



Massachusetts  
Bankers  
Association

**THE  
KAFAFIAN  
GROUP**



**STATE OF THE INDUSTRY: MASSACHUSETTS Q2 2021**

Performance  
Measurement



Strategic  
Management



Profit & Process  
Improvement



Management  
Advisory



Financial  
Advisory



# DISCLOSURE STATEMENT

## FORWARD LOOKING STATEMENTS

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*Source: The Kafafian Group, Inc*



# MASSACHUSETTS BANKERS ASSOCIATION QUARTERLY UPDATE

## SUMMARY OF KEY THEMES

- 1** Massachusetts' economy continues to improve based on coincident indexes and is ranked 18<sup>th</sup> in the United States in percent change from Q4 2020 to Q1 2021 in GDP. Massachusetts also continues to have the highest median household income, per capita income, and home values in the New England region.
- 2** A sense of normalcy came as Coronavirus vaccines were rolled out to the public. Massachusetts has one of the highest fully vaccinated populations in the country but as variants of the virus emerge, recovering unemployment rates and further economic growth may be stalled.
- 3** Remote work has become a staple during the pandemic. A large percentage of employees now prefer remote work which is forcing businesses to consider offering remote or hybrid work arrangements to retain and grow key talent. The trend may also negatively impact the commercial real estate market and property values.
- 4** Massachusetts has become a major hotspot for Fintech. As the state embraces and promotes Fintech innovation, the launch of the Mass Fintech Hub may create more opportunities for collaboration with banks and Fintech companies.
- 5** Profitability highlights include a decrease in the Massachusetts' median for ROAA, Net Interest Margin, Cost of Funds, ROAE, and a slight increase in Efficiency Ratio.

Source: The Kafafian Group, Inc.



# ECONOMIC SNAPSHOT

## EMPLOYMENT & HOUSING

EMPLOYMENT	Measure	Jul-21	Jun-21	May-21	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
1 Unemployment Rate (National Seasonally Adj)	%	5.4	5.9	5.8	-0.5	-4.8
2 Unemployment Rate in Massachusetts (Not Seasonally Adj)	%	NA	5.4	5.9	-0.5	-4.8
3 All Employees, Total Nonfarm	000's	146,821	145,878	144,940	0.65%	5.20%
4 Labor Force Participation Rate	%	61.7	61.6	61.6	0.1	0.2
		<b>7/31/2021</b>	<b>7/3/2021</b>	<b>6/5/2021</b>		
5 Initial Claims (Weekly)		385,000	386,000	374,000	-0.26%	-63.09%

HOUSING	Measure	Jul-21	Jun-21	May-21	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
6 S&P/Case-Shiller U.S. National Home Price Index		NA	NA	254.9	2.14%	16.61%
7 S&P/Case-Shiller MA-Boston Home Price Index		NA	NA	270.0	1.37%	17.44%
8 Housing Affordability Index		NA	NA	151.7	-2.63%	-12.46%
9 New Privately-Owned Housing Units Started: Single-Family Units	000's	NA	1,160.0	1,091.0	6.32%	28.46%
10 New Privately-Owned Housing Units Started: Single-Family Units in the Northeast Census Region	000's	NA	82.0	61.0	34.43%	6.49%
11 30-Year Fixed Rate Mortgage Average in the United States	%	2.87	2.98	2.96	-0.11	-0.15
		<b>Q2 2021</b>	<b>Q1 2021</b>	<b>Q4 2020</b>		
12 Delinquency Rate on Single-Family Residential Mortgages	%	2.75	2.74	2.80	0.01	0.36

Source: The Kafafian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 8/9/2021.

# ECONOMIC SNAPSHOT

## MARKET/RATES, CONSUMER, & PRODUCTION/PRICES

MARKET/RATES		Measure	Jul-21	Jun-21	May-21	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
(End of Period)							
13	S&P 500		4,395.3	4,297.5	4,204.1	2.27%	41.77%
14	10-Year Treasury Constant Maturity Rate	%	1.24	1.45	1.58	(0.21)	0.58
15	TED Spread	%	0.06	0.10	0.12	(0.04)	(0.08)
16	Bank Prime Loan Rate	%	3.25	3.25	3.25	-	-
17	Effective Federal Funds Rate	%	0.07	0.08	0.05	(0.01)	(0.01)

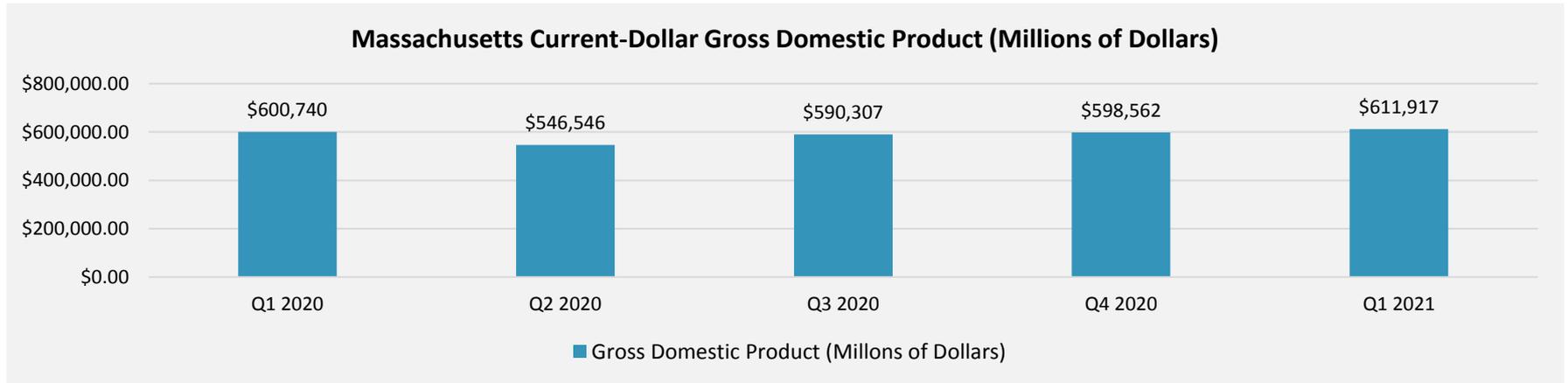
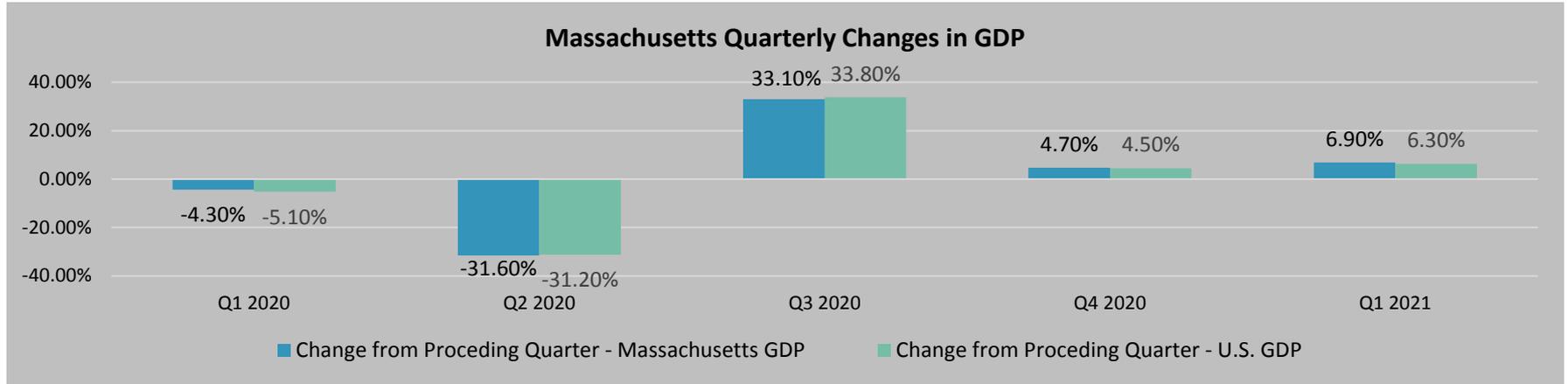
CONSUMER		Measure	Jul-21	Jun-21	May-21	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
18	Personal Consumption Expenditures: Chain-type Price Index		NA	115.3	114.8	0.51%	3.99%
19	Retail Sales: Excluding Motor Vehicle and Parts	\$mil	NA	489,220	483,053	1.28%	17.58%
20	University of Michigan: Consumer Sentiment		NA	85.50	82.90	3.14%	9.48%
21	Personal Saving Rate	%	NA	9.40	10.30	(0.90)	(9.90)

PRODUCTION/PRICES		Measure	Jul-21	Jun-21	May-21	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
22	Consumer Price Index		NA	270.98	268.55	0.90%	5.32%
23	ISM Manufacturing: PMI		59.50	60.60	61.20	(1.10)	5.80
24	ISM Services: PMI		64.10	60.10	64.00	4.00	7.50
			Q2 2021	Q1 2021	Q4 2020		
25	Gross Domestic Product (Change from Prior, annualized rate)*	%	13.00	10.90	6.60	NA	NA

Source: The Kafafian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 8/9/2021.

# MASSACHUSETTS GDP

## MASSACHUSETTS QUARTERLY CHANGES IN GDP



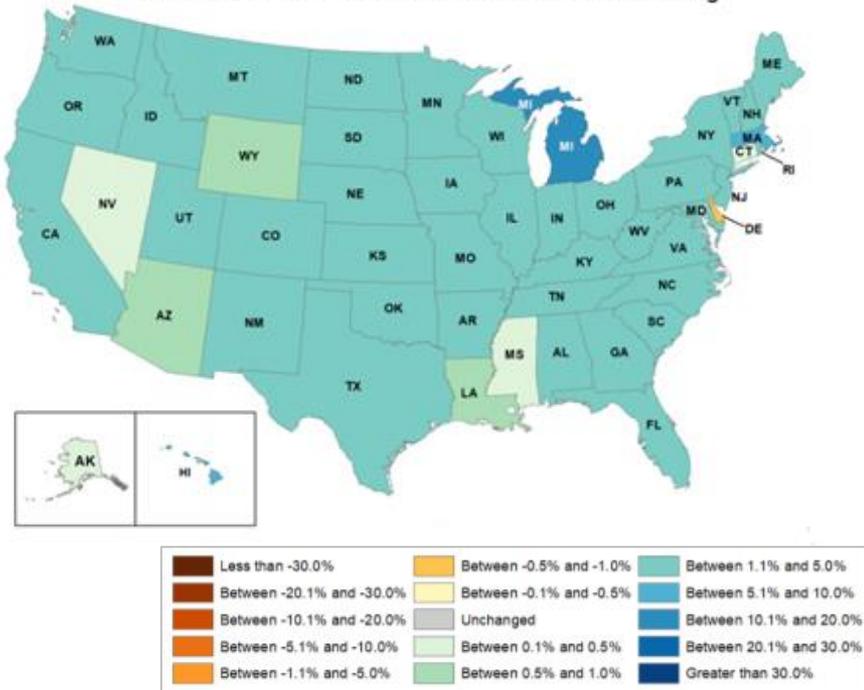
Source: Bureau of Economic Analysis, "Gross Domestic Product by State, 1st Quarter 2021" 6/25/2021

# STATE COINCIDENT INDEXES

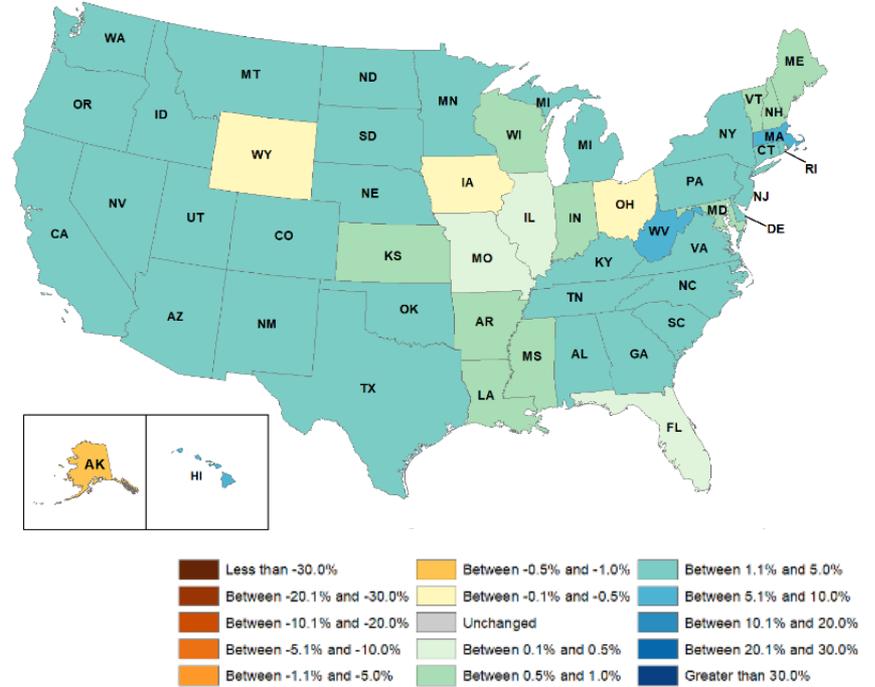
## STATE ECONOMIC HEALTH

From Q1 2021 to Q2 2021, Massachusetts continued to have a high state coincident index. The strong state economy is supported by growth in the labor market and statewide GDP.

March 2021 State Coincident Indexes: Three-Month Change



June 2021 State Coincident Indexes: Three-Month Change



\*The coincident indexes combine four state-level indicators to summarize current economic conditions in a single statistic. The four state-level variables in each coincident index are nonfarm payroll employment, average hours worked in manufacturing by production workers, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).

Source: The Kafafian Group, Inc., Federal Reserve Bank of Philadelphia

# NON-AGRICULTURAL EMPLOYMENT GROWTH

## MASSACHUSETTS LABOR FORCE Q2 2021

According to a July 2021 release from the Bureau of Labor Statistics, Massachusetts had the largest unemployment rate decrease among all states from June 2020 to June 2021. The below table summarizes the number of jobs and twelve-month growth rate of non-agricultural employment in Massachusetts. Over the course of the last year, Massachusetts has added 362K jobs, an increase of 10.47% since June 2020.

Industry Sector	April 2021 Number of Jobs (000s)	May 2021 Number of Jobs (000s)	June 2021 Number of Jobs (000s)	April 2021 12 Month Change (%)	May 2021 12 Month Change (%)	June 2021 12 Month Change (%)
1 Education & Health Services	758.10	760.30	761.70	7.10	7.10	5.50
2 Professional & Business Services	601.60	603.50	604.40	7.90	6.70	7.00
3 Trade, Transportation, and Utilities	554.30	555.30	555.10	19.30	18.60	12.60
4 Government	429.20	429.90	433.90	(0.70)	0.80	1.40
5 Leisure & Hospitality	278.20	281.70	284.80	76.10	61.20	52.20
6 Manufacturing	231.00	231.60	232.40	7.00	5.60	3.80
7 Financial Activities	219.40	218.80	218.10	2.50	2.10	2.30
8 Construction	162.70	162.30	161.50	41.80	25.40	10.20
9 Other Services	113.90	113.60	114.00	32.10	22.40	16.80
10 Information	89.50	90.10	90.60	0.30	1.90	3.90
11 Mining and Logging	1.00	1.00	1.00	11.10	(9.10)	NM
<b>Total</b>	<b>3,438.90</b>	<b>3,448.10</b>	<b>3,457.50</b>	<b>15.81</b>	<b>13.35</b>	<b>10.47</b>

Source: Bureau of Labor Statistics



# MASSACHUSETTS HOME VALUE GROWTH

## HOME VALUE GROWTH BY COUNTY 2016-2021

According to the Zillow Home Value Index, Massachusetts ranks 4<sup>th</sup> in home value growth in the New England region behind Rhode Island, New Hampshire, and Maine from December 31, 2016 to June 30, 2021. Although Massachusetts' growth rate is lower than those states, Massachusetts home values are the highest in New England.

### Home Value Growth - Massachusetts Counties

		12/31/2016	12/31/2017	12/31/2018	12/31/2019	12/31/2020	4/30/2021	5/31/2021	6/30/2021	12/31/2016-6/30/2021 Growth
<b>1</b>	Barnstable County	\$ 401,197	\$ 420,432	\$ 438,694	\$ 437,045	\$ 492,312	\$ 536,446	\$ 552,404	\$ 571,777	42.52%
<b>2</b>	Worcester County	\$ 269,371	\$ 284,472	\$ 297,928	\$ 307,877	\$ 345,378	\$ 367,967	\$ 374,842	\$ 382,569	42.02%
<b>3</b>	Bristol County	\$ 296,057	\$ 318,449	\$ 333,344	\$ 342,019	\$ 378,097	\$ 401,717	\$ 408,895	\$ 417,245	40.93%
<b>4</b>	Hampden County	\$ 195,230	\$ 207,568	\$ 212,690	\$ 222,072	\$ 245,131	\$ 259,848	\$ 264,008	\$ 268,523	37.54%
<b>5</b>	Essex County	\$ 413,661	\$ 433,579	\$ 456,861	\$ 468,803	\$ 512,363	\$ 543,182	\$ 553,128	\$ 566,021	36.83%
<b>6</b>	Plymouth County	\$ 367,166	\$ 386,227	\$ 402,860	\$ 406,744	\$ 450,028	\$ 479,392	\$ 487,719	\$ 498,987	35.90%
<b>7</b>	Franklin County	\$ 200,066	\$ 217,562	\$ 230,830	\$ 219,046	\$ 244,113	\$ 255,458	\$ 259,504	\$ 264,855	32.38%
<b>8</b>	Berkshire County	\$ 219,340	\$ 227,043	\$ 233,003	\$ 240,043	\$ 260,715	\$ 276,820	\$ 282,630	\$ 288,782	31.66%
<b>9</b>	Middlesex County	\$ 508,579	\$ 543,002	\$ 562,555	\$ 565,407	\$ 611,388	\$ 639,247	\$ 651,906	\$ 665,907	30.93%
<b>10</b>	Norfolk County	\$ 478,812	\$ 502,441	\$ 519,451	\$ 529,759	\$ 573,578	\$ 600,653	\$ 610,137	\$ 621,439	29.79%
<b>11</b>	Hampshire County	\$ 262,385	\$ 272,960	\$ 286,287	\$ 287,268	\$ 312,557	\$ 324,798	\$ 329,332	\$ 334,482	27.48%
<b>12</b>	Dukes County	\$ 735,250	\$ 781,449	\$ 815,824	\$ 847,063	\$ 886,415	\$ 917,297	\$ 925,932	\$ 935,071	27.18%
<b>13</b>	Nantucket County	\$1,420,012	\$1,487,957	\$1,559,118	\$1,624,815	\$1,704,432	\$1,764,501	\$1,782,490	\$1,800,860	26.82%
<b>14</b>	Suffolk County	\$ 525,630	\$ 565,419	\$ 598,781	\$ 598,945	\$ 629,833	\$ 641,865	\$ 645,843	\$ 653,076	24.25%
	<b>Massachusetts</b>	<b>\$ 381,944</b>	<b>\$ 404,921</b>	<b>\$ 422,364</b>	<b>\$ 429,516</b>	<b>\$ 471,336</b>	<b>\$ 498,198</b>	<b>\$ 507,310</b>	<b>\$ 518,203</b>	<b>35.68%</b>

Source: Zillow



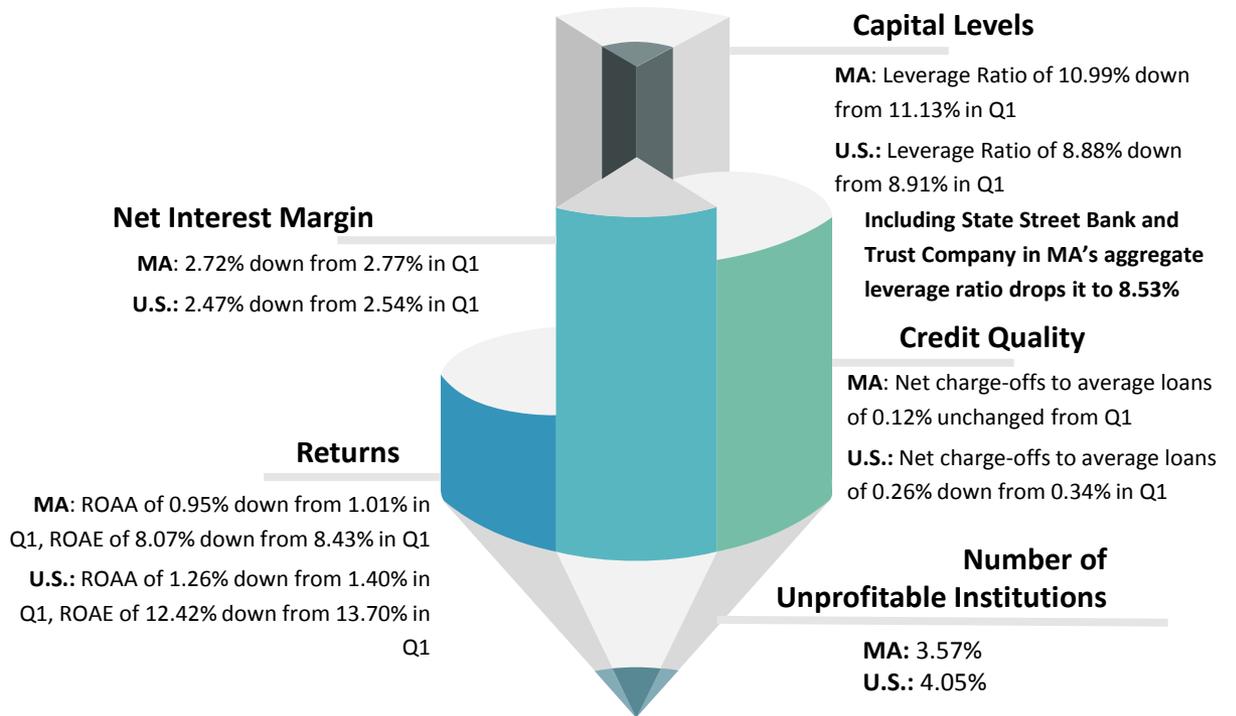
# THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

## SECOND QUARTER OF 2021 RESULTS (AGGREGATE)

**112** MA Institutions\*  
**5,181** Total U.S. Institutions\*\*

**1.18%** of the U.S. Banking Industry's Total Assets

**1.78%** of the U.S. Banking Industry's Total Loans



\*Headquartered in Massachusetts; removed State Street Bank and Trust Company

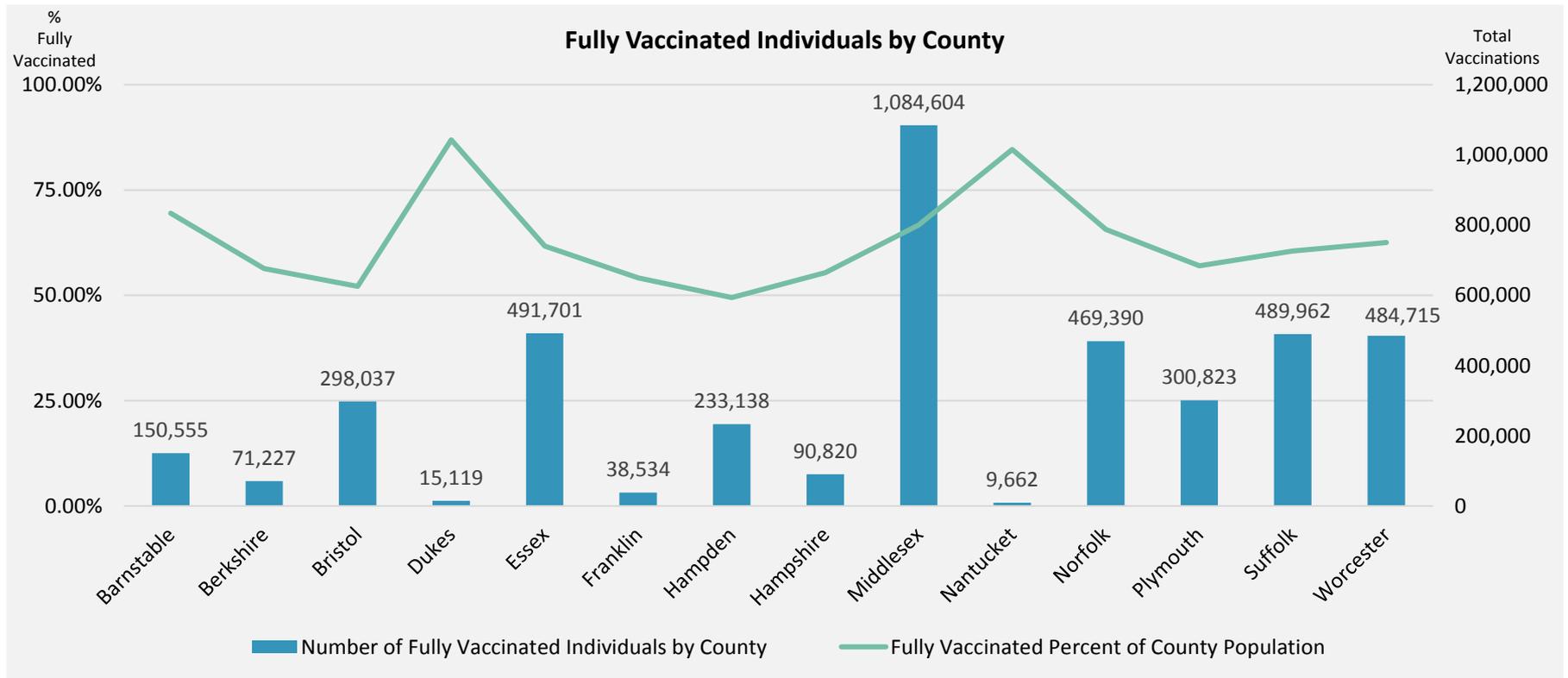
\*\*All FDIC call report filers

Source: The Kafafian Group, Inc. and S&P Global Market Intelligence. Presented for the quarter ended 6/30/2021. Data included reflects both commercial and mutual bank data.

# MASSACHUSETTS VACCINE STATISTICS

## VACCINE RATES BY COUNTY

The below is an overview of vaccination rates by county. According to Becker's Hospital Review data as of August 5, 2021, Massachusetts ranks 2<sup>nd</sup> in the country behind Vermont in total percentage of state population that is fully vaccinated. Massachusetts as a state has an estimated 63% statewide fully vaccinated rate.



Source: Mass.gov data as of 8/5/2021



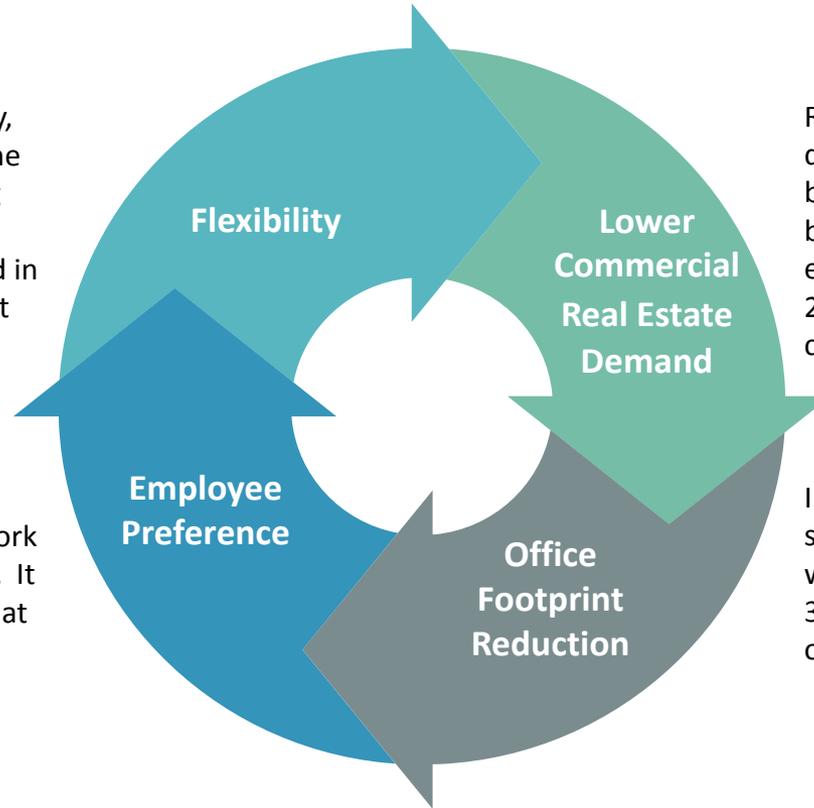
# MASSACHUSETTS REMOTE WORK

## THE PANDEMIC'S IMPACT ON REMOTE WORK

*Remote work became very common during the pandemic. As some form of normalcy resumes and state restrictions are eased, the traditional work environment may be shifting as businesses look to reduce office costs and footprints, and employees prefer remote and hybrid work schedules.*

According to a report by McKinsey, Massachusetts has been one of the top states for remote work during the pandemic. As of April 2021, 40% of Massachusetts adults lived in households with at least one adult working remotely due to the pandemic.

More than 63% of workers prefer some form of hybrid or remote work according to the McKinsey report. It is estimated in the next decade that 32% or 1.4 million workers could continue to work from home.



Remote working arrangements have driven down office rents in Boston by 2.5% and increased vacancy rates by 2.4% in March 2021. Office real estate demand could fall by 10%-20% by 2030 if remote work trends continue.

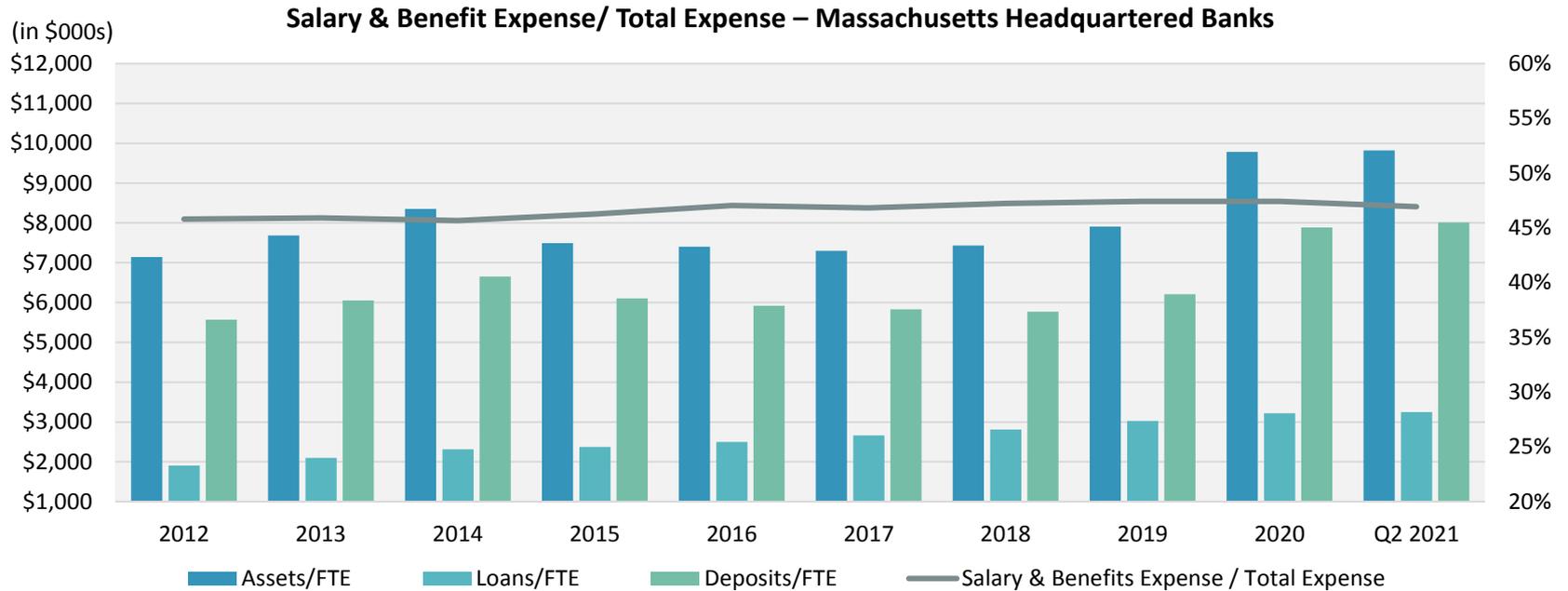
In a survey of 100 businesses, 90% said they plan to incorporate remote work into their daily operations, and 36% said they plan to reduce their office footprint.

Source: Boston.com "8 ways the pandemic may lastingly change life and work in Massachusetts" 7/13/2021

# PEOPLE

## PRODUCTIVITY TRENDS

Salary and benefits are important factors when deciding on a career opportunity. According to the 2020 Bank Director survey, 48% of bank directors said tying salary to performance is their top compensation challenge, followed by 44% stating their next largest challenge was managing compensation and benefit cost.

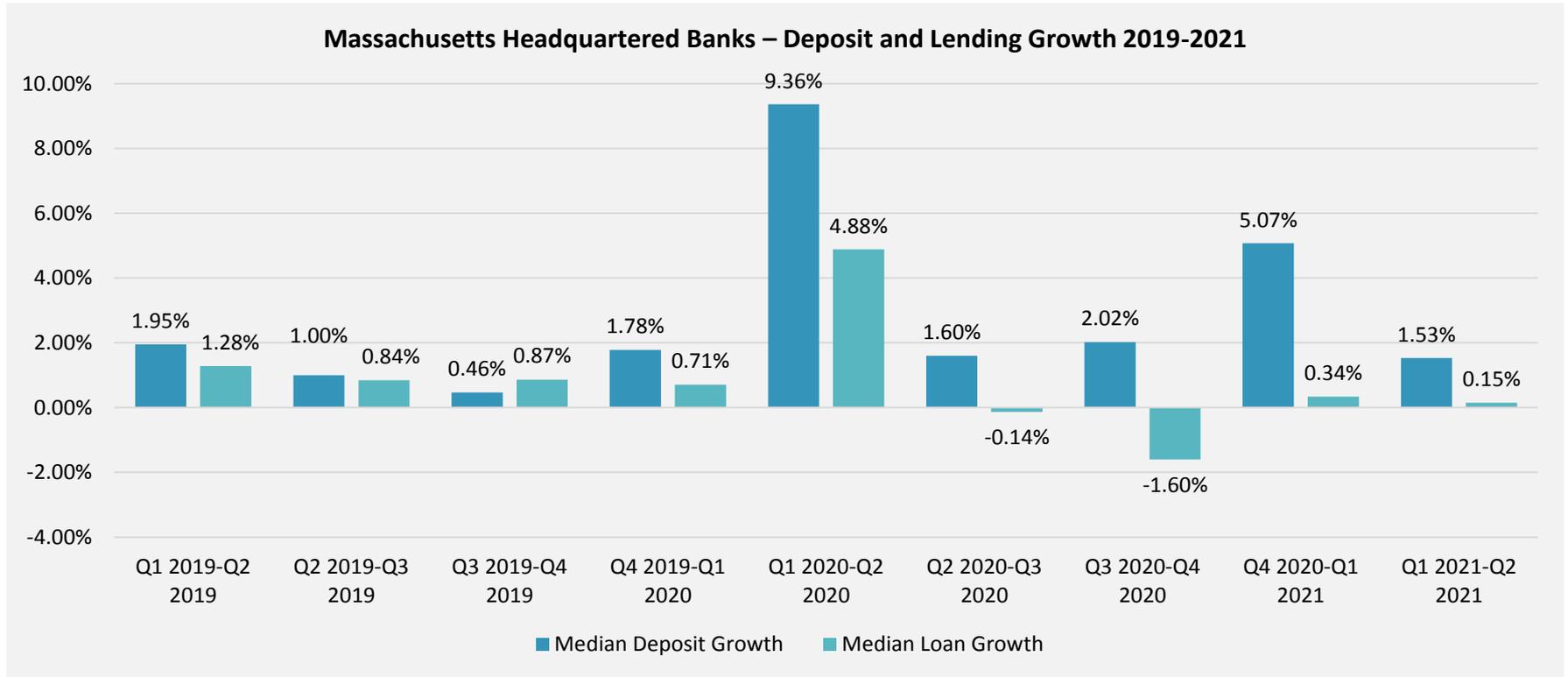


Source: The Kafafian Group, Inc. analysis of S&P Global Market Intelligence data, FDIC, as of 6/30/2021

# DEPOSIT AND LENDING GROWTH

## MASSACHUSETTS HEADQUARTERED BANKS DEPOSIT AND LENDING GROWTH

*The pandemic stalled lending growth (in Massachusetts and other states as well) and has made it difficult for banks to turn deposits into loans. As new variants of the virus are emerging, the trend of deposits out-growing loans could continue.*



Source: S&P Global Market Intelligence



# MASSACHUSETTS DEMOGRAPHIC

## MASSACHUSETTS DEMOGRAPHIC DATA BY COUNTY

The below table is demographic data for each Massachusetts county. According to S&P Global Market Intelligence, Massachusetts ranks 15<sup>th</sup> in the United States in total households, 5<sup>th</sup> in median household income, and 2<sup>nd</sup> in per capita income in 2021.

Summary Demographic Data - Massachusetts Counties by Total Population

Rank	County	Total	Population	Claritas	Total	Median HH	Claritas	Per Capita
		Population	Change	Population	Households	Income	HH Income	Income
		2020	2010-2020	2021-2026	2020	2020	2021-2026	2020
		(Census)*	(%)*	(%)**	(Census)*	(\$)*	(%)**	(\$)*
1	Middlesex, MA	1,632,002	7.20	2.71	604,384	102,603	10.20	52,228
2	Worcester, MA	862,111	4.00	2.10	309,951	74,679	10.45	37,574
3	Essex, MA	809,829	6.20	2.53	294,202	79,263	10.87	42,347
4	Suffolk, MA	797,936	11.30	3.53	309,844	69,669	15.80	42,765
5	Norfolk, MA	725,981	5.30	2.48	265,300	103,291	9.15	53,889
6	Bristol, MA	579,200	3.10	1.93	217,912	69,095	10.53	35,747
7	Plymouth, MA	530,819	5.30	2.66	187,460	89,489	12.05	43,412
8	Hampden, MA	465,825	0.60	0.58	179,423	55,429	7.10	30,346
9	Barnstable, MA	228,996	(1.30)	0.18	94,323	74,336	11.53	44,505
10	Hampshire, MA	162,308	1.80	0.98	58,838	70,876	12.97	34,838
11	Berkshire, MA	129,026	(4.80)	(1.38)	54,813	59,230	9.20	35,616
12	Franklin, MA	71,029	(1.70)	(0.24)	30,569	60,950	7.14	35,908
13	Dukes, MA	20,600	4.80	1.87	6,765	71,811	10.53	45,990
14	Nantucket, MA	14,255	12.10	4.45	3,713	107,717	7.93	55,398
	<b>Massachusetts</b>	<b>7,029,917</b>	<b>5.30</b>	<b>2.26</b>	<b>2,617,497</b>	<b>81,215</b>	<b>10.61</b>	<b>43,761</b>

\*Reflects 2020 Census data

\*\*Claritas data does not reflect most recent Census data

Source: S&P Global Market Intelligence, Claritas, United States Census Bureau



# MASSACHUSETTS BANKING TRENDS

## TEN YEAR TRENDS

	For the Year Ended December 31,											As of or for the quarter- ended,
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	3/31/2021
1 Number of Reporting Institutions	165	160	153	152	147	138	133	124	119	114	109	109
	(\$ in millions)											
<b>Balance Sheet Highlights</b>												
2 Total Assets	256,615	317,176	331,173	359,155	395,958	375,637	384,589	390,217	406,896	412,470	505,213	515,063
3 Total Loans & Leases	78,259	79,508	89,456	98,885	110,810	120,146	131,106	143,492	155,253	159,001	168,017	172,023
4 Total Deposits	182,958	245,992	258,443	282,667	315,329	305,874	307,484	311,650	316,081	323,926	407,009	420,076
5 Total Loans/Deposits (%)	42.77	32.32	34.61	34.98	35.14	39.28	42.64	46.04	49.12	49.09	41.28	40.95
6 Total Equity	27,373	30,045	32,075	32,869	33,713	34,937	37,617	39,723	43,827	45,295	47,833	48,269
7 Total Employees - FTE	44,815	45,908	46,385	46,725	47,406	50,124	51,946	53,468	54,702	52,151	51,633	52,464
<b>Profitability (% Annualized)</b>												
8 Net Income	2,536	2,506	2,761	2,795	2,681	2,884	3,298	3,319	4,186	3,851	3,396	1,062
9 ROAA (%)	0.99	0.87	0.89	0.83	0.70	0.73	0.86	0.87	1.05	0.96	0.72	0.83
10 ROAE (%)	9.50	8.67	8.99	8.72	8.07	8.45	9.08	8.67	10.12	8.61	7.36	8.84
11 Net Interest Margin (%)	2.66	2.32	2.18	1.99	1.79	1.79	1.94	2.14	2.31	2.37	1.84	1.67
12 Yield on Earning Assets (%)	3.43	2.85	2.56	2.31	2.04	2.04	2.22	2.51	2.87	3.12	2.14	1.80
13 Cost of Funding Earning Assets (%)	0.77	0.53	0.38	0.32	0.26	0.25	0.28	0.36	0.56	0.74	0.31	0.13
14 Efficiency Ratio (%)	68.26	71.67	71.03	72.06	74.13	73.40	73.04	70.00	69.11	70.86	68.12	70.66
15 Noninterest Income/Average Assets (%)	2.69	2.53	2.47	2.31	2.13	2.18	2.27	2.45	2.39	2.29	2.16	2.17
16 Noninterest Expense/Average Assets (%)	3.50	3.32	3.18	2.98	2.78	2.78	2.92	3.05	3.06	3.10	2.73	2.61
17 Noninterest income/Operating Revenue (%)	53.42	55.75	56.25	57.20	57.74	58.60	57.94	57.38	54.90	53.48	57.60	60.08
<b>Capitalization</b>												
18 Equity/Assets (%)	10.67	9.40	9.61	9.09	8.45	9.24	9.72	10.18	10.77	10.98	9.47	9.37
19 Tangible Equity/Tangible Assets (%)	7.55	6.98	7.15	6.82	6.49	7.25	7.71	8.08	8.22	8.44	7.47	7.37
20 Tier 1 Risk-based Capital Ratio (%)	16.25	16.32	15.85	15.34	13.96	14.36	14.67	14.72	15.12	14.98	NA	NA
21 Common Equity Tier 1 Capital Ratio (%)	N/A	N/A	N/A	N/A	N/A	14.35	14.66	14.71	16.06	16.00	NA	NA
22 Total Capital Ratio (%)	17.77	17.92	17.37	17.23	15.38	15.61	15.84	15.76	15.13	14.99	16.08	15.57
23 Leverage Ratio (%)	8.16	7.88	7.69	7.76	7.21	8.01	8.25	8.89	9.02	9.01	8.31	7.92
Elected Community Bank Leverage Ratio												
24 Framework (# of Institutions)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	32.00	31.00
<b>Asset Quality</b>												
25 Total Noncurrent Loans/Loans (%)	1.59	1.41	1.09	0.86	0.67	0.54	0.48	0.39	0.39	0.38	0.49	0.44
26 Loan Loss Allowance/Noncurrent Loans (%)	76.10	79.30	92.14	111.47	130.97	155.20	171.18	200.86	198.27	200.68	207.75	229.55

Source: FDIC. Data included reflects both commercial and mutual bank data.

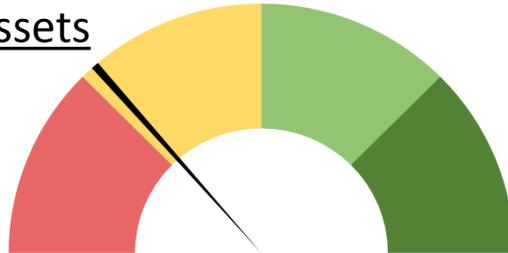


# THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

## RECENT PERFORMANCE: SELECT PROFITABILITY RATIOS

### Return On Avg. Assets

**MA Median: 0.73%**  
**U.S. Median: 1.07%**



MA's **Median** ROAA ranks among the **27<sup>th</sup>** percentile Nationwide

*ROAA utilizes S&P Global Market Intelligence's adjustment for institutions that operate as Sub Chapter S Corporations.*

### Net Interest Margin

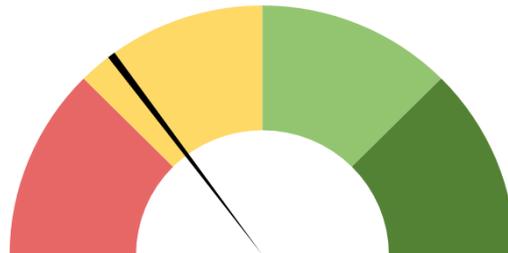
**MA Median: 2.94%**  
**U.S. Median: 3.23%**



MA's **Median** Net Interest Margin ranks among the **33<sup>rd</sup>** percentile Nationwide

### Efficiency Ratio

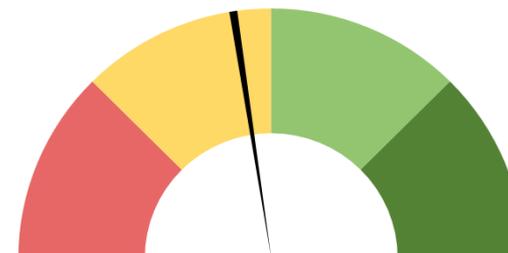
**MA Median: 72.05%**  
**U.S. Median: 63.34%**



MA's **Median** Efficiency Ratio ranks among the **29<sup>th</sup>** percentile Nationwide

### Cost of Funds

**MA Median: 0.35%**  
**U.S. Median: 0.32%**



MA's **Median** Cost of Funds ranks among the **46<sup>th</sup>** percentile Nationwide

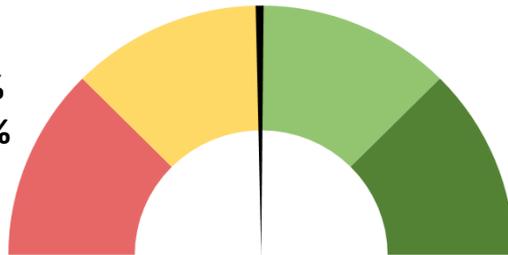
*Source: The Kafafian Group, Inc. and S&P Global Market Intelligence. Presented for the quarter ended 6/30/2021. Data included reflects both commercial and mutual bank data.*

# THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

## RECENT PERFORMANCE: SELECT BALANCE SHEET RATIOS

### NPA/Assets

**MA Median: 0.39%**  
**U.S. Median: 0.38%**



MA's **Median** NPA/Assets ranks among the **50<sup>th</sup>** percentile Nationwide

### Tier 1 Leverage

**MA Median: 10.63%**  
**U.S. Median: 9.94%**



MA's **Median** Tangible Equity/Tangible Assets ranks among the **62<sup>nd</sup>** percentile Nationwide

### CRE/Loans\*

**MA Median: 28.46%**  
**U.S. Median: 21.12%**

*\*non-owner occupied*



MA's **Median** Total CRE/Loans ratio ranks among the **65<sup>th</sup>** percentile Nationwide

### Loans/Deposits

**MA Median: 82.24%**  
**U.S. Median: 70.29%**



MA's **Median** Loan/ Deposit ratio ranks among the **74<sup>th</sup>** percentile Nationwide

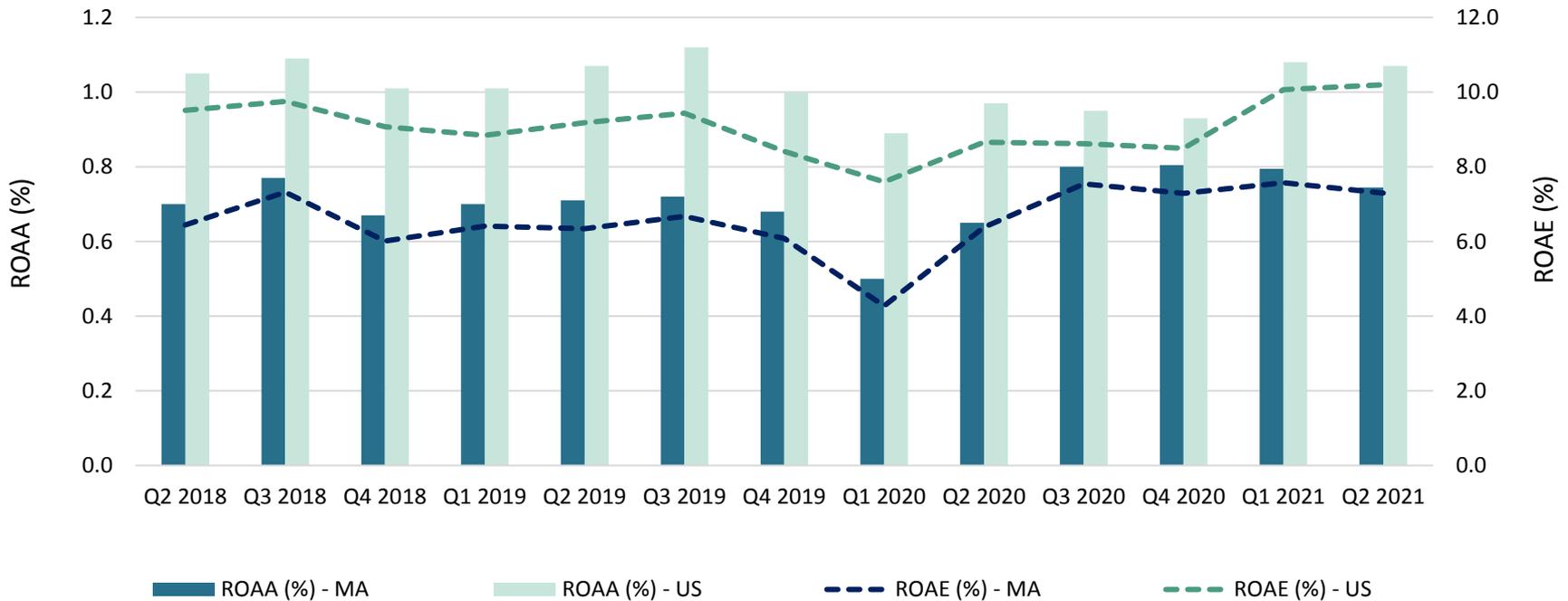
Source: The Kafafian Group, Inc. and S&P Global Market Intelligence. Presented for the quarter ended 6/30/2021. Data included reflects both commercial and mutual bank data.

# MASSACHUSETTS BANKS PERFORMANCE

## RECENT TRENDS

The ROAA for Massachusetts banks and the U.S both decreased in Q2 2021 from Q1 2021, while ROAE for Massachusetts banks decreased and the U.S. rose compared to Q1 2021.

Profitability Highlights (Median %)



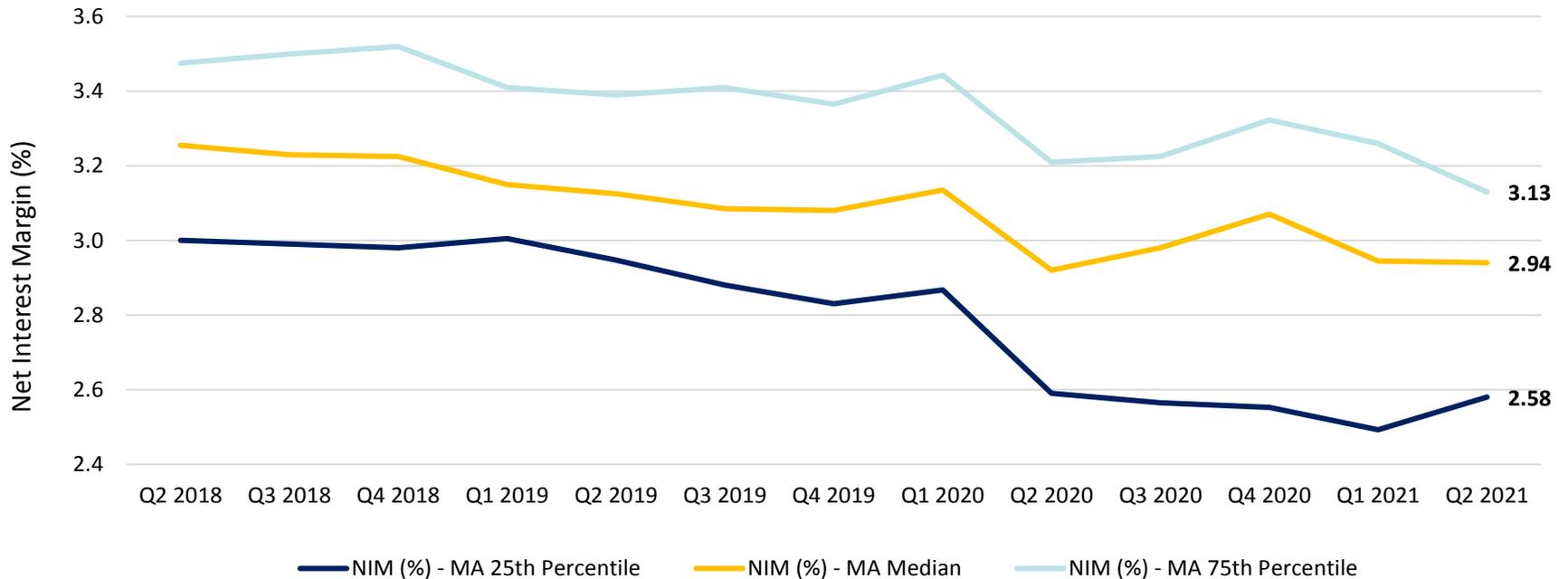
Source: The Kafafian Group, Inc. and S&P Global Market Intelligence. Presented for the quarter ended 6/30/2021. Data included reflects both commercial and mutual bank data.

# MASSACHUSETTS BANKS PERFORMANCE

## RECENT TRENDS (CONTINUED)

The Net Interest Margin for Massachusetts and U.S. banks decreased on an aggregate level in Q2 2021 compared to Q1 2021. The spread between the Massachusetts 25<sup>th</sup> percentile and median narrowed in Q2 2021 to 35 basis points compared to 45 basis points in Q1 2021.

Net Interest Margin (%)

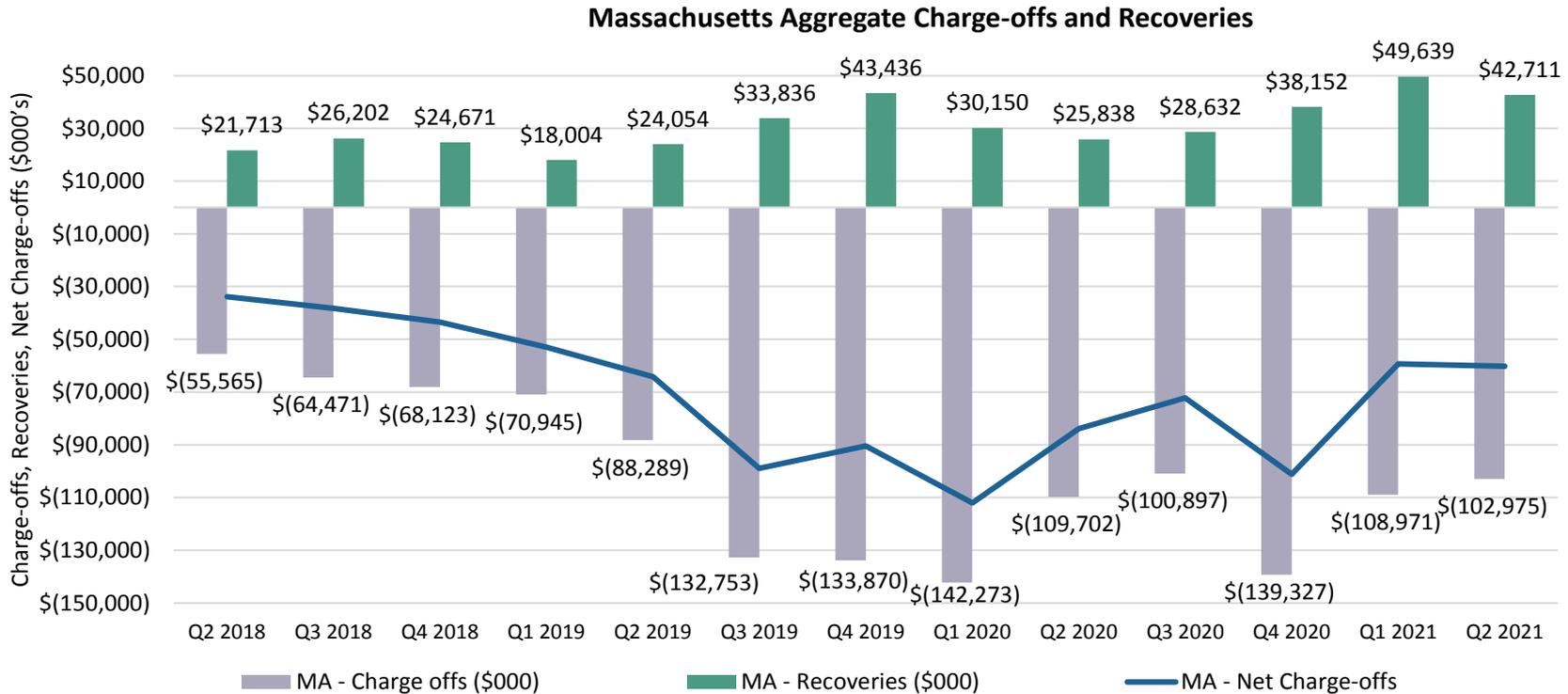


Source: The Kafafian Group, Inc. and S&P Global Market Intelligence. Presented for the quarter ended 6/30/2021. Data included reflects both commercial and mutual bank data.

# MASSACHUSETTS BANKS PERFORMANCE

## RECENT TRENDS (CONTINUED)

Net charge offs in Q2 2021 remained similar to Q1 2021. Charge offs in Massachusetts were the 2<sup>nd</sup> lowest amount since Q2 2019.

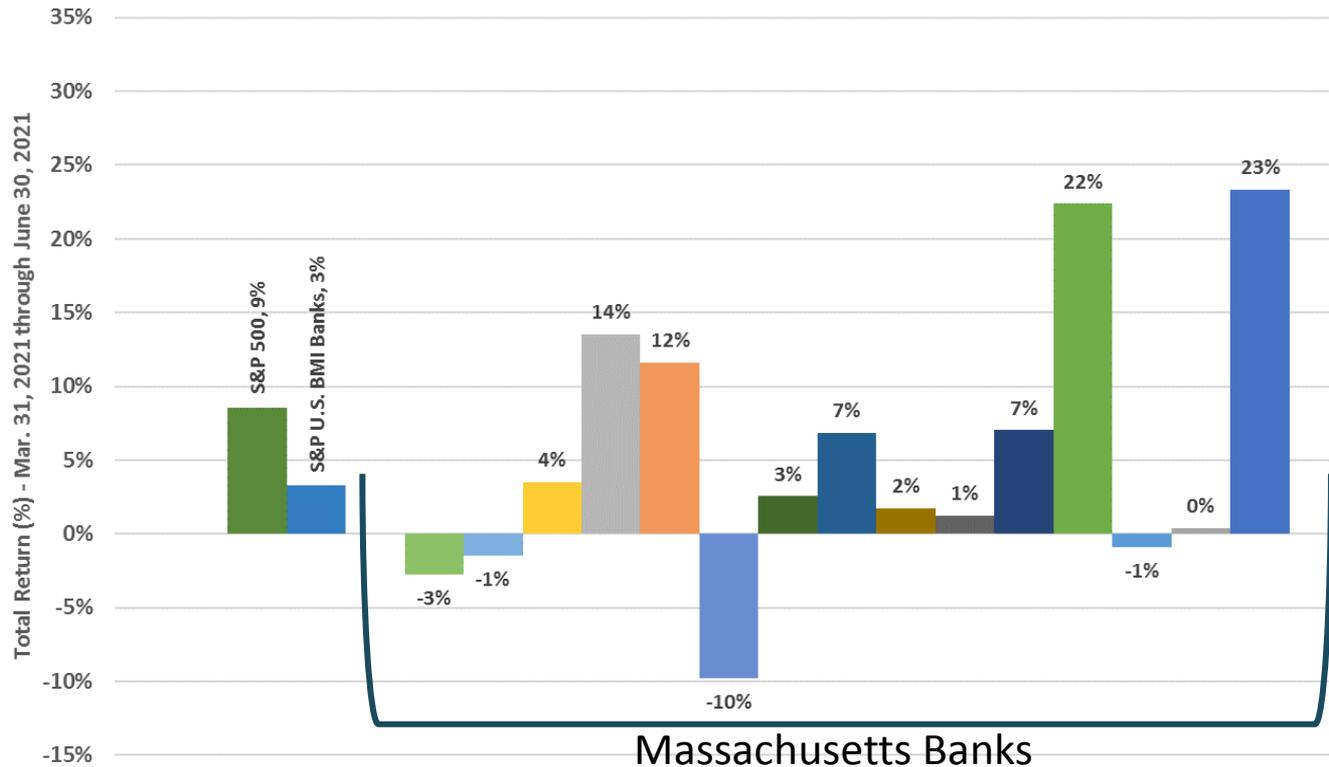


Source: The Kafafian Group, Inc. and S&P Global Market Intelligence. Presented for the quarter ended 6/30/2021. Data included reflects both commercial and mutual bank data.

# TOTAL RETURN

## TOTAL RETURN: MARCH 31, 2021 THROUGH JUNE 30, 2021

Publicly traded Massachusetts Headquartered Banks were even with the S&P U.S. BMI Banks Index and were behind the S&P 500 for the second quarter of 2021. The median total return for Massachusetts banks was 3%, while the S&P U.S. BMI Banks Index was 3% and the S&P 500 was 9%.



Source: The Kafafian Group, Inc. and S&P Global Market Intelligence data as of 6/30/2021

## IN THE NEWS

### MASSACHUSETTS BANKS AND BANKERS IN THE NEWS

BankProv taps into the crypto market with Ethereum-backed loans

JUNE 15, 2021

**Rockland Trust to acquire East Boston Savings in \$1.15B deal**

Apr 22, 2021 **Updated** Apr 22, 2021, 6:43pm EDT

Cambridge Savings Bank Extends \$750 Thousand Corporate Loan to Nonprofit, Capital Good Fund, to Provide Stability to Low-to-Moderate Income Families and Individuals

May 27, 2021 10:06 AM Eastern Daylight Time

**Massachusetts is latest state vying to become fintech hub**

June 09, 2021, 3:11 p.m. EDT

**Inside Boston's turn as ground zero for M&A in 2021**

Published May 5, 2021

**Eastern Bank, Century Bank announce \$642M merger agreement**

10:23 AM EDT Apr 8, 2021

**The Federal Reserve OK's merger of Silicon Valley Bank and Boston Private**

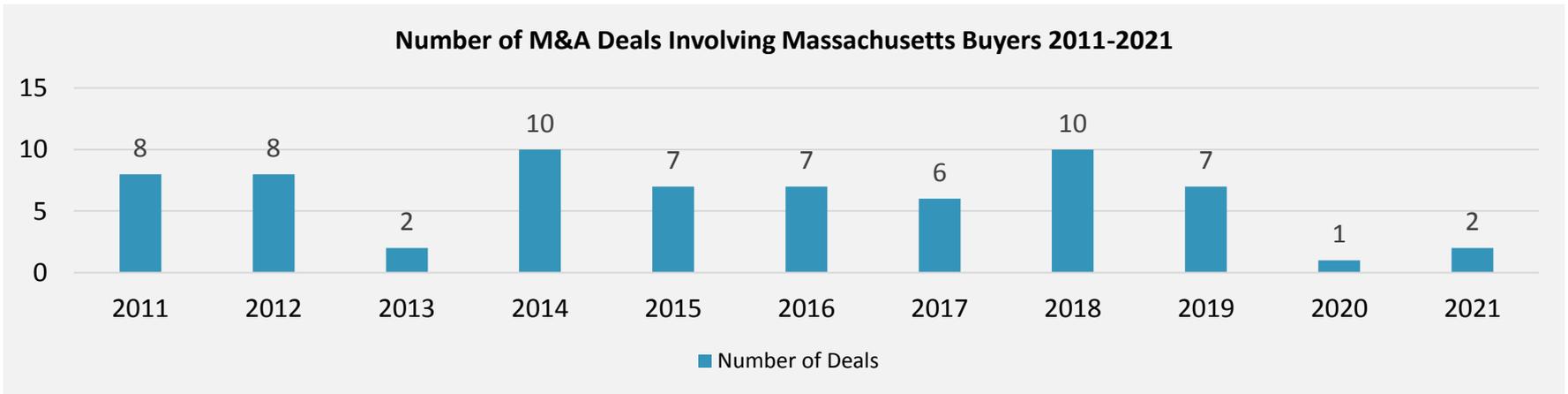
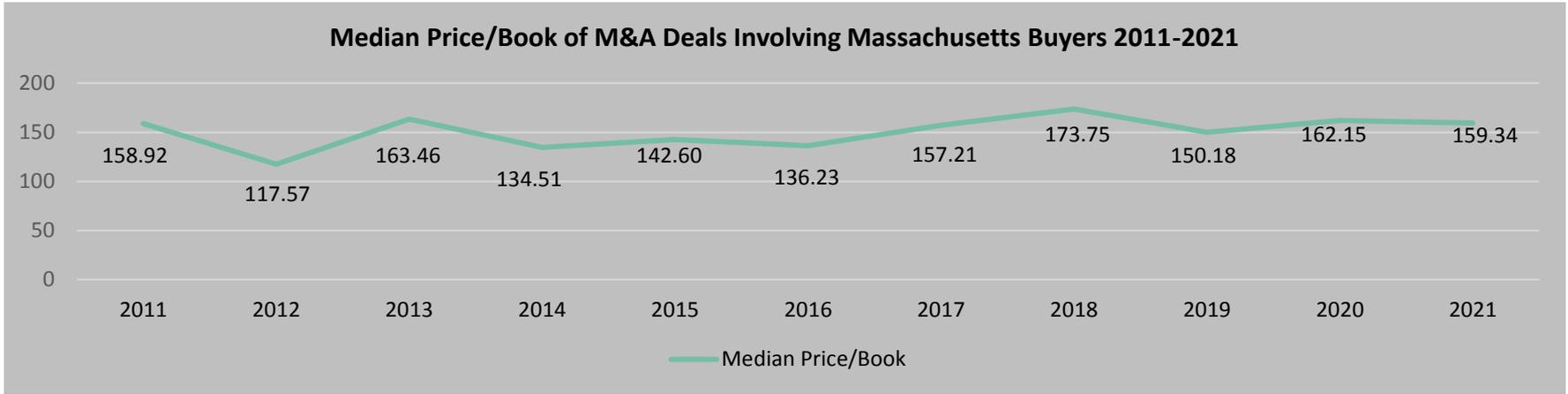
Jun 10, 2021 **Updated** Jun 11, 2021, 10:32am PDT

Source: Tearsheet, American Banker, Banking Dive, Biz Journals, WCVB, Business Wire, S&P Global Market Intelligence



# M&A TRENDS

## MASSACHUSETTS BUYERS M&A TRENDS 2011-2021



Source: S&P Global Market Intelligence; time period covered is 1/1/2011 – 6/30/2021

## CRYPTOCURRENCY IN MASSACHUSETTS

### BankProv's PARTNERSHIP WITH ANCHORAGE DIGITAL

*BankProv's (formerly The Provident Bank headquartered in Amesbury, Massachusetts) partnership with Anchorage Digital is an example of the expansion of cryptocurrency within banking. With BankProv being nearly 200 years old and one of the United States' oldest banks, partnerships in digital assets may become a non-traditional way for community banks to add a new revenue stream.*



Collaboration with Anchorage Digital allows BankProv to finance Ethereum-backed loans. Anchorage CEO Diogo Monica stated borrowing and lending has become their fastest growing business line.



Partnership allows Anchorage digital to provide institutional clients USD lines of credit without liquidating Ethereum holdings since the cryptocurrency is held as collateral



Opportunity offers BankProv a niche growth opportunity in the cryptocurrency market beyond traditional methods of banking



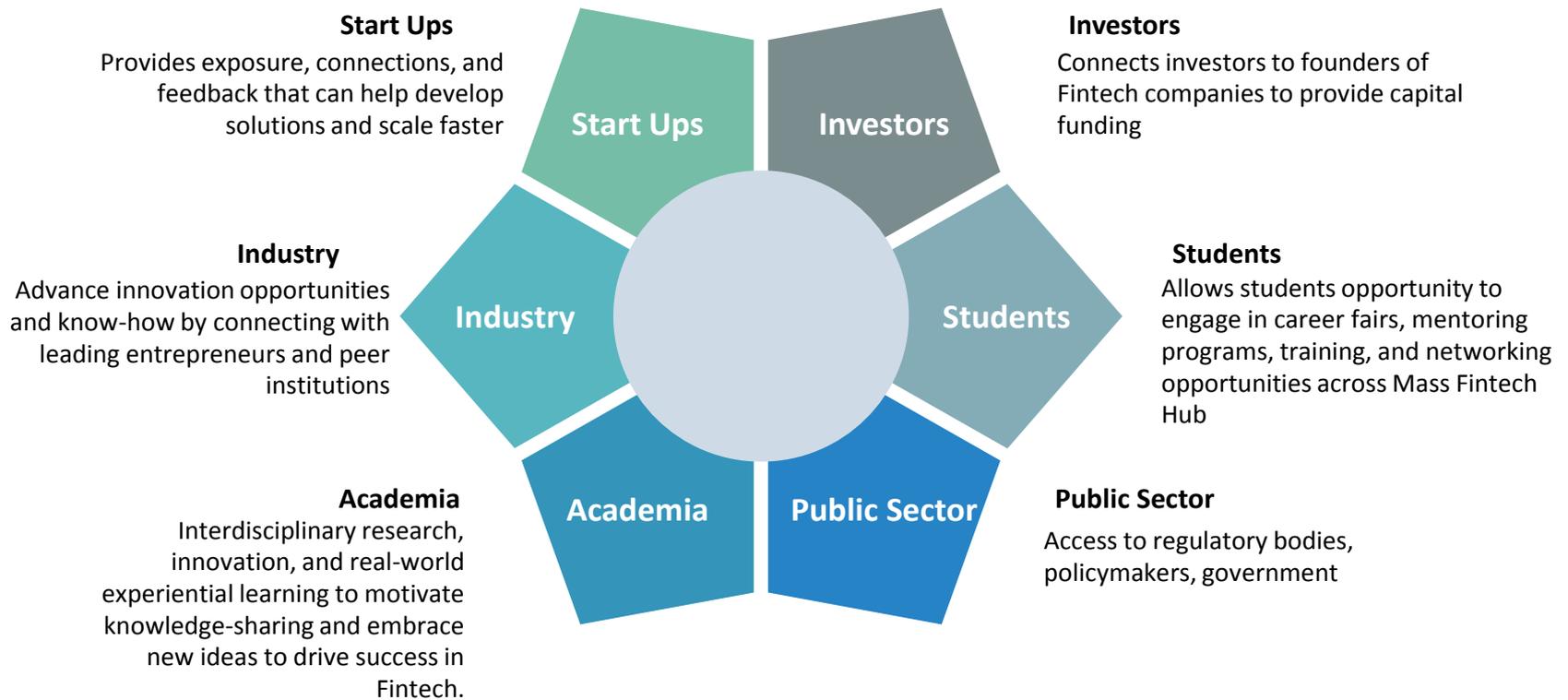
BankProv provided \$36 million in financing in the form of a line of credit to Anchorage, who then lent out to investors with investments in Ethereum and a need for capital

Source: Tearsheet, "BankProv taps into the crypto market with Ethereum-backed loans" 6/15/2021; The Block, "Anchorage Digital rolls out ETH-backed loans with America's 10th oldest bank" 6/3/2021

# MASS FINTECH HUB

## FINTECH DEVELOPMENT IN BOSTON

Secretary of Housing and Economic Development of Massachusetts, Mike Kennealy, stated “Fintech is a priority innovation cluster for Massachusetts.” The Mass Fintech Hub was created to support Fintech innovation and the ecosystem that comprises it has raised \$5.9 billion in funding, is comprised of 350+ Fintechs, 400+ financial institutions, and contains 105 world leading academic institutions.



Source: Mass Fintech Hub

## OTHER INDUSTRY RESOURCES

### INSIGHT AND ANALYSIS FROM INDUSTRY EXPERTS

*Our podcasts and insights focus on different topics throughout our five service lines of business. Below are our most recent insight publications. Click any of the topics to be taken to the podcast or perspective article!*



#### TKG Monthly Podcast

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[M&A From a Strategic Perspective](#)

[Top Post-Pandemic Issues Facing CFOs](#)

[Squared Away – How Can Bankers Succeed as Economic First Responders](#)

[Culture Building in a Telecommuting World and What's the New Normal for a Post-Coronavirus Workplace?](#)



#### TKG Quarterly Perspectives

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[Mortgage Lenders Experienced Record Profits – Could They Have Done Better?](#)

[Branch vs. Lending Organizations: Which Organization Won the 2020 Profitability Battle?](#)

[Conscious Banking](#)

[Bank M&A – Show Me the Money](#)

Source: [www.kafafiangroup.com](http://www.kafafiangroup.com)

# THE KAFAFIAN GROUP, INC.

## FIRM OVERVIEW – LINES OF BUSINESS



### Performance Measurement

- Outsourced profitability reporting
- Funds transfer pricing (FTP)
- Activity-based cost (ABC) assignments
- Capital assignment and risk-adjusted return on capital (RAROC)
- Profitability system audits and implementations
- Peer group reporting



### Strategic Management

- Strategic planning
- Board and management retreat facilitation
- Capital planning
- Stress testing
- Profit planning
- Business planning
- Customer and data analytics
- Feasibility studies



### Profit and Process Improvement

- Profit improvement studies (whole institution or divisions or units)
- Process improvement studies (whole institution or divisions or units)



### Management Advisory

- Board and management studies
- Regulatory distress assistance
- Regulatory applications
- Board and management training
- Model validation and documentation
- Risk management



### Financial Advisory

- Whole institution M&A
- Fee-based lines of businesses
- Branch purchase or sale
- Fairness opinions
- Valuation reports
- Strategic alternatives (TKG's 360 View) and value gap planning
- Capital management strategies
- Expert witness
- Forensic accounting

Source: [www.kafafiangroup.com](http://www.kafafiangroup.com)