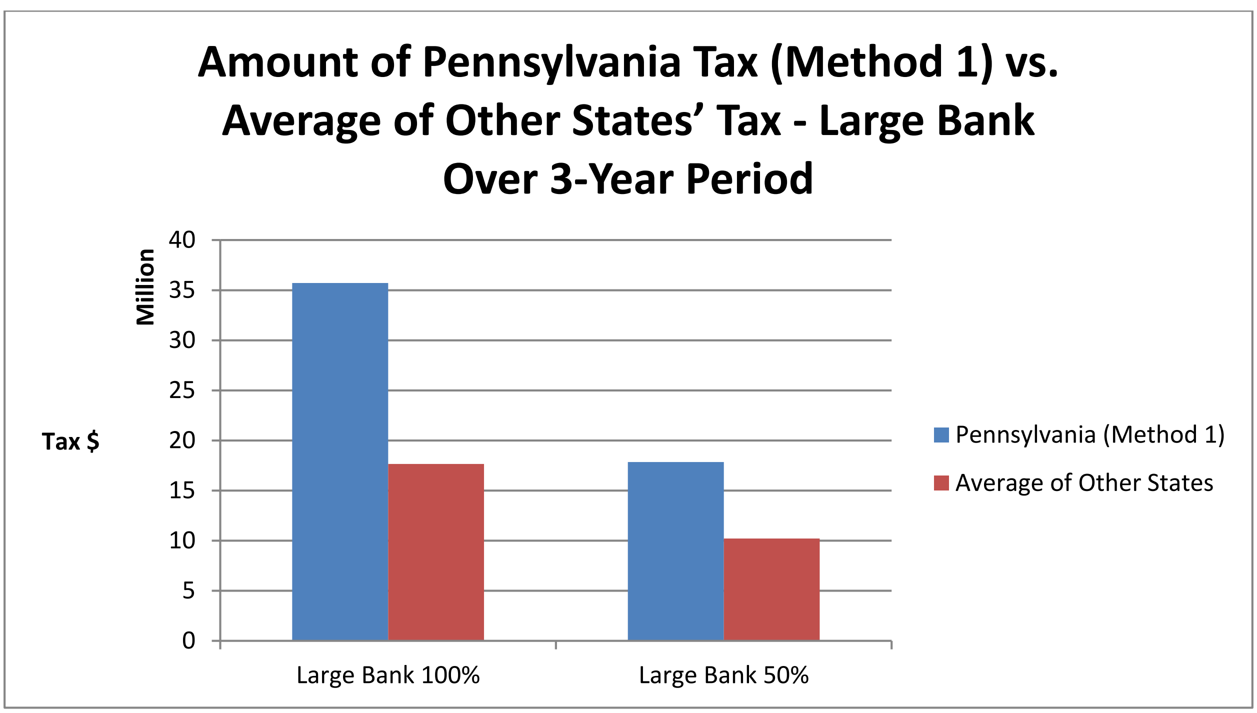
A summary schedule of tax liability for the States under all six scenarios follows.

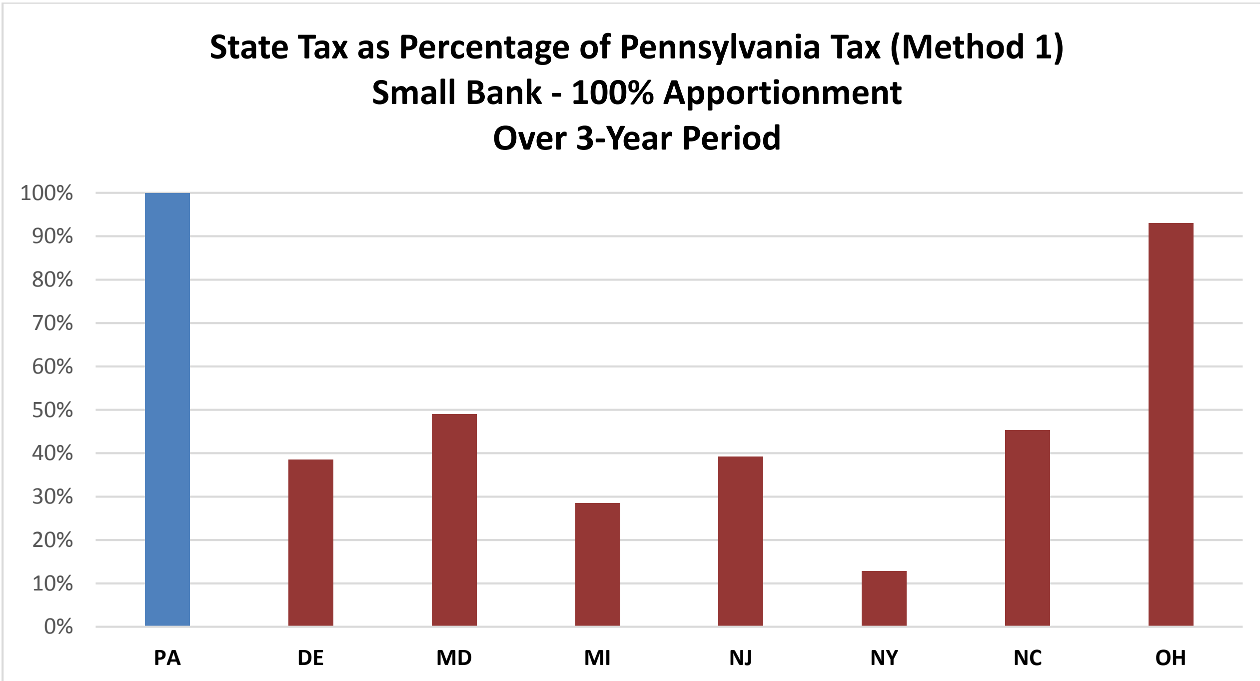
	PA	DE	MD	MI	NJ	NY	NC	OH
Small Bank A	1,276,000	492,000	625,000	364,000	501,000	164,000	579,000	1,188,000
Percent of Small Bank A PA Tax	100%	39%	49%	29%	39%	13%	45%	93%
Small Bank B	639,000	276,000	313,000	205,000	377,000	83,000	293,000	593,000
Percent of Small Bank B PA Tax	100%	43%	49%	32%	59%	13%	46%	93%
Medium Bank A	8,208,000	3,414,000	4,335,000	2,419,000	3,433,000	1,079,000	3,868,000	6,373,000
Percent of Medium Bank A PA Tax	100%	42%	53%	29%	42%	13%	47%	78%
Medium Bank B	4,105,000	1,946,000	2,167,000	1,380,000	2,550,000	547,000	1,956,000	3,973,000
Percent of Medium Bank B PA Tax	100%	47%	53%	34%	62%	13%	48%	97%
Large Bank A	35,712,000	8,644,000	23,094,000	12,318,000	18,158,000	18,480,000	20,569,000	22,298,000
Percent of Large Bank A PA Tax	100%	24%	65%	34%	51%	52%	58%	62%
Large Bank B	17,855,000	6,262,000	11,547,000	7,122,000	13,157,000	9,375,000	10,425,000	13,639,000
Percent of Large Bank B PA Tax	100%	35%	65%	40%	74%	53%	58%	76%

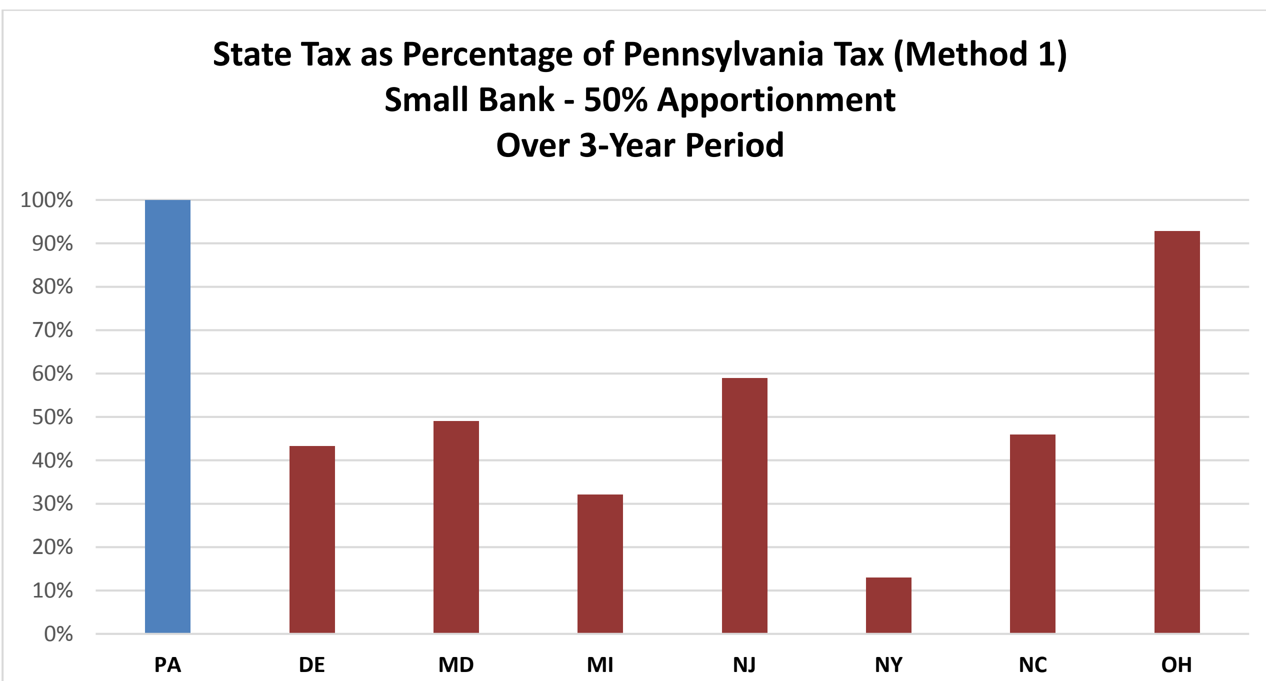
Table 1 - Summary of tax liability over 3 year period. A - 100% apportionment to headquarters state; B - 50% of loan income apportioned to headquarters state. Method 1 is assumed for the BST.

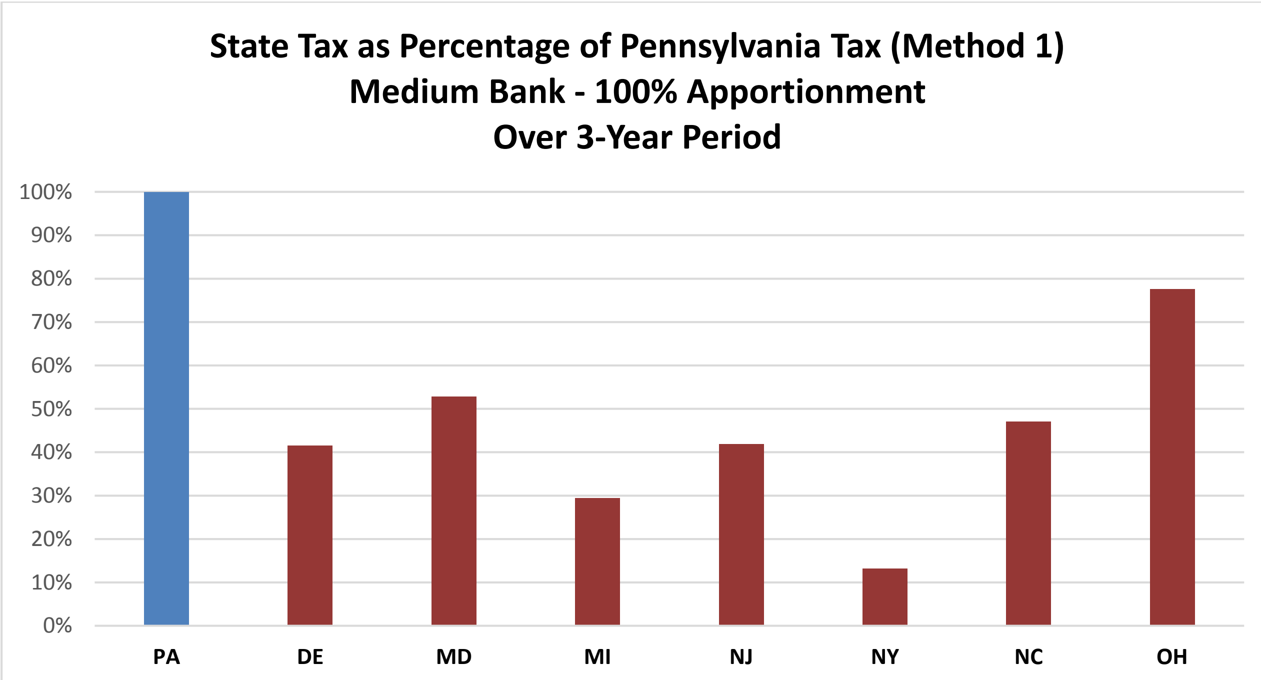


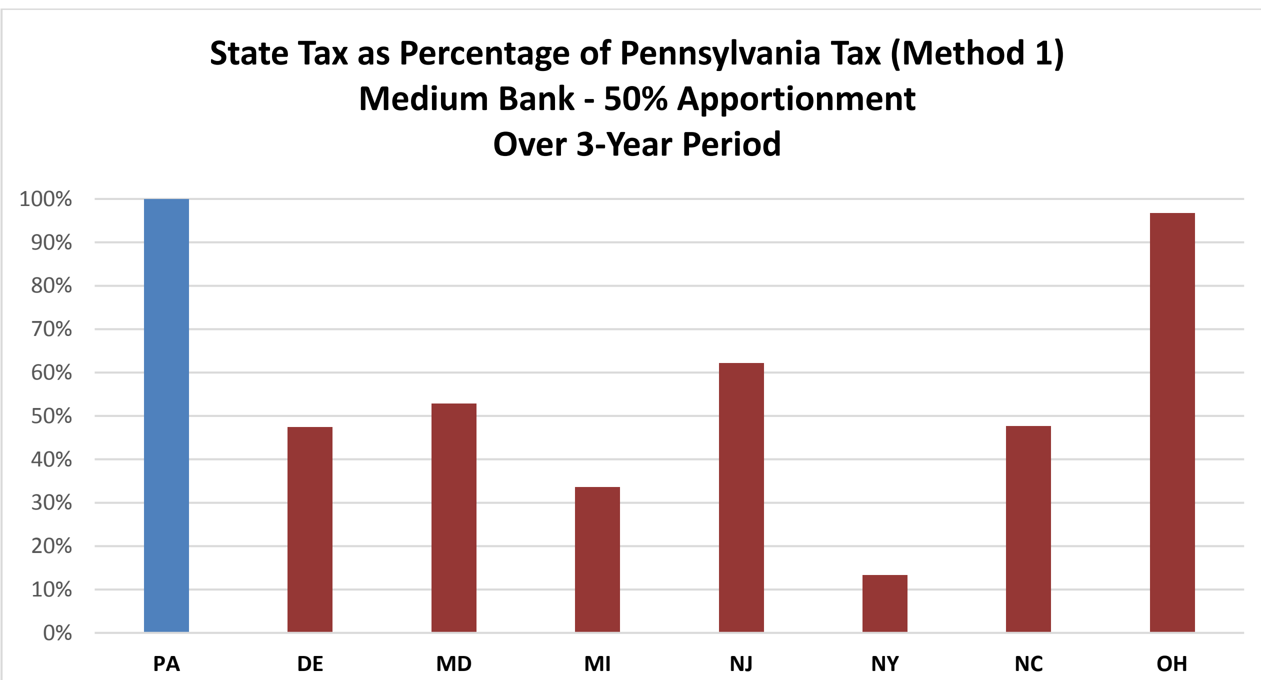

Amount of Pennsylvania Tax (Method 1) vs.
Average of Other States' Tax - Medium Bank
Over 3-Year Period
Tax $
Million
9
8
7
6
5
4
3
2
1
0
Medium Bank 100%
Medium Bank 50%
Pennsylvania (Method 1)
Average of Other States

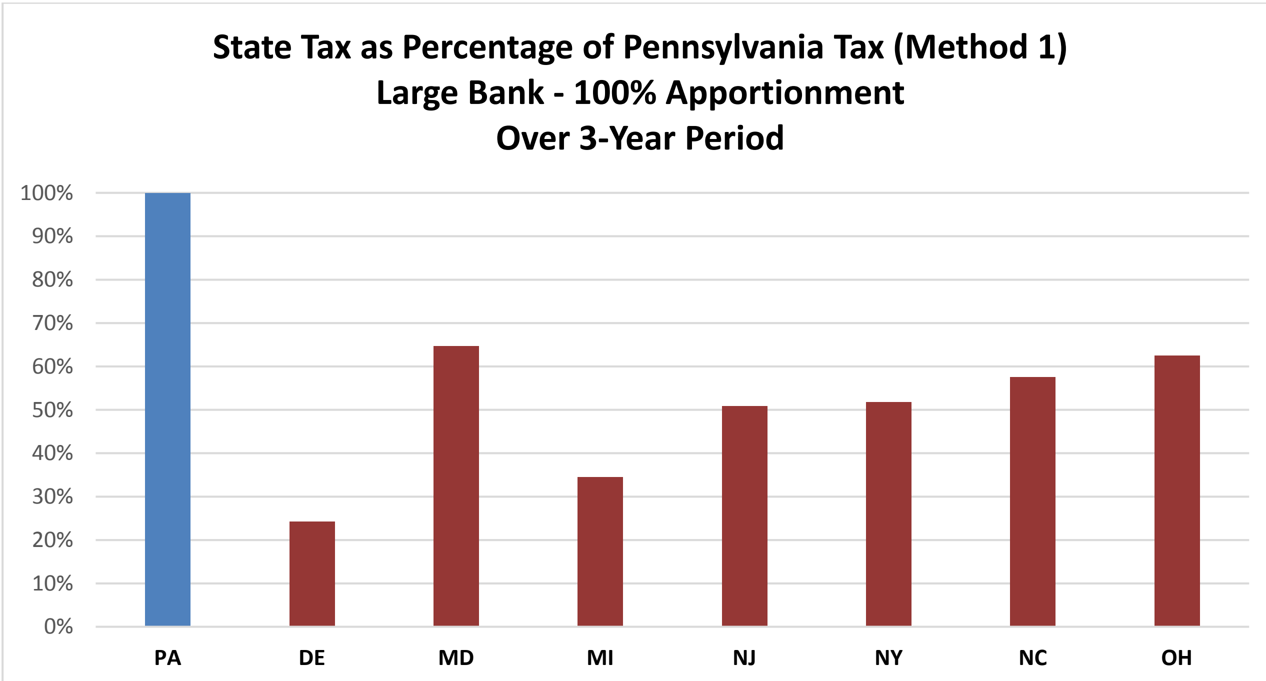

Amount of Pennsylvania Tax (Method 1) vs.
Average of Other States' Tax - Large Bank
Over 3-Year Period
Tax $
Million
40
35
30
25
20
15
10
5
0
Large Bank 100%
Large Bank 50%
Pennsylvania (Method 1)
Average of Other States

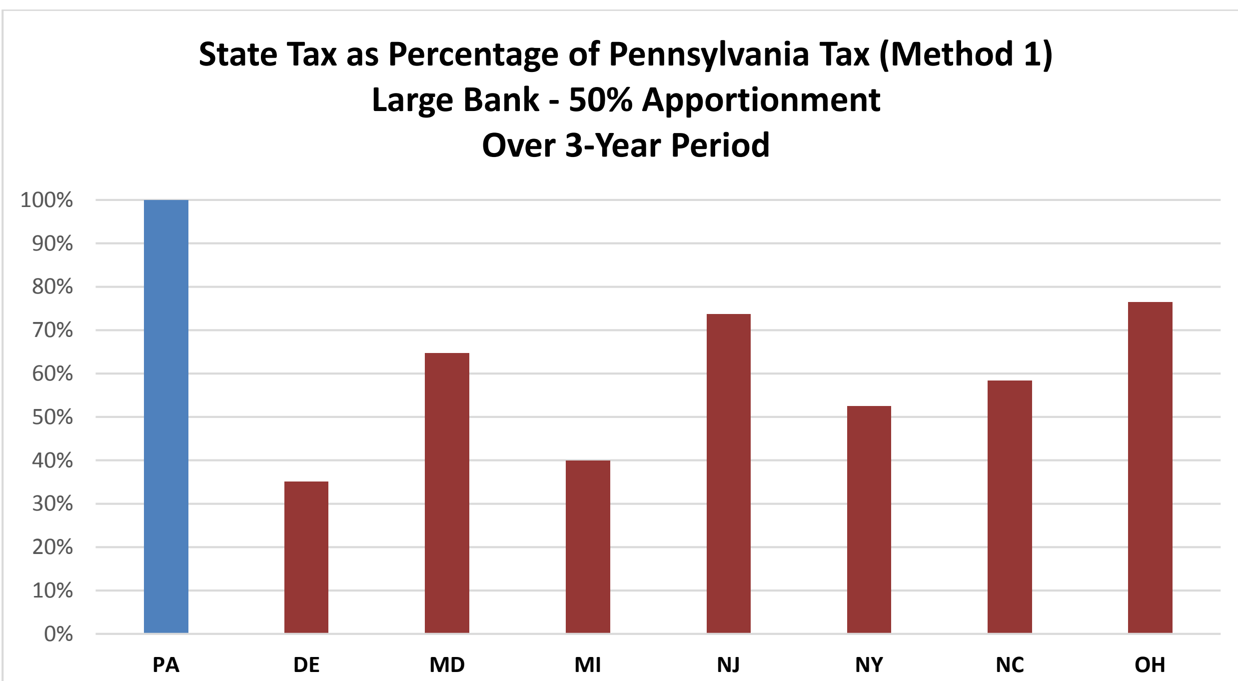

State Tax as Percentage of Pennsylvania Tax (Method 1)
Small Bank - 100% Apportionment
Over 3-Year Period
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
PA
DE
MD
MI
NJ
NY
NC
OH


State Tax as Percentage of Pennsylvania Tax (Method 1)
Small Bank - 50% Apportionment
Over 3-Year Period
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
PA
DE
MD
MI
NJ
NY
NC
OH


State Tax as Percentage of Pennsylvania Tax (Method 1)
Medium Bank - 100% Apportionment
Over 3-Year Period
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
PA
DE
MD
MI
NJ
NY
NC
OH


State Tax as Percentage of Pennsylvania Tax (Method 1)
Medium Bank - 50% Apportionment
Over 3-Year Period
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
PA
DE
MD
MI
NJ
NY
NC
OH


State Tax as Percentage of Pennsylvania Tax (Method 1)
Large Bank - 100% Apportionment
Over 3-Year Period
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
PA
DE
MD
MI
NJ
NY
NC
OH


State Tax as Percentage of Pennsylvania Tax (Method 1)
Large Bank - 50% Apportionment
Over 3-Year Period
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
PA
DE
MD
MI
NJ
NY
NC
OH

Limitations and Assumptions

The analysis of the bank tax regimes of the States is hypothetical and for comparison purposes only. The calculations represent a reasonable approximation of tax liability based on the hypothetical composite bank profiles and assumptions.

In order to reduce the level of complexity and simplify the computations, a number of assumptions were made:

- The taxpayer is a single bank entity (except for purposes of the New Jersey and New York calculations) subject to tax under Subchapter C of the Internal Revenue Code of 1986, as amended.
- Pre-tax book income is equal to federal taxable income.
- No state additions (e.g., state income tax expense) or subtractions (e.g., interest from U.S. and municipal obligations) are made to federal taxable income.
- For the receipts factor, only loan interest is sourced outside the headquarters state.
- Non-headquarters state business activity generally is proportionate to loan income (branch locations for Delaware, and property and payroll for Maryland).
- Throw-back receipts are not considered.
- A combined federal and state effective tax rate for calculating the roll-forward of equity is assumed: 36% for the small composite bank, and 38% for the medium and large composite banks. The carry-forward value of tax deferred assets associated with net operating losses is not considered.
- Local jurisdiction taxes are not considered.
- Statutory credits and negotiated incentives are not considered.

In addition, detail for more complex tax calculations is not presented in the computational matrixes (e.g., the calculation of the New Jersey corporation business tax includes calculations for the bank and a subsidiary investment company), and to the extent no material impact would result, certain tax calculations were simplified.

The foregoing assumptions would not necessarily exist in an actual tax situation. For example, generally a small bank would not have 50% of its loan portfolio income from sources outside its headquarters state. Conversely, it would be unlikely for a large bank to operate solely within its headquarters state.

* * * * *

This analysis, and the related tax calculations, only considers state bank taxes in Pennsylvania, Delaware, Maryland, Michigan, New Jersey, New York, North Carolina and Ohio. It does not consider any other federal, state, local or foreign taxes matters. Our discussion is based on foregoing states’ statutes, as amended, the regulations thereunder, judicial and administrative interpretations thereof, as well as the Internal Revenue Code of 1986, as amended, the regulations thereunder, judicial and administrative interpretations thereof and other relevant authorities. These authorities are all subject to change, and such change could have retroactive effect. Any such changes could thus have an effect on the analysis. Unless specifically requested otherwise, we will not update this analysis for subsequent changes or modifications to these authorities. The analysis and the related hypothetical tax calculations are based on our interpretation of these authorities. Another knowledgeable party, such as a state taxing agency, might reach different conclusions.

This analysis is based on various hypothetical facts and assumptions. The hypothetical facts and assumptions do not reflect the current or historical financial or tax profile of any individual bank.

The analysis is provided solely for the use of the Pennsylvania Bankers Association, in connection with the consideration of the specific issues described above and for no other purpose and by no other person. In the event that other persons or entities are provided with a copy of this analysis, they should not rely upon it with respect to the tax consequences they may face.

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX A

Small Bank - $500 Million in Assets
100% of Loans in Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Equity Year 1:	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000
Pre-Tax Income Year 1:	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000
Capital Tax:	**425,000**	**425,000**	**N/A**	**N/A**	**121,000**	**N/A**	**66,000**	**81,000**	**396,000**
Income Tax:	**N/A**	**N/A**	**246,000**	**417,000**	**N/A**	**331,000**	**-**	**224,000**	**N/A**
Total Year 1 State Tax:	**425,000**	**425,000**	**246,000**	**417,000**	**121,000**	**331,000**	**66,000**	**305,000**	**396,000**
Equity Year 2:	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000
Pre-Tax Income Year 2:	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)
Capital Tax:	**411,000**	**411,000**	**N/A**	**N/A**	**117,000**	**N/A**	**53,000**	**79,000**	**383,000**
Income Tax:	**N/A**	**N/A**	**-**	**-**	**N/A**	**85,000**	**-**	**-**	**N/A**
Total Year 2 State Tax:	**411,000**	**411,000**	**-**	**-**	**117,000**	**85,000**	**53,000**	**79,000**	**383,000**
Equity Year 3:	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000
Pre-Tax Income Year 3:	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000
Capital Tax:	**440,000**	**440,000**	**N/A**	**N/A**	**126,000**	**N/A**	**45,000**	**83,000**	**409,000**
Income Tax:	**N/A**	**N/A**	**246,000**	**208,000**	**N/A**	**85,000**	**-**	**112,000**	**N/A**
Total Year 3 State Tax:	**440,000**	**440,000**	**246,000**	**208,000**	**126,000**	**85,000**	**45,000**	**195,000**	**409,000**
3-Year Summary:									
Capital Tax:	**1,276,000**	**1,276,000**	**N/A**	**N/A**	**364,000**	**N/A**	**164,000**	**243,000**	**1,188,000**
Income Tax:	**N/A**	**N/A**	**492,000**	**625,000**	**N/A**	**501,000**	**-**	**336,000**	**N/A**
Tax Base:	***Capital Tax***	***Capital Tax***	***Income Tax***	***Income Tax***	***Capital Tax***	***Income Tax***	***Greater of Capital or Income Tax***	***Income and Capital Tax***	***Capital Tax***
3-Year Total Tax:	**1,276,000**	**1,276,000**	**492,000**	**625,000**	**364,000**	**501,000**	**164,000**	**579,000**	**1,188,000**

(Rounded to nearest thousand.)

Composite Bank Profile and Assumptions:

Assets*:	497,994,000
U.S. obligations*:	7,568,000
Equity Year 1*:	49,450,000
Goodwill*:	904,000
Pre-Tax income:	
Year 1*:	5,055,000
Year 2 (loss assumed):	(2,528,000)
Year 3 (assumed):	5,055,000
Loan interest income*:	16,493,000
Portfolio income*:	2,301,000

- Call report pre-tax income is equal to federal and state taxable income.
- Combined state and federal effective tax rate of 36% for equity roll-forward purposes.
- Capital taxes based on beginning of year value.
- Single bank entity for state tax purposes (except for New York and New Jersey).
- No throw-back of receipts for apportionment purposes.
- No NOL carrybacks applied and pre-apportioned/post-apportioned NOL carryforwards are assumed equal.
- No state modifications made to pre-tax income.

* Based on mean of September 30, 2014 call report data of 10 similarly-sized banks (see schedule).

Comments:

Pennsylvania:
1) "Method 1" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(I).
2) "Method 2" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(II).
3) Deductions for goodwill and U.S. obligations applied. 72 Pa. Stat. Ann. § 7701.1.
4) Year 2 and year 3 deductions for goodwill and U.S. obligations assumed to equal year 1.

Delaware:
1) Income tax based on statutory definition of "taxable income," not federal taxable income. Del. Code Ann. § 1101(a).
2) Standard (not alternative) Delaware franchise tax assumed. Del. Code Ann. § 1101(a).
3) Only 56% of taxable income is subject to the Delaware franchise tax. Del. Code Ann. § 1101(a)(2).
4) Assumes branch locations are proportionate to receipts.

Maryland:
1) Banks subject to corporate income tax; there is no separate tax regime for banks. Md. Code Ann., Tax-Gen § 10-102.
2) Maryland applies a three factor apportionment formula. Md. Regs. Code tit. 03, § 03.04.08.03. Property and payroll are assumed to be proportionate to receipts.

Michigan:
1) Banks are subject to an equity/capital-based financial institutions tax in Michigan. Mich. Comp. Laws § 206.653, *et seq.*
2) Tax base is the average of the net capital of the current and preceding four years. Mich. Comp. Laws § 206.655. Average is assumed to equal current year.
3) Deduction for U.S. obligation applied. Mich. Comp. Laws § 206.655(1).

New Jersey:
1) Assumes investment portfolio assets are held in a subsidiary statutory "investment company." N.J. Rev. Stat. § 54:10A-5(d).
2) Only 40% of an investment company's income is subject to tax. N.J. Rev. Stat. § 54:10A-5(d).
3) Includes minimum tax in loss years.

New York:
1) Assumes bank tax laws effective January 1, 2015.
2) Tax is the highest of three bases: entire net income, capital, fixed-dollar minimum (fixed-dollar minimum not considered). N.Y. Tax Law § 210(1)(a) - (c).
3) Favorable apportionment rules for portfolio income ("financial transactions"). N.Y. Tax Law § 210-A.5. 8% NY apportionment assumed.
4) Statutory incentives available for banks with total combined assets under $8 billion. N.Y. Tax Law § 208.9.(r) - (t). Assumes subsidiary REIT. N.Y. Tax Law § 208.9.(t). Annual REIT deduction assumed to be equal to federal/state taxable income.

North Carolina:
1) Assumes 5% tax rate effective January 1, 2015. N.C. Gen. Stat. § 105-130.3.
2) Assumes bank's issued and outstanding capital stock, surplus and undivided profits is equal to bank's equity; computations based on tangible/real property not considered. N.C. Gen. Stat. § 105-122.
3) Favorable apportionment for investment portfolio income; 8% NC apportionment assumed. *2007-2008 Corporate Income Tax Technical Bulletins, Part II. Corporate Income Tax, Sec. I. Apportionment Factors* , North Carolina Department of Revenue.
4) Bank franchise tax ($30 for each $1 million in assets) included in capital tax amount. N.C. Gen. Stat. § 105-102.3.

Ohio:
1) A *regressive* tax rate schedule applies to Ohio bank franchise tax. Ohio Rev. Code Ann. § 5726.04(A)(2).
2) Assumes portfolio income is apportioned in manner similar to Pennsylvania bank shares tax "Method 1" (72 Pa. Stat. Ann. § 7701.4 (3)(xiii)(B)(I)). Ohio Rev. Code Ann. § 5726.05 (B) and (D)(1).

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX A

Small Bank - $500 Million in Assets
100% of Loans in Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Year 1:									
Taxable Capital:	47,807,000	47,807,000	N/A	N/A	41,882,000	N/A	49,450,000	49,450,000	49,450,000
Apportionment:	100%	100%	N/A	N/A	100%	N/A	89%	89%	100%
Apportioned Tax Base:	47,807,000	47,807,000	N/A	N/A	41,882,000	N/A	43,879,837	43,879,837	49,450,000
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.15%	0.15%	0.80%
Capital Tax:	**425,482**	**425,482**	**N/A**	**N/A**	**121,458**	**N/A**	**65,820**	**80,760**	**395,600**
Taxable Income:	N/A	N/A	5,055,000	5,055,000	N/A	2,754,000	0	5,055,000	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	N/A	89%	89%	N/A
Apportioned Tax Base:	N/A	N/A	2,830,800	5,055,000	N/A	2,754,000	0	4,485,593	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	7.10%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**246,280**	**417,038**	**N/A**	**330,696**	**0**	**224,280**	**N/A**
Year 2:									
Taxable Capital:	46,214,000	46,214,000	N/A	N/A	40,264,080	N/A	47,832,080	47,832,080	47,832,080
Apportionment:	100%	100%	N/A	N/A	100%	N/A	89%	89%	100%
Apportioned Tax Base:	46,214,000	46,214,000	N/A	N/A	40,264,080	N/A	42,444,163	42,444,163	47,832,080
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.125%	0.15%	0.80%
Capital Tax:	**411,305**	**411,305**	**N/A**	**N/A**	**116,766**	**N/A**	**53,055**	**78,606**	**382,657**
Taxable Income:	N/A	N/A	(2,528,000)	(2,528,000)	N/A	(4,829,000)	(7,583,000)	(2,528,000)	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	89%	89%	N/A
Apportioned Tax Base:	N/A	N/A	(1,415,680)	(2,528,000)	N/A	(4,829,000)	(6,728,833)	(2,243,240)	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**0**	**0**	**N/A**	**84,836**	**0**	**0**	**N/A**
Year 3:									
Taxable Capital:	49,399,000	49,399,000	N/A	N/A	43,499,280	N/A	51,067,280	51,067,280	51,067,280
Apportionment:	100%	100%	N/A	N/A	100%	N/A	89%	89%	100%
Apportioned Tax Base:	49,399,000	49,399,000	N/A	N/A	43,499,280	N/A	45,314,942	45,314,942	51,067,280
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.10%	0.15%	0.80%
Capital Tax:	**439,651**	**439,651**	**N/A**	**N/A**	**126,148**	**N/A**	**45,315**	**82,912**	**408,538**
Taxable Income:	N/A	N/A	5,055,000	5,055,000	N/A	2,754,000	0	5,055,000	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	89%	89%	N/A
Apportioned Tax Base:	N/A	N/A	2,830,800	5,055,000	N/A	2,754,000	0	4,485,593	N/A
Apportioned NOL Carryover:	N/A	N/A	0	(2,528,000)	N/A	(4,829,000)	(6,728,833)	(2,243,240)	N/A
State Taxable Income after NOL:	N/A	N/A	2,830,800	2,527,000	N/A	(2,075,000)	(6,728,833)	2,242,353	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**246,280**	**208,478**	**N/A**	**84,836**	**0**	**112,118**	**N/A**
Apportionment*:									
HQ state loans receipts:	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000
HQ state portfolio receipts:	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	184,000	184,000	2,301,000
Total HQ state receipts:	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**16,677,000**	**16,677,000**	**18,794,000**
Everywhere loans receipts:	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000
Everywhere portfolio receipts:	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000
Total everywhere receipts:	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**
	100.0000%	**100.0000%**	**100.0000%**	**100.0000%**	**100.0000%**	**100.0000%**	**88.7358%**	**88.7358%**	**100.0000%**

*Only loan interest and portfolio income considered for apportionment purposes.

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX B

Small Bank - $500 Million in Assets
50% of Loans Outside Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Equity Year 1:	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000	49,450,000
Pre-Tax Income Year 1:	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000
Capital Tax:	**213,000**	**239,000**	**N/A**	**N/A**	**68,000**	**N/A**	**33,000**	**41,000**	**198,000**
Income Tax:	**N/A**	**N/A**	**138,000**	**209,000**	**N/A**	**207,000**	**-**	**113,000**	**N/A**
Total Year 1 State Tax:	**213,000**	**239,000**	**138,000**	**209,000**	**68,000**	**207,000**	**33,000**	**154,000**	**198,000**
Equity Year 2:	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000	47,832,000
Pre-Tax Income Year 2:	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)	(2,528,000)
Capital Tax:	**206,000**	**231,000**	**N/A**	**N/A**	**66,000**	**N/A**	**27,000**	**40,000**	**191,000**
Income Tax:	**N/A**	**N/A**	**-**	**-**	**N/A**	**85,000**	**-**	**-**	**N/A**
Total Year 2 State Tax:	**206,000**	**231,000**	**-**	**-**	**66,000**	**85,000**	**27,000**	**40,000**	**191,000**
Equity Year 3:	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000	51,067,000
Pre-Tax Income Year 3:	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000	5,055,000
Capital Tax:	**220,000**	**247,000**	**N/A**	**N/A**	**71,000**	**N/A**	**23,000**	**42,000**	**204,000**
Income Tax:	**N/A**	**N/A**	**138,000**	**104,000**	**N/A**	**85,000**	**-**	**57,000**	**N/A**
Total Year 3 State Tax:	**220,000**	**247,000**	**138,000**	**104,000**	**71,000**	**85,000**	**23,000**	**99,000**	**204,000**
3-Year Summary:									
Capital Tax:	**639,000**	**717,000**	**N/A**	**N/A**	**205,000**	**N/A**	**83,000**	**123,000**	**593,000**
Income Tax:	**N/A**	**N/A**	**276,000**	**313,000**	**N/A**	**377,000**	**-**	**170,000**	**N/A**
Tax Base:	***Capital Tax***	***Capital Tax***	***Income Tax***	***Income Tax***	***Capital Tax***	***Income Tax***	***Greater of Capital or Income Tax***	***Income and Capital Tax***	***Capital Tax***
3-Year Total Tax:	**639,000**	**717,000**	**276,000**	**313,000**	**205,000**	**377,000**	**83,000**	**293,000**	**593,000**

(Rounded to nearest thousand.)

Composite Bank Profile and Assumptions:

Assets*:	497,994,000
U.S. obligations*:	7,568,000
Equity Year 1*:	49,450,000
Goodwill*:	904,000
Pre-Tax income:	
Year 1*:	5,055,000
Year 2 (loss assumed):	(2,528,000)
Year 3 (assumed):	5,055,000
Loan interest income*:	16,493,000
Portfolio income*:	2,301,000

- Call report pre-tax income is equal to federal and state taxable income.
- Combined state and federal effective tax rate of 36% for equity roll-forward purposes.
- Capital taxes based on beginning of year value.
- Single bank entity for state tax purposes (except for New York and New Jersey).
- No throw-back of receipts for apportionment purposes.
- No NOL carrybacks applied and pre-apportioned/post-apportioned NOL carryforwards are assumed equal.
- No state modifications made to pre-tax income.

* Based on mean of September 30, 2014 call report data of 10 similarly-sized banks (see schedule).

Comments:

Pennsylvania:
1) "Method 1" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(I).
2) "Method 2" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(II).
3) Deductions for goodwill and U.S. obligations applied. 72 Pa. Stat. Ann. § 7701.1.
4) Year 2 and year 3 deductions for goodwill and U.S. obligations assumed to equal year 1.

Delaware:
1) Income tax based on statutory definition of "taxable income," not federal taxable income. Del. Code Ann. § 1101(a).
2) Standard (not alternative) Delaware franchise tax assumed. Del. Code Ann. § 1101(a).
3) Only 56% of taxable income is subject to the Delaware franchise tax. Del. Code Ann. § 1101(a)(2).
4) Assumes branch locations are proportionate to receipts.

Maryland:
1) Banks subject to corporate income tax; there is no separate tax regime for banks. Md. Code Ann., Tax-Gen § 10-102.
2) Maryland applies a three factor apportionment formula. Md. Regs. Code tit. 03, § 03.04.08.03. Property and payroll are assumed to be proportionate to receipts.

Michigan:
1) Banks are subject to an equity/capital-based financial institutions tax in Michigan. Mich. Comp. Laws § 206.653, *et seq.*
2) Tax base is the average of the net capital of the current and preceding four years. Mich. Comp. Laws § 206.655. Average is assumed to equal current year.
3) Deduction for U.S. obligation applied. Mich. Comp. Laws § 206.655(1).

New Jersey:
1) Assumes investment portfolio assets are held in a subsidiary statutory "investment company." N.J. Rev. Stat. § 54:10A-5(d).
2) Only 40% of an investment company's income is subject to tax. N.J. Rev. Stat. § 54:10A-5(d).
3) Includes minimum tax in loss years.

New York:
1) Assumes bank tax laws effective January 1, 2015.
2) Tax is the highest of three bases: entire net income, capital, fixed-dollar minimum (fixed-dollar minimum not considered). N.Y. Tax Law § 210(1)(a) - (c).
3) Favorable apportionment rules for portfolio income ("financial transactions"). N.Y. Tax Law § 210-A.5. 8% NY apportionment assumed.
4) Statutory incentives available for banks with total combined assets under $8 billion. N.Y. Tax Law § 208.9.(r) - (t). Assumes subsidiary REIT. N.Y. Tax Law § 208.9.(t). Annual REIT deduction assumed to be equal to federal/state taxable income.

North Carolina:
1) Assumes 5% tax rate effective January 1, 2015. N.C. Gen. Stat. § 105-130.3.
2) Assumes bank's issued and outstanding capital stock, surplus and undivided profits is equal to bank's equity; computations based on tangible/real property not considered. N.C. Gen. Stat. § 105-122.
3) Favorable apportionment for investment portfolio income; 8% NC apportionment assumed. *2007-2008 Corporate Income Tax Technical Bulletins, Part II. Corporate Income Tax, Sec. I. Apportionment Factors*, North Carolina Department of Revenue.
4) Bank franchise tax ($30 for each $1 million in assets) included in capital tax amount. N.C. Gen. Stat. § 105-102.3.

Ohio:
1) A *regressive* tax rate schedule applies to Ohio bank franchise tax. Ohio Rev. Code Ann. § 5726.04(A)(2).
2) Assumes portfolio income is apportioned in manner similar to Pennsylvania bank shares tax "Method 1" (72 Pa. Stat. Ann. § 7701.4 (3)(xiii)(B)(I)). Ohio Rev. Code Ann. § 5726.05 (B) and (D)(1).

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX B

Small Bank - $500 Million in Assets
50% of Loans Outside Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Year 1:									
Taxable Capital:	47,807,000	47,807,000	N/A	N/A	41,882,000	N/A	49,450,000	49,450,000	49,450,000
Apportionment:	50%	56%	N/A	N/A	56%	N/A	45%	45%	50%
Apportioned Tax Base:	23,906,044	26,831,342	N/A	N/A	23,505,977	N/A	22,183,301	22,183,301	24,727,631
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.15%	0.15%	0.80%
Capital Tax:	**212,764**	**238,799**	**N/A**	**N/A**	**68,167**	**N/A**	**33,275**	**40,745**	**197,821**
Taxable Income:	N/A	N/A	5,055,000	5,055,000	N/A	2,754,000	0	5,055,000	N/A
Apportionment:	N/A	N/A	56%	50%	N/A	50%	45%	45%	N/A
Apportioned Tax Base:	N/A	N/A	1,588,767	2,527,769	N/A	1,377,083	0	2,267,676	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	7.10%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**138,223**	**208,541**	**N/A**	**206,774**	**0**	**113,384**	**N/A**
Year 2:									
Taxable Capital:	46,214,000	46,214,000	N/A	N/A	40,264,080	N/A	47,832,080	47,832,080	47,832,080
Apportionment:	50%	56%	N/A	N/A	56%	N/A	45%	45%	50%
Apportioned Tax Base:	23,109,459	25,937,282	N/A	N/A	22,597,931	N/A	21,457,501	21,457,501	23,918,585
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.125%	0.15%	0.80%
Capital Tax:	**205,674**	**230,842**	**N/A**	**N/A**	**65,534**	**N/A**	**26,822**	**39,656**	**191,349**
Taxable Income:	N/A	N/A	(2,528,000)	(2,528,000)	N/A	(4,829,000)	(7,583,000)	(2,528,000)	N/A
Apportionment:	N/A	N/A	56%	50%	N/A	50%	45%	45%	N/A
Apportioned Tax Base:	N/A	N/A	(794,540)	(1,264,135)	N/A	(2,414,646)	(3,401,738)	(1,134,062)	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**0**	**0**	**N/A**	**84,836**	**0**	**0**	**N/A**
Year 3:									
Taxable Capital:	49,399,000	49,399,000	N/A	N/A	43,499,280	N/A	51,067,280	51,067,280	51,067,280
Apportionment:	50%	56%	N/A	N/A	56%	N/A	45%	45%	50%
Apportioned Tax Base:	24,702,128	27,724,840	N/A	N/A	24,413,664	N/A	22,908,813	22,908,813	25,536,357
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.10%	0.15%	0.80%
Capital Tax:	**219,849**	**246,751**	**N/A**	**N/A**	**70,800**	**N/A**	**22,909**	**41,833**	**204,291**
Taxable Income:	N/A	N/A	5,055,000	5,055,000	N/A	2,754,000	0	5,055,000	N/A
Apportionment:	N/A	N/A	56%	50%	N/A	50%	45%	45%	N/A
Apportioned Tax Base:	N/A	N/A	1,588,767	2,527,769	N/A	1,377,083	0	2,267,676	N/A
Apportioned NOL Carryover:	N/A	N/A	0	(1,264,135)	N/A	(2,414,646)	(3,401,738)	(1,134,062)	N/A
State Taxable Income after NOL:	N/A	N/A	1,588,767	1,263,634	N/A	(1,037,563)	(3,401,738)	1,133,614	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**138,223**	**104,250**	**N/A**	**84,836**	**0**	**56,681**	**N/A**
Apportionment*:									
HQ state loans receipts:	8,247,000	8,247,000	8,247,000	8,247,000	8,247,000	8,247,000	8,247,000	8,247,000	8,247,000
HQ state portfolio receipts:	1,151,000	2,301,000	2,301,000	1,151,000	2,301,000	2,301,000	184,000	184,000	1,151,000
Total HQ state receipts:	**9,398,000**	**10,548,000**	**10,548,000**	**9,398,000**	**10,548,000**	**10,548,000**	**8,431,000**	**8,431,000**	**9,398,000**
Everywhere loans receipts:	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000	16,493,000
Everywhere portfolio receipts:	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000	2,301,000
Total everywhere receipts:	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**	**18,794,000**
	50.0053%	**56.1243%**	**56.1243%**	**50.0053%**	**56.1243%**	**50.0030%**	**44.8601%**	**44.8601%**	**50.0053%**

*Only loan interest and portfolio income considered for apportionment purposes.

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX C

Medium Bank - $3 Billion in Assets
100% of Loans in Headquarters State

Jurisdiction:	**Pennsylvania (Method 1)**	**Pennsylvania (Method 2)**	**Delaware**	**Maryland**	**Michigan**	**New Jersey**	**New York**	**North Carolina**	**Ohio**
Equity Year 1:	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000
Pre-Tax Income Year 1:	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000
Capital Tax:	**2,736,000**	**2,736,000**	**N/A**	**N/A**	**806,000**	**N/A**	**432,000**	**527,000**	**2,124,000**
Income Tax:	**N/A**	**N/A**	**1,707,000**	**2,890,000**	**N/A**	**2,321,000**	**-**	**1,525,000**	**N/A**
Total Year 1 State Tax:	**2,736,000**	**2,736,000**	**1,707,000**	**2,890,000**	**806,000**	**2,321,000**	**432,000**	**2,052,000**	**2,124,000**
Equity Year 2:	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000
Pre-Tax Income Year 2:	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)
Capital Tax:	**2,641,000**	**2,641,000**	**N/A**	**N/A**	**775,000**	**N/A**	**349,000**	**512,000**	**2,081,000**
Income Tax:	**N/A**	**N/A**	**-**	**-**	**N/A**	**556,000**	**-**	**-**	**N/A**
Total Year 2 State Tax:	**2,641,000**	**2,641,000**	**-**	**-**	**775,000**	**556,000**	**349,000**	**512,000**	**2,081,000**
Equity Year 3:	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000
Pre-Tax Income Year 3:	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000
Capital Tax:	**2,831,000**	**2,831,000**	**N/A**	**N/A**	**838,000**	**N/A**	**298,000**	**541,000**	**2,168,000**
Income Tax:	**N/A**	**N/A**	**1,707,000**	**1,445,000**	**N/A**	**556,000**	**-**	**763,000**	**N/A**
Total Year 3 State Tax:	**2,831,000**	**2,831,000**	**1,707,000**	**1,445,000**	**838,000**	**556,000**	**298,000**	**1,304,000**	**2,168,000**
3-Year Summary:									
Capital Tax:	**8,208,000**	**8,208,000**	**N/A**	**N/A**	**2,419,000**	**N/A**	**1,079,000**	**1,580,000**	**6,373,000**
Income Tax:	**N/A**	**N/A**	**3,414,000**	**4,335,000**	**N/A**	**3,433,000**	**-**	**2,288,000**	**N/A**
Tax Base:	***Capital Tax***	***Capital Tax***	***Income Tax***	***Income Tax***	***Capital Tax***	***Income Tax***	***Greater of Capital or Income Tax***	***Income and Capital Tax***	***Capital Tax***
3-Year Total Tax:	**8,208,000**	**8,208,000**	**3,414,000**	**4,335,000**	**2,419,000**	**3,433,000**	**1,079,000**	**3,868,000**	**6,373,000**

(Rounded to nearest thousand.)

Composite Bank Profile and Assumptions:

Assets*:	3,141,312,000
U.S. obligations*:	52,967,000
Equity Year 1*:	331,069,000
Goodwill*:	18,319,000
Pre-Tax income:	
Year 1*:	35,028,000
Year 2 (loss assumed):	(17,514,000)
Year 3 (assumed):	35,028,000
Loan interest income*:	94,211,000
Portfolio income*:	15,394,000

- Call report pre-tax income is equal to federal and state taxable income.
- Combined state and federal effective tax rate of 38% for equity roll-forward purposes.
- Capital taxes based on beginning of year value.
- Single bank entity for state tax purposes (except for New York and New Jersey).
- No throw-back of receipts for apportionment purposes.
- No NOL carrybacks applied and pre-apportioned/post-apportioned NOL carryforwards are assumed equal.
- No state modifications made to pre-tax income.

* Based on mean of September 30, 2014 call report data of 10 similarly-sized banks (see schedule).

Comments:

Pennsylvania:
1) "Method 1" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(I).
2) "Method 2" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(II).
3) Deductions for goodwill and U.S. obligations applied. 72 Pa. Stat. Ann. § 7701.1.
4) Year 2 and year 3 deductions for goodwill and U.S. obligations assumed to equal year 1.

Delaware:
1) Income tax based on statutory definition of "taxable income," not federal taxable income. Del. Code Ann. § 1101(a).
2) Standard (not alternative) Delaware franchise tax assumed. Del. Code Ann. § 1101(a).
3) Only 56% of taxable income is subject to the Delaware franchise tax. Del. Code Ann. § 1101(a)(2).
4) Assumes branch locations are proportionate to receipts.

Maryland:
1) Banks subject to corporate income tax; there is no separate tax regime for banks. Md. Code Ann., Tax-Gen § 10-102.
2) Maryland applies a three factor apportionment formula. Md. Regs. Code tit. 03, § 03.04.08.03. Property and payroll are assumed to be proportionate to receipts.

Michigan:
1) Banks are subject to an equity/capital-based financial institutions tax in Michigan. Mich. Comp. Laws § 206.653, *et seq.*
2) Tax base is the average of the net capital of the current and preceding four years. Mich. Comp. Laws § 206.655. Average is assumed to equal current year.
3) Deduction for U.S. obligation applied. Mich. Comp. Laws § 206.655(1).

New Jersey:
1) Assumes investment portfolio assets are held in a subsidiary statutory "investment company." N.J. Rev. Stat. § 54:10A-5(d).
2) Only 40% of an investment company's income is subject to tax. N.J. Rev. Stat. § 54:10A-5(d).
3) Includes minimum tax in loss years.

New York:
1) Assumes bank tax laws effective January 1, 2015.
2) Tax is the highest of three bases: entire net income, capital, fixed-dollar minimum (fixed-dollar minimum not considered). N.Y. Tax Law § 210(1)(a) - (c).
3) Favorable apportionment rules for portfolio income ("financial transactions"). N.Y. Tax Law § 210-A.5. 8% NY apportionment assumed.
4) Statutory incentives available for banks with total combined assets under $8 billion. N.Y. Tax Law § 208.9.(r) - (t). Assumes subsidiary REIT. N.Y. Tax Law § 208.9.(t). Annual REIT deduction assumed to be equal to federal/state taxable income.

North Carolina:
1) Assumes 5% tax rate effective January 1, 2015. N.C. Gen. Stat. § 105-130.3.
2) Assumes bank's issued and outstanding capital stock, surplus and undivided profits is equal to bank's equity; computations based on tangible/real property not considered. N.C. Gen. Stat. § 105-122.
3) Favorable apportionment for investment portfolio income; 8% NC apportionment assumed. *2007-2008 Corporate Income Tax Technical Bulletins, Part II. Corporate Income Tax, Sec. I. Apportionment Factors* , North Carolina Department of Revenue.
4) Bank franchise tax ($30 for each $1 million in assets) included in capital tax amount. N.C. Gen. Stat. § 105-102.3.

Ohio:
1) A *regressive* tax rate schedule applies to Ohio bank franchise tax. Ohio Rev. Code Ann. § 5726.04(A)(2).
2) Assumes portfolio income is apportioned in manner similar to Pennsylvania bank shares tax "Method 1" (72 Pa. Stat. Ann. § 7701.4 (3)(xiii)(B)(I)). Ohio Rev. Code Ann. § 5726.05 (B) and (D)(1).

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX C

Medium Bank - $3 Billion in Assets
100% of Loans in Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Year 1:									
Taxable Capital:	307,446,000	307,446,000	N/A	N/A	278,102,000	N/A	331,069,000	331,069,000	331,069,000
Apportionment:	100%	100%	N/A	N/A	100%	N/A	87%	87%	100%
Apportioned Tax Base:	307,446,000	307,446,000	N/A	N/A	278,102,000	N/A	288,291,762	288,291,762	331,069,000
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.15%	0.15%	Regressive
Capital Tax:	**2,736,269**	**2,736,269**	**N/A**	**N/A**	**806,496**	**N/A**	**432,438**	**526,677**	**2,124,276**
Taxable Income:	N/A	N/A	35,028,000	35,028,000	N/A	19,634,000	0	35,028,000	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	87%	87%	N/A
Apportioned Tax Base:	N/A	N/A	19,615,680	35,028,000	N/A	19,634,000	0	30,502,052	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	7.10%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**1,706,564**	**2,889,810**	**N/A**	**2,321,244**	**0**	**1,525,103**	**N/A**
Year 2:									
Taxable Capital:	296,771,000	296,771,000	N/A	N/A	267,243,320	N/A	320,210,320	320,210,320	320,210,320
Apportionment:	100%	100%	N/A	N/A	100%	N/A	87%	87%	100%
Apportioned Tax Base:	296,771,000	296,771,000	N/A	N/A	267,243,320	N/A	278,836,126	278,836,126	320,210,320
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.125%	0.15%	Regressive
Capital Tax:	**2,641,262**	**2,641,262**	**N/A**	**N/A**	**775,006**	**N/A**	**348,545**	**512,494**	**2,080,841**
Taxable Income:	N/A	N/A	(17,514,000)	(17,514,000)	N/A	(32,908,000)	(17,514,000)	(17,514,000)	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	87%	87%	N/A
Apportioned Tax Base:	N/A	N/A	(9,807,840)	(17,514,000)	N/A	(32,908,000)	(15,251,026)	(15,251,026)	N/A
Tax Rate:	N/A	N/A	8.70%	0.00%	N/A	Calculation	6.50%	0.00%	N/A
State Income Tax:	**N/A**	**N/A**	**0**	**0**	**N/A**	**556,184**	**0**	**0**	**N/A**
Year 3:									
Taxable Capital:	318,120,000	318,120,000	N/A	N/A	288,960,680	N/A	341,927,680	341,927,680	341,927,680
Apportionment:	100%	100%	N/A	N/A	100%	N/A	87%	87%	100%
Apportioned Tax Base:	318,120,000	318,120,000	N/A	N/A	288,960,680	N/A	297,747,398	297,747,398	341,927,680
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.10%	0.15%	Regressive
Capital Tax:	**2,831,268**	**2,831,268**	**N/A**	**N/A**	**837,986**	**N/A**	**297,747**	**540,860**	**2,167,711**
Taxable Income:	N/A	N/A	35,028,000	35,028,000	N/A	19,634,000	0	35,028,000	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	87%	87%	N/A
Apportioned Tax Base:	N/A	N/A	19,615,680	35,028,000	N/A	19,634,000	0	30,502,052	N/A
Apportioned NOL Carryover:	N/A	N/A	0	(17,514,000)	N/A	(32,908,000)	(15,251,026)	(15,251,026)	N/A
State Taxable Income after NOL:	N/A	N/A	19,615,680	17,514,000	N/A	(13,274,000)	(15,251,026)	15,251,026	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**1,706,564**	**1,444,905**	**N/A**	**556,184**	**0**	**762,551**	**N/A**
Apportionment*:									
HQ state loans receipts:	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000
HQ state portfolio receipts:	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	1,232,000	1,232,000	15,394,000
Total HQ state receipts:	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**95,443,000**	**95,443,000**	**109,605,000**
Everywhere loans receipts:	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000
Everywhere portfolio receipts:	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000
Total everywhere receipts:	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**
	100.0000%	**100.0000%**	**100.0000%**	**100.0000%**	**100.0000%**	**100.0000%**	**87.0791%**	**87.0791%**	**100.0000%**

*Only loan interest and portfolio income considered for apportionment purposes.

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX D

Medium Bank - $3 Billion in Assets
50% of Loans Outside Headquarters State

Jurisdiction:	**Pennsylvania (Method 1)**	**Pennsylvania (Method 2)**	**Delaware**	**Maryland**	**Michigan**	**New Jersey**	**New York**	**North Carolina**	**Ohio**
Equity Year 1:	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000	331,069,000
Pre-Tax Income Year 1:	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000
Capital Tax:	**1,368,000**	**1,560,000**	**N/A**	**N/A**	**460,000**	**N/A**	**219,000**	**266,000**	**1,324,000**
Income Tax:	**N/A**	**N/A**	**973,000**	**1,445,000**	**N/A**	**1,438,000**	**-**	**772,000**	**N/A**
Total Year 1 State Tax:	**1,368,000**	**1,560,000**	**973,000**	**1,445,000**	**460,000**	**1,438,000**	**219,000**	**1,038,000**	**1,324,000**
Equity Year 2:	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000	320,210,000
Pre-Tax Income Year 2:	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)	(17,514,000)
Capital Tax:	**1,321,000**	**1,506,000**	**N/A**	**N/A**	**442,000**	**N/A**	**177,000**	**259,000**	**1,281,000**
Income Tax:	**N/A**	**N/A**	**-**	**-**	**N/A**	**556,000**	**-**	**-**	**N/A**
Total Year 2 State Tax:	**1,321,000**	**1,506,000**	**-**	**-**	**442,000**	**556,000**	**177,000**	**259,000**	**1,281,000**
Equity Year 3:	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000	341,927,000
Pre-Tax Income Year 3:	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000	35,028,000
Capital Tax:	**1,416,000**	**1,614,000**	**N/A**	**N/A**	**478,000**	**N/A**	**151,000**	**273,000**	**1,368,000**
Income Tax:	**N/A**	**N/A**	**973,000**	**722,000**	**N/A**	**556,000**	**-**	**386,000**	**N/A**
Total Year 3 State Tax:	**1,416,000**	**1,614,000**	**973,000**	**722,000**	**478,000**	**556,000**	**151,000**	**659,000**	**1,368,000**
3-Year Summary:									
Capital Tax:	**4,105,000**	**4,680,000**	**N/A**	**N/A**	**1,380,000**	**N/A**	**547,000**	**798,000**	**3,973,000**
Income Tax:	**N/A**	**N/A**	**1,946,000**	**2,167,000**	**N/A**	**2,550,000**	**-**	**1,158,000**	**N/A**
Tax Base:	***Capital Tax***	***Capital Tax***	***Income Tax***	***Income Tax***	***Capital Tax***	***Income Tax***	***Greater of Capital or Income Tax***	***Income and Capital Tax***	***Capital Tax***
3-Year Total Tax:	**4,105,000**	**4,680,000**	**1,946,000**	**2,167,000**	**1,380,000**	**2,550,000**	**547,000**	**1,956,000**	**3,973,000**

(Rounded to nearest thousand.)

Composite Bank Profile and Assumptions:

Assets*:	3,141,312,000
U.S. obligations*:	52,967,000
Equity Year 1*:	331,069,000
Goodwill*:	18,319,000
Pre-Tax income:	
Year 1*:	35,028,000
Year 2 (loss assumed):	(17,514,000)
Year 3 (assumed):	35,028,000
Loan interest income*:	94,211,000
Portfolio income*:	15,394,000

- Call report pre-tax income is equal to federal and state taxable income
- Combined state and federal effective tax rate of 38% for equity roll-forward purposes.
- Capital taxes based on beginning of year value.
- Single bank entity for state tax purposes (except for New York and New Jersey).
- No throw-back of receipts for apportionment purposes.
- No NOL carrybacks applied and pre-apportioned/post-apportioned NOL carryforwards are assumed equal.
- No state modifications made to pre-tax income.

* Based on mean of September 30, 2014 call report data of 10 similarly-sized banks (see schedule).

Comments:

Pennsylvania:
1) "Method 1" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(I).
2) "Method 2" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(II).
3) Deductions for goodwill and U.S. obligations applied. 72 Pa. Stat. Ann. § 7701.1.
4) Year 2 and year 3 deductions for goodwill and U.S. obligations assumed to equal year 1.

Delaware:
1) Income tax based on statutory definition of "taxable income," not federal taxable income. Del. Code Ann. § 1101(a).
2) Standard (not alternative) Delaware franchise tax assumed. Del. Code Ann. § 1101(a).
3) Only 56% of taxable income is subject to the Delaware franchise tax. Del. Code Ann. § 1101(a)(2).
4) Assumes branch locations are proportionate to receipts.

Maryland:
1) Banks subject to corporate income tax; there is no separate tax regime for banks. Md. Code Ann., Tax-Gen § 10-102.
2) Maryland applies a three factor apportionment formula. Md. Regs. Code tit. 03, § 03.04.08.03. Property and payroll are assumed to be proportionate to receipts.

Michigan:
1) Banks are subject to an equity/capital-based financial institutions tax in Michigan. Mich. Comp. Laws § 206.653, *et seq.*
2) Tax base is the average of the net capital of the current and preceding four years. Mich. Comp. Laws § 206.655. Average is assumed to equal current year.
3) Deduction for U.S. obligation applied. Mich. Comp. Laws § 206.655(1).

New Jersey:
1) Assumes investment portfolio assets are held in a subsidiary statutory "investment company." N.J. Rev. Stat. § 54:10A-5(d).
2) Only 40% of an investment company's income is subject to tax. N.J. Rev. Stat. § 54:10A-5(d).
3) Includes minimum tax in loss years.

New York:
1) Assumes bank tax laws effective January 1, 2015.
2) Tax is the highest of three bases: entire net income, capital, fixed-dollar minimum (fixed-dollar minimum not considered). N.Y. Tax Law § 210(1)(a) - (c).
3) Favorable apportionment rules for portfolio income ("financial transactions"). N.Y. Tax Law § 210-A.5. 8% NY apportionment assumed.
4) Statutory incentives available for banks with total combined assets under $8 billion. N.Y. Tax Law § 208.9.(r) - (t). Assumes subsidiary REIT. N.Y. Tax Law § 208.9.(t). Annual REIT deduction assumed to be equal to federal/state taxable income.

North Carolina:
1) Assumes 5% tax rate effective January 1, 2015. N.C. Gen. Stat. § 105-130.3.
2) Assumes bank's issued and outstanding capital stock, surplus and undivided profits is equal to bank's equity; computations based on tangible/real property not considered. N.C. Gen. Stat. § 105-122.
3) Favorable apportionment for investment portfolio income; 8% NC apportionment assumed. *2007-2008 Corporate Income Tax Technical Bulletins, Part II. Corporate Income Tax, Sec. I. Apportionment Factors* , North Carolina Department of Revenue.
4) Bank franchise tax ($30 for each $1 million in assets) included in capital tax amount. N.C. Gen. Stat. § 105-102.3.

Ohio:
1) A *regressive* tax rate schedule applies to Ohio bank franchise tax. Ohio Rev. Code Ann. § 5726.04(A)(2).
2) Assumes portfolio income is apportioned in manner similar to Pennsylvania bank shares tax "Method 1" (72 Pa. Stat. Ann. § 7701.4 (3)(xiii)(B)(I)). Ohio Rev. Code Ann. § 5726.05 (B) and (D)(1).

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX D

Medium Bank - $3 Billion in Assets
50% of Loans Outside Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Year 1:									
Taxable Capital:	307,446,000	307,446,000	N/A	N/A	278,102,000	N/A	331,069,000	331,069,000	331,069,000
Apportionment:	50%	57%	N/A	N/A	57%	N/A	44%	44%	50%
Apportioned Tax Base:	153,724,403	175,314,767	N/A	N/A	158,581,953	N/A	146,008,059	146,008,059	165,536,010
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.15%	0.15%	0.80%
Capital Tax:	**1,368,147**	**1,560,301**	**N/A**	**N/A**	**459,888**	**N/A**	**219,012**	**266,132**	**1,324,288**
Taxable Income:	N/A	N/A	35,028,000	35,028,000	N/A	19,634,000	0	35,028,000	N/A
Apportionment:	N/A	N/A	57%	50%	N/A	50%	44%	44%	N/A
Apportioned Tax Base:	N/A	N/A	11,185,439	17,514,160	N/A	9,817,104	0	15,448,049	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	7.10%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**973,133**	**1,444,918**	**N/A**	**1,437,723**	**0**	**772,402**	**N/A**
Year 2:									
Taxable Capital:	296,771,000	296,771,000	N/A	N/A	267,243,320	N/A	320,210,320	320,210,320	320,210,320
Apportionment:	50%	57%	N/A	N/A	57%	N/A	44%	44%	50%
Apportioned Tax Base:	148,386,854	169,227,567	N/A	N/A	152,390,014	N/A	141,219,164	141,219,164	160,106,621
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.125%	0.15%	0.80%
Capital Tax:	**1,320,643**	**1,506,125**	**N/A**	**N/A**	**441,931**	**N/A**	**176,524**	**258,948**	**1,280,853**
Taxable Income:	N/A	N/A	(17,514,000)	(17,514,000)	N/A	(32,908,000)	(17,514,000)	(17,514,000)	N/A
Apportionment:	N/A	N/A	57%	50%	N/A	50%	44%	44%	N/A
Apportioned Tax Base:	N/A	N/A	(5,592,719)	(8,757,080)	N/A	(16,454,175)	(7,724,025)	(7,724,025)	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**0**	**0**	**N/A**	**556,184**	**0**	**0**	**N/A**
Year 3:									
Taxable Capital:	318,120,000	318,120,000	N/A	N/A	288,960,680	N/A	341,927,680	341,927,680	341,927,680
Apportionment:	50%	57%	N/A	N/A	57%	N/A	44%	44%	50%
Apportioned Tax Base:	159,061,451	181,401,396	N/A	N/A	164,773,893	N/A	150,796,954	150,796,954	170,965,400
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.10%	0.15%	0.80%
Capital Tax:	**1,415,647**	**1,614,472**	**N/A**	**N/A**	**477,844**	**N/A**	**150,797**	**273,315**	**1,367,723**
Taxable Income:	N/A	N/A	35,028,000	35,028,000	N/A	19,634,000	0	35,028,000	N/A
Apportionment:	N/A	N/A	57%	50%	N/A	50%	44%	44%	N/A
Apportioned Tax Base:	N/A	N/A	11,185,439	17,514,160	N/A	9,817,104	0	15,448,049	N/A
Apportioned NOL Carryover:	N/A	N/A	0	(8,757,080)	N/A	(16,454,175)	(7,724,025)	(7,724,025)	N/A
State Taxable Income after NOL:	N/A	N/A	11,185,439	8,757,080	N/A	(6,637,070)	(7,724,025)	7,724,025	N/A
Tax Rate:	N/A	N/A	8.70%	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**973,133**	**722,459**	**N/A**	**556,184**	**0**	**386,201**	**N/A**
Apportionment*:									
HQ state loans receipts:	47,106,000	47,106,000	47,106,000	47,106,000	47,106,000	47,106,000	47,106,000	47,106,000	47,106,000
HQ state portfolio receipts:	7,697,000	15,394,000	15,394,000	7,697,000	15,394,000	15,394,000	1,232,000	1,232,000	7,697,000
Total HQ state receipts:	**54,803,000**	**62,500,000**	**62,500,000**	**54,803,000**	**62,500,000**	**62,500,000**	**48,338,000**	**48,338,000**	**54,803,000**
Everywhere loans receipts:	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000	94,211,000
Everywhere portfolio receipts:	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000	15,394,000
Total everywhere receipts:	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**	**109,605,000**
	50.0005%	**57.0229%**	**57.0229%**	**50.0005%**	**57.0229%**	**50.0005%**	**44.1020%**	**44.1020%**	**50.0005%**

*Only loan interest and portfolio income considered for apportionment purposes.

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX E

Large Bank - $15 Billion in Assets
100% of Loans in Headquarters State

Jurisdiction:	**Pennsylvania (Method 1)**	**Pennsylvania (Method 2)**	**Delaware**	**Maryland**	**Michigan**	**New Jersey**	**New York**	**North Carolina**	**Ohio**
Equity Year 1:	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000
Pre-Tax Income Year 1:	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000
Capital Tax:	**11,904,000**	**11,904,000**	**N/A**	**N/A**	**4,106,000**	**N/A**	**-**	**2,862,000**	**7,433,000**
Income Tax:	**N/A**	**N/A**	**4,322,000**	**15,396,000**	**N/A**	**12,720,000**	**11,344,000**	**7,989,000**	**N/A**
Total Year 1 State Tax:	**11,904,000**	**11,904,000**	**4,322,000**	**15,396,000**	**4,106,000**	**12,720,000**	**11,344,000**	**10,851,000**	**7,433,000**
Equity Year 2:	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000
Pre-Tax Income Year 2:	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)
Capital Tax:	**11,405,000**	**11,405,000**	**N/A**	**N/A**	**3,938,000**	**N/A**	**1,943,000**	**2,788,000**	**7,288,000**
Income Tax:	**N/A**	**N/A**	**-**	**-**	**N/A**	**2,719,000**	**-**	**-**	**N/A**
Total Year 2 State Tax:	**11,405,000**	**11,405,000**	**-**	**-**	**3,938,000**	**2,719,000**	**1,943,000**	**2,788,000**	**7,288,000**
Equity Year 3:	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000
Pre-Tax Income Year 3:	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000
Capital Tax:	**12,403,000**	**12,403,000**	**N/A**	**N/A**	**4,274,000**	**N/A**	**-**	**2,936,000**	**7,577,000**
Income Tax:	**N/A**	**N/A**	**4,322,000**	**7,698,000**	**N/A**	**2,719,000**	**5,193,000**	**3,994,000**	**N/A**
Total Year 3 State Tax:	**12,403,000**	**12,403,000**	**4,322,000**	**7,698,000**	**4,274,000**	**2,719,000**	**5,193,000**	**6,930,000**	**7,577,000**
3-Year Summary:									
Capital Tax:	**35,712,000**	**35,712,000**	**N/A**	**N/A**	**12,318,000**	**N/A**	**1,943,000**	**8,586,000**	**22,298,000**
Income Tax:	**N/A**	**N/A**	**8,644,000**	**23,094,000**	**N/A**	**18,158,000**	**16,537,000**	**11,983,000**	**N/A**
Tax Base:	***Capital Tax***	***Capital Tax***	***Income Tax***	***Income Tax***	***Capital Tax***	***Income Tax***	***Greater of Capital or Income Tax***	***Income and Capital Tax***	***Capital Tax***
3-Year Total Tax:	**35,712,000**	**35,712,000**	**8,644,000**	**23,094,000**	**12,318,000**	**18,158,000**	**18,480,000**	**20,569,000**	**22,298,000**

(Rounded to nearest thousand.)

Composite Bank Profile and Assumptions:

Assets*:	15,214,815,000
U.S. obligations*:	457,326,000
Equity Year 1*:	1,873,137,000
Goodwill*:	492,760,000
Pre-Tax income:	
Year 1*:	186,617,000
Year 2 (loss assumed):	(93,309,000)
Year 3 (assumed):	186,617,000
Loan interest income*:	407,196,000
Portfolio income*:	75,468,000

- Call report pre-tax income is equal to federal and state taxable income
- Combined state and federal effective tax rate of 38% for equity roll-forward purposes.
- Capital taxes based on beginning of year value.
- Single bank entity for state tax purposes (except for New York and New Jersey).
- No throw-back of receipts for apportionment purposes.
- No NOL carrybacks applied and pre-apportioned/post-apportioned NOL carryforwards are assumed equal.
- No state modifications made to pre-tax income.

* Based on mean of September 30, 2014 call report data of 10 similarly-sized banks (see schedule).

Comments:

Pennsylvania:
1) "Method 1" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(I).
2) "Method 2" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(II).
3) Deductions for goodwill and U.S. obligations applied. 72 Pa. Stat. Ann. § 7701.1.
4) Year 2 and year 3 deductions for goodwill and U.S. obligations assumed to equal year 1.

Delaware:
1) Income tax based on statutory definition of "taxable income," not federal taxable income. Del. Code Ann. § 1101(a).
2) Standard (not alternative) Delaware franchise tax assumed. Del. Code Ann. § 1101(a).
3) Only 56% of taxable income is subject to the Delaware franchise tax (regressive rate). Del. Code Ann. § 1101(a)(2).
4) Assumes branch locations are proportionate to receipts.

Maryland:
1) Banks subject to corporate income tax; there is no separate tax regime for banks. Md. Code Ann., Tax-Gen § 10-102.
2) Maryland applies a three factor apportionment formula. Md. Regs. Code tit. 03, § 03.04.08.03. Property and payroll are assumed to be proportionate to receipts.

Michigan:
1) Banks are subject to an equity/capital-based financial institutions tax in Michigan. Mich. Comp. Laws § 206.653, *et seq.*
2) Tax base is the average of the net capital of the current and preceding four years. Mich. Comp. Laws § 206.655. Average is assumed to equal current year.
3) Deduction for U.S. obligation applied. Mich. Comp. Laws § 206.655(1).

New Jersey:
1) Assumes investment portfolio assets are held in a subsidiary statutory "investment company." N.J. Rev. Stat. § 54:10A-5(d).
2) Only 40% of an investment company's income is subject to tax. N.J. Rev. Stat. § 54:10A-5(d).
3) Includes minimum tax in loss years.

New York:
1) Assumes bank tax laws effective January 1, 2015.
2) Tax is the highest of three bases: entire net income, capital, fixed-dollar minimum (fixed-dollar minimum not considered). N.Y. Tax Law § 210(1)(a) - (c).
3) Favorable apportionment rules for portfolio income ("financial transactions"). N.Y. Tax Law § 210-A.5. 8% NY apportionment assumed.

North Carolina:
1) Assumes 5% tax rate effective January 1, 2015. N.C. Gen. Stat. § 105-130.3.
2) Assumes bank's issued and outstanding capital stock, surplus and undivided profits is equal to bank's equity; computations based on tangible/real property not considered. N.C. Gen. Stat. § 105-122.
3) Favorable apportionment for investment portfolio income; 8% NC apportionment assumed. *2007-2008 Corporate Income Tax Technical Bulletins, Part II. Corporate Income Tax, Sec. I. Apportionment Factors* , North Carolina Department of Revenue.
4) Bank franchise tax ($30 for each $1 million in assets) included in capital tax amount. N.C. Gen. Stat. § 105-102.3.

Ohio:
1) A *regressive* tax rate schedule applies to Ohio bank franchise tax. Ohio Rev. Code Ann. § 5726.04(A)(2).
2) Assumes portfolio income is apportioned in manner similar to Pennsylvania bank shares tax "Method 1" (72 Pa. Stat. Ann. § 7701.4 (3)(xiii)(B)(I)). Ohio Rev. Code Ann. § 5726.05 (B) and (D)(1).

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX E

Large Bank - $15 Billion in Assets
100% of Loans in Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Year 1:									
Taxable Capital:	1,337,497,000	1,337,497,000	N/A	N/A	1,415,811,000	N/A	1,873,137,000	1,873,137,000	1,873,137,000
Apportionment:	100%	100%	N/A	N/A	100%	N/A	86%	86%	100%
Apportioned Tax Base:	1,337,497,000	1,337,497,000	N/A	N/A	1,415,811,000	N/A	1,603,687,082	1,603,687,082	1,873,137,000
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.15%	0.15%	Regressive
Capital Tax:	**11,903,723**	**11,903,723**	**N/A**	**N/A**	**4,105,852**	**N/A**	**0**	**2,861,975**	**7,432,843**
Taxable Income:	N/A	N/A	186,617,000	186,617,000	N/A	111,149,000	186,617,000	186,617,000	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	86%	86%	N/A
Apportioned Tax Base:	N/A	N/A	104,505,520	186,617,000	N/A	111,149,000	159,772,228	159,772,228	N/A
Tax Rate:	N/A	N/A	Regressive	8.25%	N/A	Calculation	7.10%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**4,321,649**	**15,395,903**	**N/A**	**12,720,258**	**11,343,828**	**7,988,611**	**N/A**
Year 2:									
Taxable Capital:	1,281,442,000	1,281,442,000	N/A	N/A	1,357,959,420	N/A	1,815,285,420	1,815,285,420	1,815,285,420
Apportionment:	100%	100%	N/A	N/A	100%	N/A	86%	86%	100%
Apportioned Tax Base:	1,281,442,000	1,281,442,000	N/A	N/A	1,357,959,420	N/A	1,554,157,426	1,554,157,426	1,815,285,420
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.125%	0.15%	Regressive
Capital Tax:	**11,404,834**	**11,404,834**	**N/A**	**N/A**	**3,938,082**	**N/A**	**1,942,697**	**2,787,681**	**7,288,214**
Taxable Income:	N/A	N/A	(93,309,000)	(93,309,000)	N/A	(168,777,000)	(93,309,000)	(93,309,000)	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	86%	86%	N/A
Apportioned Tax Base:	N/A	N/A	(52,253,040)	(93,309,000)	N/A	(168,777,000)	(79,886,542)	(79,886,542)	N/A
Tax Rate:	N/A	N/A	Regressive	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**0**	**0**	**N/A**	**2,718,848**	**0**	**0**	**N/A**
Year 3:									
Taxable Capital:	1,393,551,000	1,393,551,000	N/A	N/A	1,473,661,960	N/A	1,930,987,960	1,930,987,960	1,930,987,960
Apportionment:	100%	100%	N/A	N/A	100%	N/A	86%	86%	100%
Apportioned Tax Base:	1,393,551,000	1,393,551,000	N/A	N/A	1,473,661,960	N/A	1,653,216,208	1,653,216,208	1,930,987,960
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.10%	0.15%	Regressive
Capital Tax:	**12,402,604**	**12,402,604**	**N/A**	**N/A**	**4,273,620**	**N/A**	**0**	**2,936,269**	**7,577,470**
Taxable Income:	N/A	N/A	186,617,000	186,617,000	N/A	111,149,000	186,617,000	186,617,000	N/A
Apportionment:	N/A	N/A	100%	100%	N/A	100%	86%	86%	N/A
Apportioned Tax Base:	N/A	N/A	104,505,520	186,617,000	N/A	111,149,000	159,772,228	159,772,228	N/A
Apportioned NOL Carryover:	N/A	N/A	0	(93,309,000)	N/A	(168,777,000)	(79,886,542)	(79,886,542)	N/A
State Taxable Income after NOL:	N/A	N/A	104,505,520	93,308,000	N/A	(57,628,000)	79,885,686	79,885,686	N/A
Tax Rate:	N/A	N/A	Regressive	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**4,321,649**	**7,697,910**	**N/A**	**2,718,848**	**5,192,570**	**3,994,284**	**N/A**
Apportionment*:									
HQ state loans receipts:	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000
HQ state portfolio receipts:	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	6,037,000	6,037,000	75,468,000
Total HQ state receipts:	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**413,233,000**	**413,233,000**	**482,664,000**
Everywhere loans receipts:	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000
Everywhere portfolio receipts:	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000
Total everywhere receipts:	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**
	100.0000%	**100.0000%**	**100.0000%**	**100.0000%**	**100.0000%**	**100.0000%**	**85.6150%**	**85.6150%**	**100.0000%**

*Only loan interest and portfolio income considered for apportionment purposes.

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX F

Large Bank - $15 Billion in Assets
50% of Loans Outside Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Equity Year 1:	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000	1,873,137,000
Pre-Tax Income Year 1:	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000
Capital Tax:	**5,952,000**	**6,882,000**	**N/A**	**N/A**	**2,374,000**	**N/A**	**-**	**1,449,000**	**4,546,000**
Income Tax:	**N/A**	**N/A**	**3,131,000**	**7,698,000**	**N/A**	**7,719,000**	**5,755,000**	**4,053,000**	**N/A**
Total Year 1 State Tax:	**5,952,000**	**6,882,000**	**3,131,000**	**7,698,000**	**2,374,000**	**7,719,000**	**5,755,000**	**5,502,000**	**4,546,000**
Equity Year 2:	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000	1,815,285,000
Pre-Tax Income Year 2:	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)	(93,309,000)
Capital Tax:	**5,702,000**	**6,594,000**	**N/A**	**N/A**	**2,277,000**	**N/A**	**986,000**	**1,411,000**	**4,431,000**
Income Tax:	**N/A**	**N/A**	**-**	**-**	**N/A**	**2,719,000**	**-**	**-**	**N/A**
Total Year 2 State Tax:	**5,702,000**	**6,594,000**	**-**	**-**	**2,277,000**	**2,719,000**	**986,000**	**1,411,000**	**4,431,000**
Equity Year 3:	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000	1,930,988,000
Pre-Tax Income Year 3:	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000	186,617,000
Capital Tax:	**6,201,000**	**7,171,000**	**N/A**	**N/A**	**2,471,000**	**N/A**	**-**	**1,486,000**	**4,662,000**
Income Tax:	**N/A**	**N/A**	**3,131,000**	**3,849,000**	**N/A**	**2,719,000**	**2,634,000**	**2,026,000**	**N/A**
Total Year 3 State Tax:	**6,201,000**	**7,171,000**	**3,131,000**	**3,849,000**	**2,471,000**	**2,719,000**	**2,634,000**	**3,512,000**	**4,662,000**
3-Year Summary:									
Capital Tax:	**17,855,000**	**20,647,000**	**N/A**	**N/A**	**7,122,000**	**N/A**	**986,000**	**4,346,000**	**13,639,000**
Income Tax:	**N/A**	**N/A**	**6,262,000**	**11,547,000**	**N/A**	**13,157,000**	**8,389,000**	**6,079,000**	**N/A**
Tax Base:	***Capital Tax***	***Capital Tax***	***Income Tax***	***Income Tax***	***Capital Tax***	***Income Tax***	***Greater of Capital or Income Tax***	***Income and Capital Tax***	***Capital Tax***
3-Year Total Tax:	**17,855,000**	**20,647,000**	**6,262,000**	**11,547,000**	**7,122,000**	**13,157,000**	**9,375,000**	**10,425,000**	**13,639,000**

(Rounded to nearest thousand.)

Composite Bank Profile and Assumptions:

Assets*:	15,214,815,000
U.S. obligations*:	457,326,000
Equity Year 1*:	1,873,137,000
Goodwill*:	492,760,000
Pre-Tax income:	
Year 1*:	186,617,000
Year 2 (loss assumed):	(93,309,000)
Year 3 (assumed):	186,617,000
Loan interest income*:	407,196,000
Portfolio income*:	75,468,000

- Call report pre-tax income is equal to federal and state taxable income
- Combined state and federal effective tax rate of 38% for equity roll-forward purposes.
- Capital taxes based on beginning of year value.
- Single bank entity for state tax purposes (except for New York and New Jersey).
- No throw-back of receipts for apportionment purposes.
- No NOL carrybacks applied and pre-apportioned/post-apportioned NOL carryforwards are assumed equal.
- No state modifications made to pre-tax income.

* Based on mean of September 30, 2014 call report data of 10 similarly-sized banks (see schedule).

Comments:

Pennsylvania:
1) "Method 1" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(I).
2) "Method 2" for apportionment of portfolio income. 72 Pa. Stat. Ann. § 7701.4(3)(xiii)(B)(II).
3) Deductions for goodwill and U.S. obligations applied. 72 Pa. Stat. Ann. § 7701.1.
4) Year 2 and year 3 deductions for goodwill and U.S. obligations assumed to equal year 1.

Delaware:
1) Income tax based on statutory definition of "taxable income," not federal taxable income. Del. Code Ann. § 1101(a).
2) Standard (not alternative) Delaware franchise tax assumed. Del. Code Ann. § 1101(a).
3) Only 56% of taxable income is subject to the Delaware franchise tax (regressive rate). Del. Code Ann. § 1101(a)(2).
4) Assumes branch locations are proportionate to receipts.

Maryland:
1) Banks subject to corporate income tax; there is no separate tax regime for banks. Md. Code Ann., Tax-Gen § 10-102.
2) Maryland applies a three factor apportionment formula. Md. Regs. Code tit. 03, § 03.04.08.03. Property and payroll are assumed to be proportionate to receipts.

Michigan:
1) Banks are subject to an equity/capital-based financial institutions tax in Michigan. Mich. Comp. Laws § 206.653, *et seq.*
2) Tax base is the average of the net capital of the current and preceding four years. Mich. Comp. Laws § 206.655. Average is assumed to equal current year.
3) Deduction for U.S. obligation applied. Mich. Comp. Laws § 206.655(1).

New Jersey:
1) Assumes investment portfolio assets are held in a subsidiary statutory "investment company." N.J. Rev. Stat. § 54:10A-5(d).
2) Only 40% of an investment company's income is subject to tax. N.J. Rev. Stat. § 54:10A-5(d).
3) Includes minimum tax in loss years.

New York:
1) Assumes bank tax laws effective January 1, 2015.
2) Tax is the highest of three bases: entire net income, capital, fixed-dollar minimum (fixed-dollar minimum not considered). N.Y. Tax Law § 210(1)(a) - (c).
3) Favorable apportionment rules for portfolio income ("financial transactions"). N.Y. Tax Law § 210-A.5. 8% NY apportionment assumed.

North Carolina:
1) Assumes 5% tax rate effective January 1, 2015. N.C. Gen. Stat. § 105-130.3.
2) Assumes bank's issued and outstanding capital stock, surplus and undivided profits is equal to bank's equity; computations based on tangible/real property not considered. N.C. Gen. Stat. § 105-122.
3) Favorable apportionment for investment portfolio income; 8% NC apportionment assumed. *2007-2008 Corporate Income Tax Technical Bulletins, Part II. Corporate Income Tax, Sec. I. Apportionment Factors* , North Carolina Department of Revenue.
4) Bank franchise tax ($30 for each $1 million in assets) included in capital tax amount. N.C. Gen. Stat. § 105-102.3.

Ohio:
1) A *regressive* tax rate schedule applies to Ohio bank franchise tax. Ohio Rev. Code Ann. § 5726.04(A)(2).
2) Assumes portfolio income is apportioned in manner similar to Pennsylvania bank shares tax "Method 1" (72 Pa. Stat. Ann. § 7701.4 (3)(xiii)(B)(I)). Ohio Rev. Code Ann. § 5726.05 (B) and (D)(1).

STATE BANK TAX COMPARISON
Estimated Tax Liability Based on Typical Bank Structure

APPENDIX F

Large Bank - $15 Billion in Assets
50% of Loans Outside Headquarters State

Jurisdiction:	Pennsylvania (Method 1)	Pennsylvania (Method 2)	Delaware	Maryland	Michigan	New Jersey	New York	North Carolina	Ohio
Year 1:									
Taxable Capital:	1,337,497,000	1,337,497,000	N/A	N/A	1,415,811,000	N/A	1,873,137,000	1,873,137,000	1,873,137,000
Apportionment:	50%	58%	N/A	N/A	58%	N/A	43%	43%	50%
Apportioned Tax Base:	668,748,500	773,312,155	N/A	N/A	818,591,634	N/A	813,557,827	813,557,827	936,568,500
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.15%	0.15%	Regressive
Capital Tax:	**5,951,862**	**6,882,478**	**N/A**	**N/A**	**2,373,916**	**N/A**	**0**	**1,448,559**	**4,546,274**
Taxable Income:	N/A	N/A	186,617,000	186,617,000	N/A	111,149,000	186,617,000	186,617,000	N/A
Apportionment:	N/A	N/A	58%	50%	N/A	50%	43%	43%	N/A
Apportioned Tax Base:	N/A	N/A	60,422,856	93,308,500	N/A	55,574,500	81,053,186	81,053,186	N/A
Tax Rate:	N/A	N/A	Regressive	8.25%	N/A	Calculation	7.10%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**3,131,417**	**7,697,951**	**N/A**	**7,718,553**	**5,754,776**	**4,052,659**	**N/A**
Year 2:									
Taxable Capital:	1,281,442,000	1,281,442,000	N/A	N/A	1,357,959,420	N/A	1,815,285,420	1,815,285,420	1,815,285,420
Apportionment:	50%	58%	N/A	N/A	58%	N/A	43%	43%	50%
Apportioned Tax Base:	640,721,000	740,902,353	N/A	N/A	785,143,088	N/A	788,431,205	788,431,205	907,642,710
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.125%	0.15%	Regressive
Capital Tax:	**5,702,417**	**6,594,031**	**N/A**	**N/A**	**2,276,915**	**N/A**	**985,539**	**1,410,869**	**4,430,571**
Taxable Income:	N/A	N/A	(93,309,000)	(93,309,000)	N/A	(168,777,000)	(93,309,000)	(93,309,000)	N/A
Apportionment:	N/A	N/A	58%	50%	N/A	50%	43%	43%	N/A
Apportioned Tax Base:	N/A	N/A	(30,211,590)	(46,654,500)	N/A	(84,388,500)	(40,526,810)	(40,526,810)	N/A
Tax Rate:	N/A	N/A	Regressive	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**0**	**0**	**N/A**	**2,718,848**	**0**	**0**	**N/A**
Year 3:									
Taxable Capital:	1,393,551,000	1,393,551,000	N/A	N/A	1,473,661,960	N/A	1,930,987,960	1,930,987,960	1,930,987,960
Apportionment:	50%	58%	N/A	N/A	58%	N/A	43%	43%	50%
Apportioned Tax Base:	696,775,500	805,721,378	N/A	N/A	852,039,822	N/A	838,684,180	838,684,180	965,493,980
Tax Rate:	0.89%	0.89%	N/A	N/A	0.29%	N/A	0.10%	0.15%	Regressive
Capital Tax:	**6,201,302**	**7,170,920**	**N/A**	**N/A**	**2,470,915**	**N/A**	**0**	**1,486,248**	**4,661,976**
Taxable Income:	N/A	N/A	186,617,000	186,617,000	N/A	111,149,000	186,617,000	186,617,000	N/A
Apportionment:	N/A	N/A	58%	50%	N/A	50%	43%	43%	N/A
Apportioned Tax Base:	N/A	N/A	60,422,856	93,308,500	N/A	55,574,500	81,053,186	81,053,186	N/A
Apportioned NOL Carryover:	N/A	N/A	0	(46,654,500)	N/A	(84,388,500)	(40,526,810)	(40,526,810)	N/A
State Taxable Income after NOL:	N/A	N/A	60,422,856	46,654,000	N/A	(28,814,000)	40,526,376	40,526,376	N/A
Tax Rate:	N/A	N/A	Regressive	8.25%	N/A	Calculation	6.50%	5.00%	N/A
State Income Tax:	**N/A**	**N/A**	**3,131,417**	**3,848,955**	**N/A**	**2,718,848**	**2,634,214**	**2,026,319**	**N/A**
Apportionment*:									
HQ state loans receipts:	203,598,000	203,598,000	203,598,000	203,598,000	203,598,000	203,598,000	203,598,000	203,598,000	203,598,000
HQ state portfolio receipts:	37,734,000	75,468,000	75,468,000	37,734,000	75,468,000	75,468,000	6,037,000	6,037,000	37,734,000
Total HQ state receipts:	**241,332,000**	**279,066,000**	**279,066,000**	**241,332,000**	**279,066,000**	**279,066,000**	**209,635,000**	**209,635,000**	**241,332,000**
Everywhere loans receipts:	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000	407,196,000
Everywhere portfolio receipts:	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000	75,468,000
Total everywhere receipts:	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**	**482,664,000**
	50.0000%	**57.8179%**	**57.8179%**	**50.0000%**	**57.8179%**	**50.0000%**	**43.4329%**	**43.4329%**	**50.0000%**

*Only loan interest and portfolio income considered for apportionment purposes.

STATE BANK TAX COMPARISON
Composite Bank
Call Report Data, September 30, 2014

Small Bank - $500 Million in Assets*

Bank	Assets	Equity	Pre-Tax Income**	Net Income**	Loan Interest Income**	Portfolio Income**	US Obligations	Goodwill
Bank 1	415,391,000	35,704,000	3,600,000	2,744,000	11,695,000	2,171,000	-	1,595,000
Bank 2	600,358,000	59,255,000	5,467,000	5,288,000	22,409,000	2,884,000	5,278,000	4,717,000
Bank 3	443,609,000	40,277,000	3,020,000	1,777,000	12,473,000	928,000	-	-
Bank 4	465,051,000	45,466,000	5,189,000	5,189,000	7,548,000	5,825,000	10,799,000	-
Bank 5	586,208,000	65,700,000	9,996,000	9,996,000	22,083,000	4,897,000	4,927,000	-
Bank 6	509,821,000	50,854,000	3,512,000	3,485,000	19,455,000	1,667,000	7,300,000	-
Bank 7	515,066,000	52,453,000	1,181,000	612,000	18,803,000	1,087,000	1,713,000	-
Bank 8	593,360,000	62,072,000	19,837,000	12,212,000	21,799,000	569,000	4,552,000	-
Bank 9	474,830,000	48,878,000	2,605,000	8,575,000	16,825,000	1,700,000	19,162,000	2,725,000
Bank 10	376,250,000	33,844,000	(3,856,000)	(2,240,000)	11,844,000	1,285,000	21,951,000	-
Average	**497,994,000**	**49,450,000**	**5,055,000**	**4,764,000**	**16,493,000**	**2,301,000**	**7,568,000**	**904,000**

*Based on call report data of U.S. banks with total assets of approximately $500 million.
**Annualized.

STATE BANK TAX COMPARISON
Composite Bank
Call Report Data, September 30, 2014

Medium Bank - $3 Billion in Assets*

Bank	Assets	Equity	Pre-Tax Income**	Net Income**	Loan Interest Income**	Portfolio Income**	US Obligations	Goodwill
Bank 1	3,182,955,000	458,100,000	59,555,000	39,763,000	117,197,000	10,149,000	-	-
Bank 2	3,454,619,000	333,651,000	36,016,000	25,236,000	93,111,000	11,496,000	-	11,944,000
Bank 3	3,045,205,000	329,132,000	28,919,000	20,888,000	88,309,000	15,543,000	71,496,000	29,633,000
Bank 4	3,113,803,000	284,478,000	13,755,000	9,375,000	78,285,000	16,175,000	113,999,000	5,142,000
Bank 5	3,035,803,000	255,633,000	44,295,000	30,321,000	81,559,000	19,243,000	115,277,000	48,536,000
Bank 6	3,107,844,000	334,453,000	28,521,000	28,521,000	52,455,000	30,432,000	72,996,000	20,167,000
Bank 7	2,963,485,000	369,624,000	42,411,000	29,188,000	78,465,000	24,289,000	1,461,000	32,388,000
Bank 8	3,007,646,000	258,981,000	42,884,000	28,407,000	90,707,000	11,453,000	47,668,000	-
Bank 9	3,146,082,000	300,477,000	47,824,000	30,616,000	122,911,000	1,673,000	38,039,000	12,009,000
Bank 10	3,355,680,000	386,162,000	6,101,000	6,744,000	139,113,000	13,483,000	68,734,000	23,373,000
Average	**3,141,312,000**	**331,069,000**	**35,028,000**	**24,906,000**	**94,211,000**	**15,394,000**	**52,967,000**	**18,319,000**

*Based on call report data of U.S. banks with total assets of approximately $3 billion.
**Annualized.

STATE BANK TAX COMPARISON
Composite Bank
Call Report Data, September 30, 2014

Large Bank - $15 Billion in Assets*

Bank	Assets	Equity	Pre-Tax Income**	Net Income**	Loan Interest Income**	Portfolio Income**	US Obligations	Goodwill
Bank 1	14,954,652,000	1,642,484,000	178,131,000	114,353,000	385,767,000	44,636,000	1,761,697,000	283,737,000
Bank 2	15,159,664,000	1,690,051,000	287,227,000	177,073,000	457,475,000	60,404,000	45,934,000	94,041,000
Bank 3	15,572,317,000	1,993,696,000	195,815,000	131,055,000	393,341,000	68,249,000	275,508,000	818,512,000
Bank 4	15,376,240,000	1,762,103,000	141,087,000	108,380,000	434,127,000	63,107,000	95,539,000	185,151,000
Bank 5	15,676,198,000	3,357,138,000	243,373,000	141,031,000	571,440,000	85,672,000	36,382,000	1,722,129,000
Bank 6	14,757,972,000	1,983,788,000	243,583,000	156,456,000	435,595,000	106,792,000	731,943,000	291,503,000
Bank 7	15,442,593,000	1,755,600,000	131,407,000	97,500,000	524,121,000	(35,397,000)	354,943,000	513,128,000
Bank 8	14,551,095,000	974,428,000	229,867,000	157,603,000	264,592,000	159,717,000	285,892,000	17,388,000
Bank 9	14,662,000,000	2,306,000,000	89,333,000	49,333,000	362,667,000	82,667,000	-	912,000,000
Bank 10	15,995,419,000	1,266,080,000	126,348,000	96,689,000	242,840,000	118,836,000	985,423,000	90,011,000
Average	**15,214,815,000**	**1,873,137,000**	**186,617,000**	**122,947,000**	**407,196,000**	**75,468,000**	**457,326,000**	**492,760,000**

*Based on call report data of U.S. banks with total assets of approximately $15 billion.
**Annualized.

STATE BANK TAX COMPARISON
Composite Bank

Calculation of Pennsylvania Bank Shares Tax Year-End Value

Year 1

Bank	**Small Bank**	**Medium Bank**	**Large Bank**
1) Total Bank Equity:	49,450,000	331,069,000	1,873,137,000
2) Total Assets:	497,994,000	3,141,312,000	15,214,815,000
3) Goodwill:	904,000	18,319,000	492,760,000
4) Net Bank Equity: (Line 1 minus Line 3):	48,546,000	312,750,000	1,380,377,000
5) Net Assets (Line 2 minus Line 3)	497,090,000	3,122,993,000	14,722,055,000
6) US Obligations:	7,568,000	52,967,000	457,326,000
7) Divide Line 6 by Line 5:	0.0152	0.0170	0.0311
8) Deduction for U.S. Obligations: (Multiply Line 4 by 7):	739,094	5,304,344	42,880,039
9) End of Year Value:	47,807,000	307,446,000	1,337,497,000

Year 2

Bank	**Small Bank**	**Medium Bank**	**Large Bank**
1) Total Bank Equity:	47,832,000	320,210,000	1,815,285,000
2) Total Assets:	497,994,000	3,141,312,000	15,214,815,000
3) Goodwill:	904,000	18,319,000	492,760,000
4) Net Bank Equity: (Line 1 minus Line 3):	46,928,000	301,891,000	1,322,525,000
5) Net Assets (Line 2 minus Line 3)	497,090,000	3,122,993,000	14,722,055,000
6) US Obligations:	7,568,000	52,967,000	457,326,000
7) Divide Line 6 by Line 5:	0.015225	0.016960	0.031064
8) Deduction for U.S. Obligations: (Multiply Line 4 by 7):	714,460	5,120,172	41,082,924
9) End of Year Value:	46,214,000	296,771,000	1,281,442,000

Year 3

Bank	**Small Bank**	**Medium Bank**	**Large Bank**
1) Total Bank Equity:	51,067,000	341,927,000	1,930,988,000
2) Total Assets:	497,994,000	3,141,312,000	15,214,815,000
3) Goodwill:	904,000	18,319,000	492,760,000
4) Net Bank Equity: (Line 1 minus Line 3):	50,163,000	323,608,000	1,438,228,000
5) Net Assets (Line 2 minus Line 3)	497,090,000	3,122,993,000	14,722,055,000
6) US Obligations:	7,568,000	52,967,000	457,326,000
7) Divide Line 6 by Line 5:	0.015225	0.016960	0.031064
8) Deduction for U.S. Obligations: (Multiply Line 4 by 7):	763,712	5,488,499	44,677,123
9) End of Year Value:	49,399,000	318,120,000	1,393,551,000

About Crowe Horwath

Crowe Horwath LLP (www.crowehorwath.com) is one of the largest public accounting and consulting firms in the United States. Under its core purpose of "Building Value with Values®," Crowe uses its deep industry expertise to provide audit services to public and private entities while also helping clients reach their goals with tax, advisory, risk, and performance services. With a total of more than 3,000 personnel, Crowe and its subsidiaries have offices coast to coast. The firm is recognized by many organizations as one of the country's best places to work. Crowe serves clients worldwide as an independent member of Crowe Horwath International, one of the largest global accounting networks in the world, consisting of more than 150 independent accounting and advisory services firms in more than 100 countries around the world.

Serving financial institutions in all 50 states within the U.S. and its territories, Crowe is recognized nationally as a leading provider of accounting and consulting services to banking organizations. The firm currently audits more SEC-registered financial institutions than any other firm in the U.S. (including the Big Four). In addition to financial statement audits, Crowe provides tax, internal audit, regulatory compliance, loan review, corporate governance, transaction and enterprise-wide risk management services to banks, trust companies and other financial services organizations. Crowe is the only public accounting firm to receive the exclusive endorsement of the American Bankers Association for governance, risk and compliance management services.