



Massachusetts
Bankers
Association

**THE
KAFAFIAN
GROUP**



STATE OF THE INDUSTRY: MASSACHUSETTS Q1 2023

Performance
Measurement



Strategic
Management



Profit & Process
Improvement



Management
Advisory



Financial
Advisory



DISCLOSURE STATEMENT

FORWARD LOOKING STATEMENTS

This presentation has been developed by TKG for the Massachusetts Bankers Association. The information contained in this presentation and attached exhibits, if any, have been obtained from sources that are believed to be reliable and is presented “as is”. TKG makes no representations or warranties as to the accuracy or completeness of the information and disclaims any and all liabilities from the use of this presentation. TKG does not have any obligation to update any component of this presentation as the data are only current as of the date of this presentation. The recipient of this presentation should not construe this information as advice relating to regulatory matters, accounting and tax practices, legal matters or as a recommendation to invest in or purchase any form of investment security.

Source: The Kafafian Group, Inc.



MASSACHUSETTS BANKERS ASSOCIATION

STATEMENT ON THE STRENGTH OF THE INDUSTRY IN THE STATE OF MASSACHUSETTS – MARCH 15, 2023

“The Massachusetts banking industry is strong, resilient, and well-capitalized. The 132 FDIC-insured banks operating across the Commonwealth have a different and more diversified business model than that of Silicon Valley Bank. It is our banking industry’s diversity in size, customer offerings and direct community impact that makes Massachusetts one of the strongest and most competitive financial marketplaces in the country.

Over past few days, we have heard from member institutions of their efforts in aiding SVB clients as they transition their relationships to new institutions. While the volume of new account activity has increased, members have indicated that it has been business as usual - a sign that the industry stands firm.

President Biden emphasized his confidence in the nation’s banking system, and we share that confidence. Every citizen of Massachusetts, New England and across the Country should know that their accounts are safe, and their deposits are protected.

While the events surrounding the closure of SVB may seem unsettling, the FDIC has an orderly process to resolve bank closures. The actions by the federal regulatory agencies over the weekend have served to provide greater clarity to SVB clients on the path forward and alleviated the immediate concerns about having access to funds held at Silicon Valley Bank. Please see the FAQs released by the FDIC.

<https://www.fdic.gov/resources/resolutions/bank-failures/failed-bank-list/silicon-valley-faq.html>

We urge continued patience as the process works itself out and remind the citizens and businesses of the Commonwealth that Massachusetts banks are available to assist.”



Kathleen Murphy
President and CEO
Massachusetts Bankers Association

Source: Massachusetts Bankers Association

MASSACHUSETTS BANKERS ASSOCIATION QUARTERLY UPDATE

SUMMARY OF KEY THEMES

1

Market conditions remain volatile, as the Federal Reserve is looking to halt interest rate increases with the potential for a slight increase mid year. Inflation has declined in the first quarter, however it remains far above the Federal Reserve's target of 2%. In addition, Real GDP (Quarter over Quarter) decreased sharply from Q4 2022 to Q1 2023 by 1.5%.

2

The unemployment rate for Massachusetts increased to 3.6% in February 2023, then fell to 3.5% in March. Massachusetts continues to have the highest 12-month percentage change in wages for Finance Activities and Nonfarm Employment in the New England Region.

3

As of March 2023, the Consumer Price Index (CPI) for most goods for the Boston-Cambridge-Newton region have started to level off, with the exception of the shelter component which is still showing a significant increase.

4

Loan delinquency is expected to rapidly increase due to increased borrowing costs. Consumer and business credit markets are expected to underperform in the near future. Bank failures have made a national impact with two of the largest bank failures in U.S. History occurring in March 2023 and the rescue of First Republic by JP Morgan in May 2023. Silicon Valley Bank (SVB) had 6 locations in Massachusetts, and First Republic Bank had 5 locations in Massachusetts.

Source: The Kafafian Group, Inc.



ECONOMIC SNAPSHOT

EMPLOYMENT & HOUSING

EMPLOYMENT	Measure				Change from	Change from
		Mar-23	Feb-23	Jan-23	Prior Month (%) or actual change	Prior Year (%) or actual change
Unemployment Rate (National Seasonally Adj)	%	3.5	3.6	3.4	-0.1	(0.1)
Unemployment Rate in Massachusetts (Not Seasonally Adj)	%	3.5	3.7	3.5	-0.2	(0.2)
All Employees, Total Nonfarm	000's	155,420	155,255	155,007	0.11%	3,996
Labor Force Participation Rate	%	62.6	62.5	62.4	0.10	0.6
		3/25/2023	2/25/2023	1/28/2023		
Initial Claims (Weekly)		246,000	221,000	199,000	11.31%	32,000

HOUSING	Measure				Change from	Change from
		Mar-23	Feb-23	Jan-23	Prior Month (%) or actual change	Prior Year (%) or actual change
S&P/Case-Shiller U.S. National Home Price Index		NA	293.2	292.6	0.19%	(0.01)
S&P/Case-Shiller MA-Boston Home Price Index		NA	303.2	302.8	0.13%	0.01
Housing Affordability Index		98.6	103.8	9,104.2	-5.01%	(0.17)
New Privately-Owned Housing Units Started: Single-Family Units	000's	1,050	1,025	1,027	2.44%	(0.12)
New Privately-Owned Housing Units Started: Single-Family Units in the Northeast Census Region	000's	71.0	68.0	59.0	4.41%	0.11
30-Year Fixed Rate Mortgage Average in the United States	%	6.32	6.50	6.13	-2.77%	0.52
		1Q2023	4Q2022	3Q2022		
Delinquency Rate on Single-Family Residential Mortgages	%	NA	1.77	1.85	-4.32%	(0.22)

Source: The Kafafian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 3/31/2023

ECONOMIC SNAPSHOT

MARKET/RATES, CONSUMER, & PRODUCTION/PRICES

MARKET/RATES		Measure	Mar-23	Feb-23	Jan-23	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
(End of Period)							
1	S&P 500		4,109.3	3,970.2	4,017.8	3.51%	(0.09)
2	Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis	%	3.48	3.92	3.55	(0.11)	1.16
3	Bank Prime Loan Rate	%	8.00	7.75	7.50	0.03	4.50
4	Federal Funds Effective Rate	%	4.83	4.57	4.33	0.06	4.50

CONSUMER		Measure	Mar-23	Feb-23	Jan-23	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
5	Personal Consumption Expenditures: Chain-type Price Index						
6	Retail Sales: Excluding Motor Vehicle and Parts	\$mil	466,171	469,332	470,391	-0.67%	1.92%
7	University of Michigan: Consumer Sentiment		62.00	67.00	64.90	-7.46%	0.13
8	Personal Saving Rate	%	5.1	4.80	4.50	6.25%	0.26

PRODUCTION/PRICES		Measure	Mar-23	Feb-23	Jan-23	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
9	Consumer Price Index						
10	ISM Manufacturing: PMI		46.30	47.70	47.40	(0.03)	(10.80)
11	ISM Services: PMI		51.20	55.10	55.20	(0.07)	(7.10)
			1Q2023	4Q2022	3Q2022		
12	Gross Domestic Product (Change from Prior, annualized rate)	%	1.10	2.60	3.20	(0.58)	(2.63)

Source: The Kafafian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 3/31/2023

STATE ECONOMIC TRENDS

NEW ENGLAND REGIONAL ECONOMIC TRENDS

The below highlights unemployment rate and salary trends in New England for the last three months of 2022 and the first 3 months of 2023. Massachusetts had the highest 12 month percentage change in Finance Activities and Nonfarm Wage and Salary Employment in the New England region.

Unemployment Rate %						
State	Oct2022	Nov2022	Dec2022	Jan2023	Feb2023	Mar2023
1 Massachusetts	3.50	3.40	3.30	3.50	3.70	3.50
2 Connecticut	4.30	4.20	4.20	3.90	4.00	4.00
3 Rhode Island	3.40	3.60	3.50	3.10	3.10	3.10
4 New Hampshire	2.40	2.60	2.70	2.80	2.70	2.40
5 Vermont	2.30	2.50	2.60	2.90	2.80	2.70
Nonfarm Wage and Salary Employment 12 Month % Change						
State	Oct2022	Nov2022	Dec2022	Jan2023	Feb2023	Mar2023
6 Massachusetts	3.30	3.50	3.10	2.90	2.70	2.80
7 Connecticut	2.00	2.00	1.60	2.20	1.70	1.30
8 Rhode Island	2.20	1.90	1.60	2.40	2.00	1.60
9 New Hampshire	2.70	3.00	3.30	3.30	2.70	2.40
10 Vermont	1.90	1.60	1.80	2.10	2.20	1.70
Finance Activities Wage and Salary Employment 12 Month % Change						
State	Oct2022	Nov2022	Dec2022	Jan2023	Feb2023	Mar2023
11 Massachusetts	3.20	3.10	3.60	3.30	3.20	3.20
12 Connecticut	(0.20)	(1.20)	(1.70)	(2.30)	(2.80)	(3.10)
13 Rhode Island	5.00	5.00	4.40	3.20	3.20	2.60
14 New Hampshire	1.20	-	(1.70)	(0.60)	(1.20)	(0.30)
15 Vermont	2.50	1.70	2.50	2.50	1.70	2.50

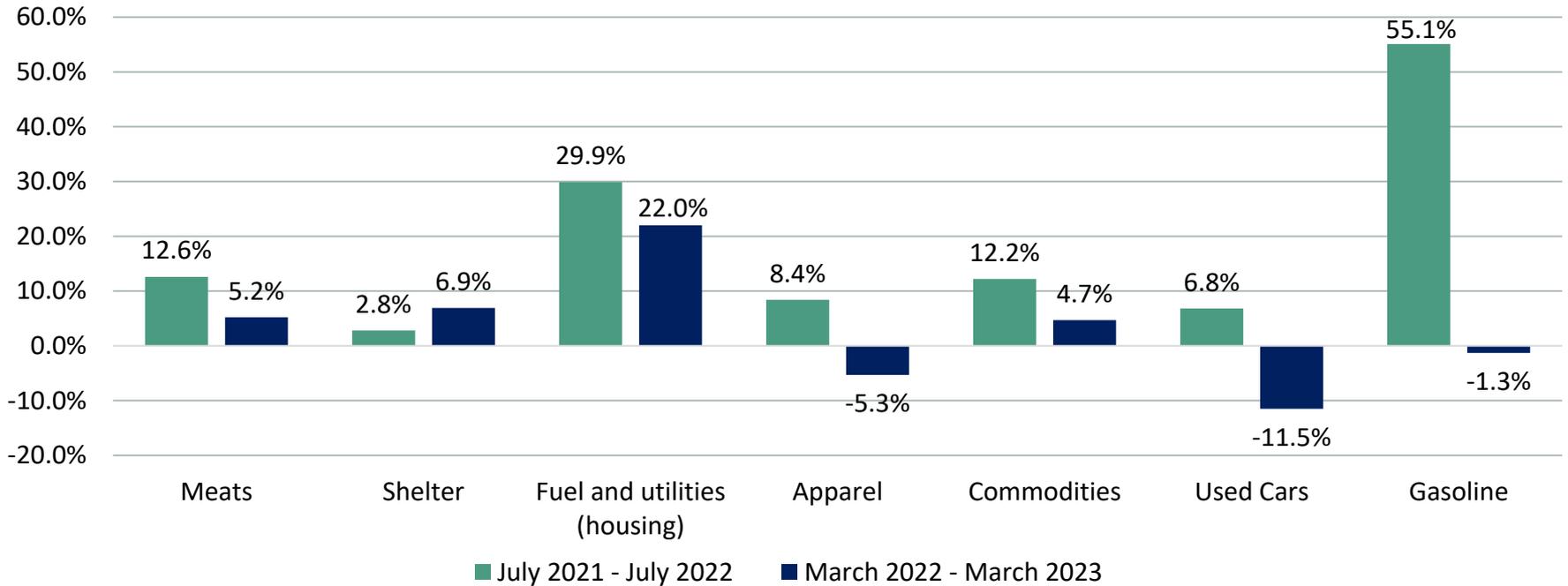
Source: Bureau of Labor Statistics

INFLATION

TRENDS IN INFLATION IN THE BOSTON-CAMBRIDGE-NEWTON METROPOLITAN STATISTICAL AREA

The graphic below shows year-over-year increases between July 2021 and July 2022 as well as March 2022 and March 2023 on everyday necessities. While inflation has subsided in some categories, prices still remain elevated in other categories. The cost of fuel and utilities in the Boston-Cambridge-Newton Metropolitan area are up 22% from March 2022, while the price of gasoline has decreased by 1.3% from March 2022.

**Select Consumer Price Index Metrics:
Boston-Cambridge-Newton**



Source: Bureau of Labor Statistics, eia.gov

INTEREST RATE ENVIRONMENT

CME GROUP'S FEDWATCH TOOL

In November 2021, there was only a 26% probability of a rate hike at the March 16, 2022 meeting, by mid-January 2022 that probability increased to 100%. As of August 16, 2022, the probability of the target rate being 275-300bps was 59.5%. As of March 22, 2023, the probability of a target fed funds rate of 500-525bps was nearly 86% for the May 3rd meeting. As of May 3, 2023, the probability of a target fed funds rate of 525-550bps is 28.4%. The pace of interest rate increases has been staggering. The probabilities for the December 2023 meeting indicate the probability of a target fed funds rate of 450-475bps is 36.1%. The December 13, 2023 meeting probabilities show an increased probability of a decreasing fed funds rate throughout 2024.

MEETING PROBABILITIES 5/03/2023

MEETING DATE	375-400	400-425	425-450	450-475	475-500	500-525	525-550
6/14/2023	0.0%	0.0%	0.0%	0.0%	0.0%	64.2%	35.8%
7/26/2023	0.0%	0.0%	0.0%	0.0%	0.0%	62.6%	36.5%
9/20/2023	0.0%	0.0%	0.0%	0.0%	21.3%	53.7%	24.4%
11/1/2023	0.0%	0.0%	0.0%	15.4%	44.8%	32.5%	7.1%
12/13/2023	0.0%	0.0%	10.9%	36.3%	36.1%	14.5%	2.2%
1/31/2024	0.0%	8.6%	30.8%	36.1%	19.1%	4.8%	0.5%
3/20/2024	7.6%	28.2%	35.5%	21.2%	6.5%	1.0%	0.1%

MEETING PROBABILITIES 12/13/2023

MEETING DATE	375-400	400-425	425-450	450-475	475-500	500-525	525-550
1/31/2024	0.0%	8.6%	30.8%	36.1%	19.1%	4.8%	0.5%
3/20/2024	7.6%	28.2%	35.5%	21.2%	6.5%	1.0%	0.1%
5/1/2024	29.2%	33.5%	19.1%	5.8%	0.9%	0.1%	0.0%
6/19/2024	31.6%	25.2%	11.4%	3.0%	0.4%	0.0%	0.0%
7/31/2024	26.7%	14.5%	4.9%	1.0%	0.1%	0.0%	0.0%
9/25/2024	18.7%	8.2%	2.3%	0.4%	0.0%	0.0%	0.0%
11/6/2024	10.3%	3.5%	0.8%	0.1%	0.0%	0.0%	0.0%

Source: CME Group

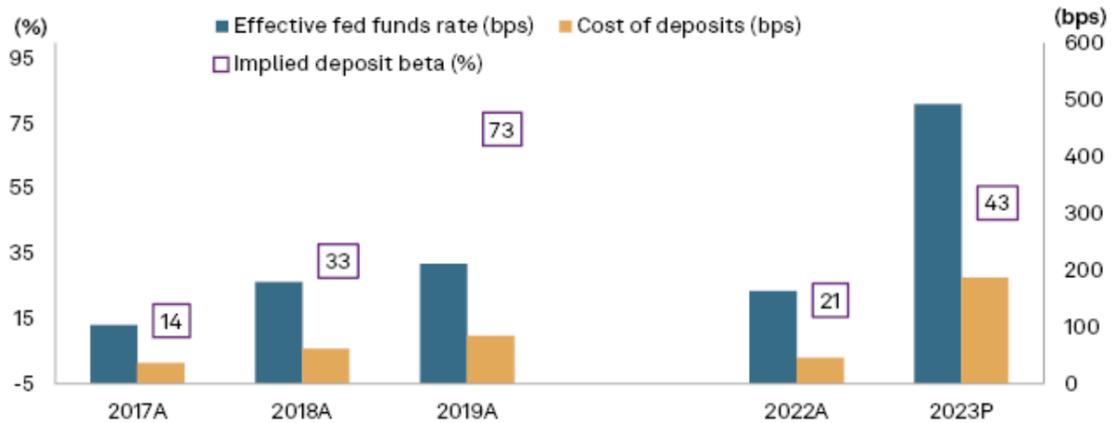


INTEREST RATE ENVIRONMENT

DEPOSIT BETAS

Higher interest rates will allow community bank margins to recover but the quicker pace of rate increases by the Federal Reserve have caused deposit costs to rise faster than previously expected.

Deposit betas to jump in 2023



Data compiled April 5, 2023.
 Figures for the federal funds rate through 2023 are based on a 4-quarter average of estimates provided by IHS Markit.
 Actual reported figures used when available.
 Sources: S&P Global Market Intelligence; IHS Markit; proprietary estimates.
 © 2023 S&P Global.

Source: S&P Capital IQ Pro



CREDIT CONDITIONS

EXPECTED INCREASE IN DELINQUENCY AND DECREASE IN MARKET CONDITIONS

- The Headline Credit Index increased by 2.5 points to 12.5 points in the first quarter of 2023, and has risen just above its lowest point since the pandemic. The consumer and business credit indices have increased in Q1 as well. However, with the Federal Reserve continuing to raise interest rates, we continue to see the index below 50 points which indicates bank economists anticipate the decrease in credit market conditions to continue.
- While consumer financial stress appears to be under control, economists expect this to change in 2023. Delinquency rates are low relative to historical standards, however they have been steadily rising recently. Unemployment is low yet job growth is still positive. However, Transunion expects consumer delinquencies to increase exponentially due to record low savings rates and increased borrowing costs.
- The manufacturing center has sharply decreased in the past few months due to rising interest rates, high labor costs, and signs of an upcoming recession. While small business hiring appears to be positive, a sharp increase in costs will negatively impact businesses profitability.



Source: ABA Credit Conditions Index 5/17/23

THE IMPACT OF SILICON VALLEY BANK'S COLLAPSE

NATIONWIDE AND IN MASSACHUSETTS

- Depositors at Silicon Valley Bank, the nation's 16th largest bank, rushed to withdraw money out of concern over the bank's balance sheet. It is the second biggest bank failure in history, behind Washington Mutual.
- SVB had \$209 billion in total assets at the time of failure. At the moment it is unclear how much of its deposits were above the \$250,000 insurance limit, but it has been widely reported that the vast majority of deposits exceeded that limit.
- In order to cover the withdrawal of deposits, banks sometimes have to sell their bonds before they mature. That is exactly what happened to Silicon Valley Bank, which had to sell \$21 billion in highly liquid assets to cover the mass withdrawal of deposits. It took a \$1.8 billion loss on that sale.
- Boston is a major hub for technology, life sciences, and innovation-focused companies. These companies have been extremely affected by SVB's fallout. SVB was a prominent player for startups and tech companies, and many of them had money tied up there.
- Due to SVB's presence in the Massachusetts market, many commercial and personal accounts were impacted, sending shockwaves throughout the industry.



Source :Silicon Valley Bank, Boston 25 News, March 13,2023

THE MASSACHUSETTS BANKERS ASSOCIATION'S TALKING POINTS

IMMEDIATELY FOLLOWING THE COLLAPSE OF SILICON VALLEY BANK (AND SIGNATURE BANK)

Broader Talking Points on SVB Situation

1. The banking industry remains strong and a source of strength.
2. There are 132 FDIC insured banks of all sizes operating nearly 2000 branches in communities across the Commonwealth. They are strong, diversified, well- capitalized and stand ready to serve the banking and credit needs of consumers and businesses, including those impacted.
3. The instances leading to the closure of Silicon Valley Bank are isolated to this institution and not an indication of a larger systemic issue.
4. While it may seem unsettling, the FDIC has an orderly process to resolve bank closures. We urge patience as the process works itself out.
5. Silicon Valley Bank is the first bank closure in this country in almost three years, a testament to the resiliency of America's banks and their ability to support the economy and the communities they serve despite a global pandemic, rising inflation, and an unprecedented increase in interest rates.
6. As FDIC chairman Gruenberg noted in the agency's most recent assessment of the nation's banks just days ago, 'the industry remains well capitalized and highly liquid.' The events of this week do not change those facts.
7. On Friday, Treasury Secretary Janet Yellen expressed full confidence in banking regulators to take appropriate actions in response and noted that the banking system remains resilient, and regulators have effective tools to address this type of event.

Source :Massachusetts Bankers Association



LONG TERM TRENDS IN BANK STOCK PERFORMANCE

LOOKING AT PEAK TO PEAK MOVEMENT IN VARIOUS ECONOMIC CONDITIONS

Trading multiples and acquisition multiples are constantly changing. Trying to “time” the market is also challenging as the length of valuation contractions in the banking sector are unpredictable given that the drivers for such downturns are rarely the same. It is unclear as to where the trough of the current downturn may be – with the return to peak even more uncertain.



Source: The Kafafian Group, Inc. analysis of Nasdaq Bank Index data as of April 12, 2023

THE COLLAPSE OF SVB AND SIGNATURE BANK

TKG'S INITIAL IMPRESSIONS OF THE IMPACT ON BANK M&A



SIGNATURE BRIDGE BANK, N.A.

The collapses of both Silicon Valley Bank and Signature Bank – within a matter of days – is reverberating throughout the capital markets. With respect to bank mergers and acquisitions, the following are some initial impressions from TKG about what may be forthcoming in the very near term and the longer term. There is a lot of new information to process and how it may impact bank M&A in the near and longer-term.

- Existing deals face significant challenges due to changes in valuation and regulatory review
- Does not mean a slow down in conversations about potential deals though given the challenge in ascribing value to both buyers and sellers, deal announcements expected to slow materially as working on a transaction consumes time and in times of crisis, resources need to be spent managing the bank
- Ironically in some respects the SVB/Signature failures take valuation out of the equation and turn the focus to strategic fit of institutions (similar to the 2020 time horizon where mergers of equals increased)
- Once market conditions stabilize, there will be increased activity to clear deal backlogs (particularly in the \$5 to \$15 billion asset range institutions)
 - ✓ It will be a buyer's market and once deal activity resumes, anticipate that due diligence on the part of both parties to a transaction will be heavier (with an emphasis on liquidity and technology) and with more vulnerability to investor scrutiny/response
- May require the Federal Reserve to reconsider the pace of interest rate increases (and impacting fair value adjustments)
- Smaller transactions less likely to be impacted by movement in stock prices though as deposits flow to institutions “too big to fail”, valuations and core franchise value of smaller institutions will be hurt
- Slower regulatory review (many applications for new deals put on hold given lack of resources at regulatory agencies)

Source: The Kafafian Group, Inc. - views as of March 31, 2023

ONLINE SPORTS BETTING IS NOW LIVE IN MASSACHUSETTS

WHAT IMPACT COULD THIS HAVE ON BANKS?

As of March 10, 2023, mobile sports betting is available for gamblers in Massachusetts across six online sports betting apps.

- There were more than 8 million transactions during the first three days mobile sports betting was available in Massachusetts and over 400,000 accounts were activated. In-person betting began at the end of January, but mobile betting is expected to quickly become the dominant method of sports wagering.
- According to GeoComply, a vendor that provides the Gaming Commission with geolocation and fraud detection services, GeoComply has helped prevent 5,000 fraudulent transactions during the first weekend online betting was launched. Since users of sports betting apps need to connect their bank account or debit card to add funds to their account, could this put bank account holders at risk?
- Additionally, considering that gambling has a known history of being an addictive habit and mobile betting is now available at the click of a button, this makes it much easier for users to place their bets. Banks could see an increase in withdrawn funds especially if the account holder is an excessive gambler.



Source: Telegram, March 14, 2023

MBA LEGISLATIVE AGENDA & 2023-2024 LEGISLATIVE SESSION WATCHLIST

KEEP AN EYE OUT FOR WHAT'S NEXT ON THE AGENDA

The Massachusetts legislature convened for its new two-year cycle the first week of January, 2023. More than 6,500 bills have been introduced, with the Massachusetts Bankers Association tracking more than 367 bills that relate to the banking industry. This year the Association has had ten bills introduced on behalf of the industry as part of our Legislative Agenda. Additionally, of the bills we are tracking, several key topics are high on our Watchlist. The Association's State Legislative Committee meets at least monthly to stay informed of legislative/policy activity and provide input on bill amendments; key testimony points and more. Members with an interest in having a representative on the State Legislative Committee are welcome to reach out to MBA's Brad Papalardo, Senior Vice President, Chief of Government Affairs and Counsel bpapalardo@massbankers.org. Advocacy is among MBA's top priorities!

MBA Legislative Agenda

- Bank Robbery & Check Consolidation
- Data Privacy
- Revised Uniform Fiduciary Access to Digital Assets Act (RUFADAA)
- Patent Reform Bill
- Uniform Real Property Electronic Recording Act (URPERA)
- Use of Bank Name Update
- Mini Modernization Bill
- Tech Correction Bill
- Credit Union Membership Bill
- **PASSED:** Remote Online Notarization:– Signed into Law



2023-2024 Legislative Session Watchlist

- Expansionistic Credit Union Legislation
- State Bank Provisions
- Energy/Environmental
- Privacy/Consumer Protection
- Foreclosure Issues
- Tax Reform
- Employment Law
- Financial Literacy

Source: Massachusetts Bankers Association

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

FIRST QUARTER OF 2023 RESULTS (AGGREGATE)

105 MA Institutions*

4,886 Total U.S. Institutions**

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

1.75% of the U.S. Banking Industry's Total Loans

Net Interest Margin

MA: 2.85% down from 3.14% in Q4

U.S.: 3.25% down from 3.43% in Q4

Returns

MA: ROAA of 0.37% down from 0.96% in Q4, ROAE of 3.41% down from 8.83% in Q4

U.S.: ROAA of 1.36% up from 1.20% in Q4, ROAE of 14.37% up from 13.08% in Q4

Capital Levels

MA: Leverage Ratio of 10.79% down from 11.05% in Q4

U.S.: Leverage Ratio of 9.20% up from 9.03% in Q4

Credit Quality

MA: Net charge-offs to average loans of 0.16% down from 0.23% in Q4.

U.S.: Net charge-offs to average loans of 0.41% down from 0.42% in Q4

Number of Unprofitable Institutions

MA: 2.86%

U.S.: 4.30%

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

**All FDIC call report filers

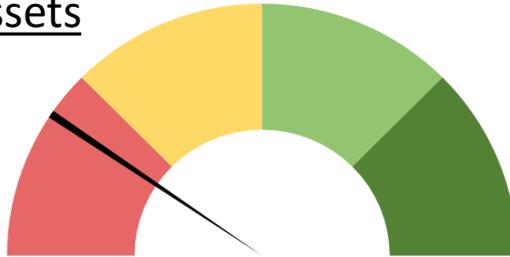
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 03/31/2023 and includes both commercial and mutual bank data.

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT PROFITABILITY RATIOS

*Return On Avg. Assets

MA Median: 0.53%
U.S. Median: 0.99%

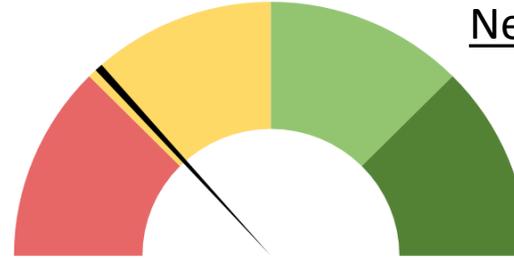


MA's **Median** ROAA ranks among the **18th** percentile Nationwide

**ROAA utilizes S&P Capital IQ Pro's adjustment for institutions that operate as Sub Chapter S Corporations.*

Net Interest Margin

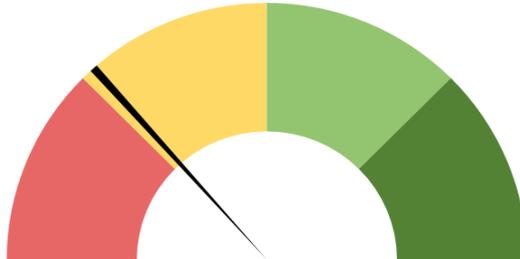
MA Median: 2.96%
U.S. Median: 3.40%



MA's **Median** Net Interest Margin ranks among the **26th** percentile Nationwide

Efficiency Ratio

MA Median: 74.34%
U.S. Median: 64.13%



MA's **Median** Efficiency Ratio ranks among the **26th** percentile Nationwide

Cost of Funds

MA Median: 1.18%
U.S. Median: 0.95%



MA's **Median** Cost of Funds ranks among the **35th** percentile Nationwide

Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 3/31/2023 and includes both commercial and mutual bank data.

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT BALANCE SHEET RATIOS

NPA/Assets

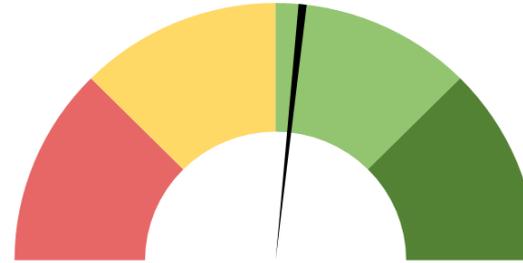
MA Median: 0.22%
U.S. Median: 0.21%



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

Tier 1 Leverage

MA Median: 10.54%
U.S. Median: 10.38%



MA's **Median** Tier 1 Leverage Ratio ranks among the **53rd** percentile Nationwide

CRE/Loans*

MA Median: 30.57%
U.S. Median: 23.86%

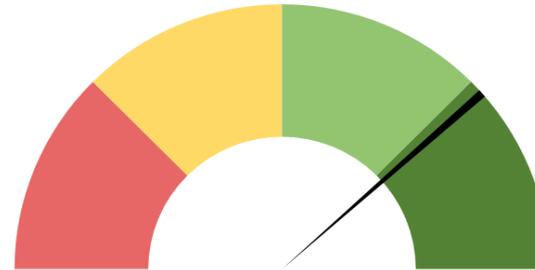
**non-owner occupied*



MA's **Median** Total CRE/Loans ratio ranks among the **63rd** percentile Nationwide

Loans/Deposits

MA Median: 90.63%
U.S. Median: 74.55%



MA's **Median** Loan/ Deposit ratio ranks among the **76th** percentile Nationwide

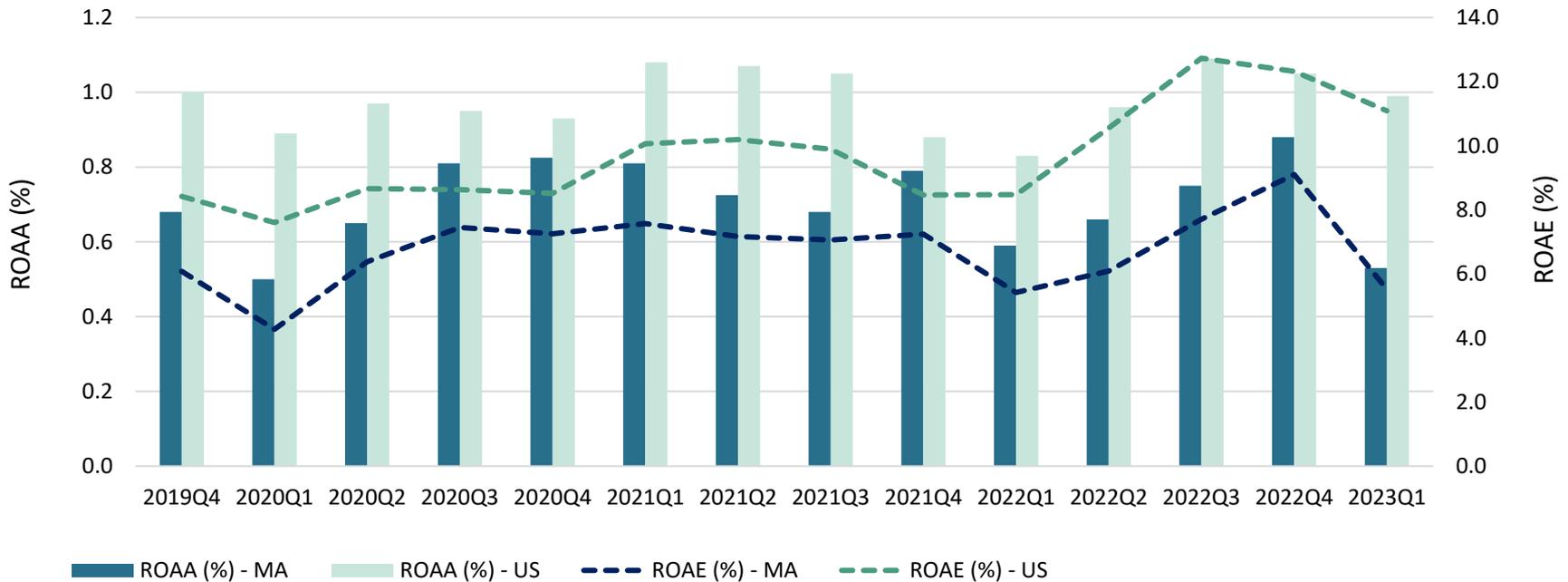
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 3/31/2023 and includes both commercial and mutual bank data.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS

ROAA and ROAE both decreased for Massachusetts banks and for U.S. banks in 2023Q1 compared to 2022Q4.

Profitability Highlights (Median %)

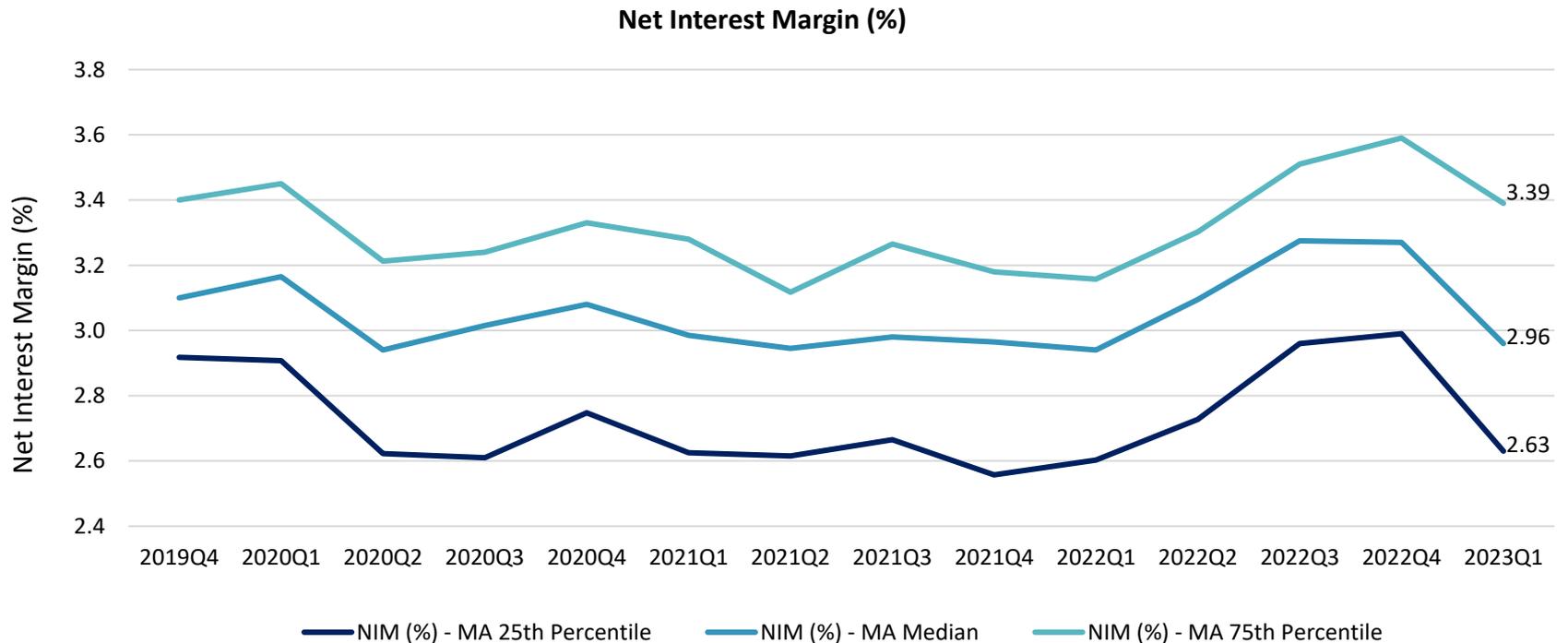


Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 03/31/2023, adjusted for election of Sub Chapter S and includes both commercial and mutual bank data.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

The net interest margin for Massachusetts banks and U.S. banks decreased on an aggregate level in Q1 2023 compared to Q4 2022. Median, 75th percentile, and top 25th percentile levels of NIM for Massachusetts banks decreased in Q1 2023 by approximately 20 to 36 basis points.



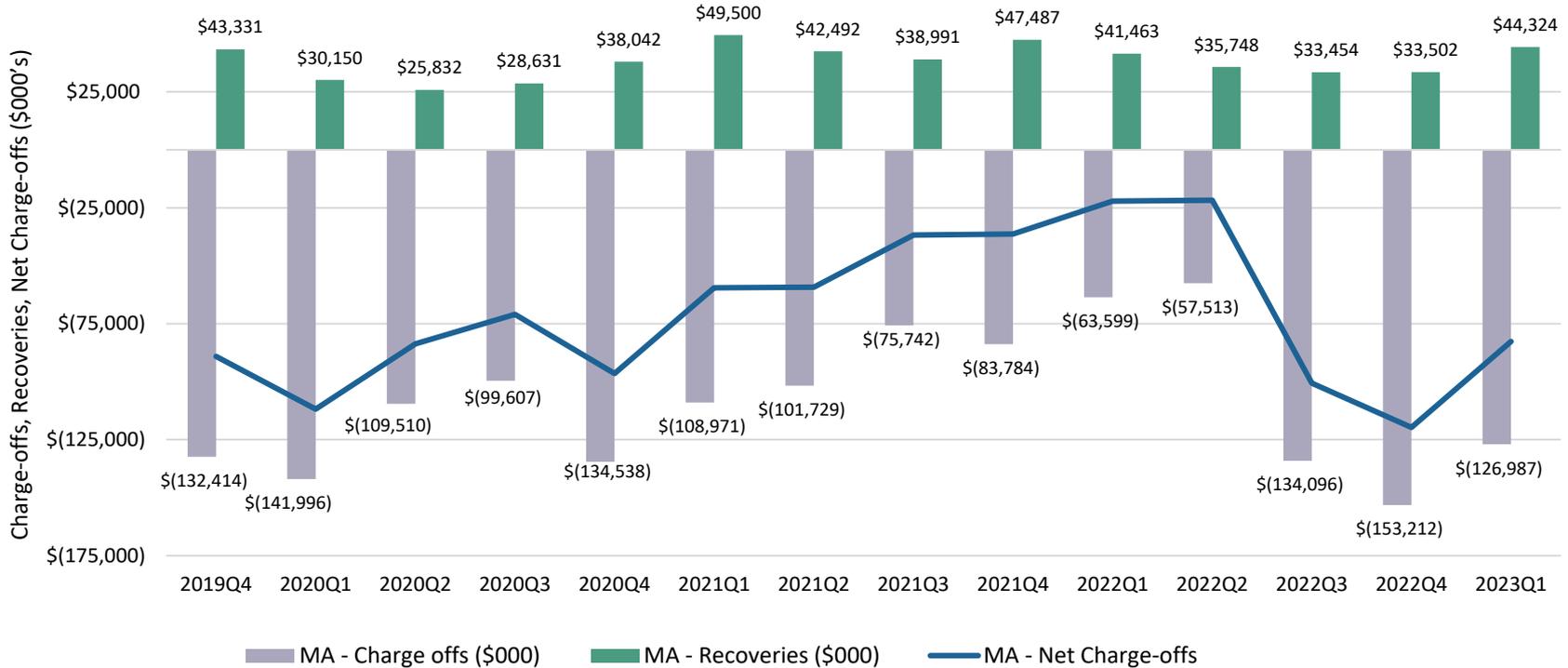
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 03/31/2023 and includes both commercial and mutual bank data. Excludes certain institutions.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

Net-charge offs in 2023Q1 increased for Massachusetts banks; banks nationwide also saw a increase in net-charge offs to total loans.

Massachusetts Aggregate Charge-offs and Recoveries

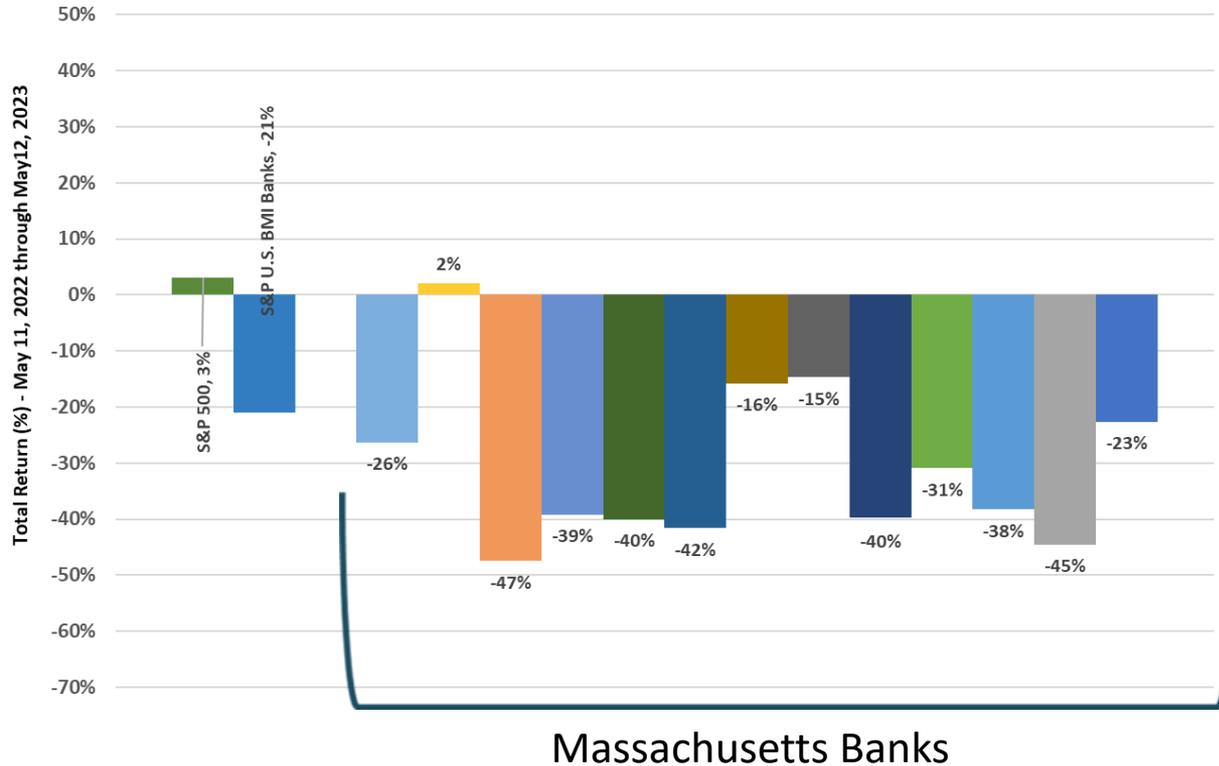


Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 03/31/2023 and includes both commercial and mutual bank data.

TOTAL RETURN

TOTAL RETURN: MAY 11, 2022 THROUGH MAY 12, 2023

Publicly traded Massachusetts headquartered banks were below the S&P U.S. BMI Banks Index and the S&P 500 as of May 12, 2023. The median total return for Massachusetts banks was -38.27%, while the S&P U.S. BMI Banks Index was -21.04% and the S&P 500 was 3.07%.



Source: The Kafafian Group, Inc. and S&P Capital IQ Pro data as of 5/12/2023



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 Insights. Click any of the topics to be taken to the podcast or Perspective article!



TKG Monthly Podcast

[Why Do Branches Fail at Sales?](#)

[Instant Payments Are Here! What Are the Implications for Community Banks?](#)

[Banking Turmoil. What's Next?](#)

[Turnaround Success – U.S. Century Bank](#)



TKG Quarterly Perspectives

[Build a Moat Around Your Balance Sheet](#)

[How has the Fed's battle against inflation impacted bank profitability?](#)

[Strategic Alignment: Accountabilities](#)

[And Just Like That...](#)

Source: 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