



Massachusetts
Bankers
Association

**THE
KAFAFIAN
GROUP**



STATE OF THE INDUSTRY: MASSACHUSETTS Q2 2023

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

Market conditions remain volatile, as the Federal Reserve raised the interest rates 25 bps in Q2 and hopes to halt rate hikes in 2023. Inflation continues to decrease, falling below 6% for the first time since Q2 2022. This is still well above the Fed's target inflation rate of 2%.

2

The unemployment rate in Massachusetts increased from 2.4% to 2.8% in Q2. Despite high inflation, unemployment seems to be low and consumer spending is strong. As the consumer price index increases, the Housing Affordability Index and number of new homeowners is decreasing.

3

Loan delinquency is increasing, and it is expected that credit availability and quality are going to weaken in the upcoming quarters. Banks will need to prepare accordingly in order to mitigate risk and reduce the impact of potential losses, however consumer demand seems to be high enough to support business owners.

4

With costs becoming higher, banks are looking to become more efficient. The integration of Artificial Intelligence in the industry will allow banks to automate processes and streamline operations like never before. From security and data gathering to customer service and client relationships, Artificial Intelligence can help elevate the performance of Banks.

Source: The Kafafian Group, Inc.



ECONOMIC SNAPSHOT

EMPLOYMENT & HOUSING

EMPLOYMENT		Measure	Jun-23	May-23	Apr-23	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
1	Unemployment Rate (National Seasonally Adj)	%	3.6	3.7	3.4	-0.1	0.00
2	Unemployment Rate in Massachusetts (Not Seasonally Adj)	%	2.8	2.3	2.4	0.5	(1.1)
3	All Employees, Total Nonfarm	000's	156,155	155,970	155,689	0.12%	3,743
4	Labor Force Participation Rate	%	62.6	62.6	62.6	0.00	0.4
			6/24/2023	5/27/2023	4/29/2023		
5	Initial Claims (Weekly)		236,000	233,000	242,000	1.29%	23,000

HOUSING		Measure	Jun-23	May-23	Apr-23	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
6	S&P/Case-Shiller U.S. National Home Price Index		NA	305.1	301.5	1.19%	(0.01)
7	S&P/Case-Shiller MA-Boston Home Price Index		NA	310.1	308.1	0.65%	(0.01)
8	Housing Affordability Index		87.8	93.7	97.0	-6.30%	(0.12)
9	New Privately-Owned Housing Units Started: Single-Family Units	000's	935	1,005	847	-6.97%	(0.07)
10	New Privately-Owned Housing Units Started: Single-Family Units in the Northeast Census Region	000's	52.0	59.0	58.0	-11.86%	0.06
11	30-Year Fixed Rate Mortgage Average in the United States	%	6.71	6.57	6.43	2.13%	0.18
			2Q2023	1Q2023	4Q2023		
12	Delinquency Rate on Single-Family Residential Mortgages	%	NA	1.73	1.78	-2.81%	(0.09)

Source: The Kafarian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 6/30/2023



ECONOMIC SNAPSHOT

MARKET/RATES, CONSUMER, & PRODUCTION/PRICES

MARKET/RATES (End of Period)	Measure	Jun-23	May-23	Apr-23	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
1 S&P 500		4,345.4	4,146.2	4,121.5	4.80%	0.11
2 Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis	%	3.75	3.57	3.46	0.05	0.61
3 Bank Prime Loan Rate	%	8.25	8.22	8.00	0.00	3.89
4 Federal Funds Effective Rate	%	5.08	5.06	4.83	0.00	3.87

CONSUMER	Measure	Jun-23	May-23	Apr-23	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
5 Personal Consumption Expenditures: Chain-type Price Index		127.2	126.9	126.8	0.24%	2.75%
6 Retail Sales: Excluding Motor Vehicle and Parts	\$mil	561,701	559,768	560,746	0.35%	-1.33%
7 University of Michigan: Consumer Sentiment		64.40	59.20	63.50	8.78%	0.18
8 Personal Saving Rate	%	4.3	4.60	4.30	-6.52%	0.70

PRODUCTION/PRICES	Measure	Jun-23	May-23	Apr-23	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
9 Consumer Price Index		303.84	303.29	302.92	0.18%	3.09%
10 ISM Manufacturing: PMI		46.00	46.90	47.10	(0.02)	(7.00)
11 ISM Services: PMI		53.90	50.30	51.90	0.07	(1.40)
		2Q2023	1Q2023	4Q2023		
12 Gross Domestic Product (Change from Prior, annualized rate)	%	2.40	2.00	2.60	0.20	(4.33)

Source: The Kafafian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 6/30/2023



STATE ECONOMIC TRENDS

NEW ENGLAND REGIONAL ECONOMIC TRENDS

The below highlights unemployment rate and salary trends in New England from January, 2023 through June, 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	Jan2023	Feb2023	Mar2023	Apr2023	May2023	Jun2023
1 Massachusetts	3.50	3.70	3.50	3.10	2.80	2.60
2 Connecticut	3.90	4.00	4.00	3.80	3.70	3.70
3 Rhode Island	3.10	3.10	3.10	3.00	3.00	2.90
4 New Hampshire	2.80	2.70	2.40	2.10	1.90	1.80
5 Vermont	2.90	2.80	2.70	2.40	2.10	1.90
Nonfarm Wage and Salary Employment 12 Month % Change						
State	Jan2023	Feb2023	Mar2023	Apr2023	May2023	Jun2023
6 Massachusetts	2.90	2.70	2.70	2.70	2.90	2.60
7 Connecticut	2.20	1.70	1.20	1.10	1.50	1.20
8 Rhode Island	2.40	2.00	1.30	(0.20)	(0.40)	(0.40)
9 New Hampshire	3.30	2.70	2.40	2.00	2.70	2.20
10 Vermont	2.10	2.20	2.00	1.80	1.20	(0.20)
Finance Activities Wage and Salary Employment 12 Month % Change						
State	Jan2023	Feb2023	Mar2023	Apr2023	May2023	Jun2023
11 Massachusetts	3.30	3.20	3.20	3.20	2.50	2.90
12 Connecticut	(2.30)	(2.80)	(3.10)	(3.40)	(2.90)	(3.30)
13 Rhode Island	3.20	3.20	2.60	0.00	0.00	0.30
14 New Hampshire	(0.60)	(1.20)	(0.60)	0.30	1.20	(0.30)
15 Vermont	2.50	1.70	1.70	0.00	0.00	(1.70)

Source: Bureau of Labor Statistics

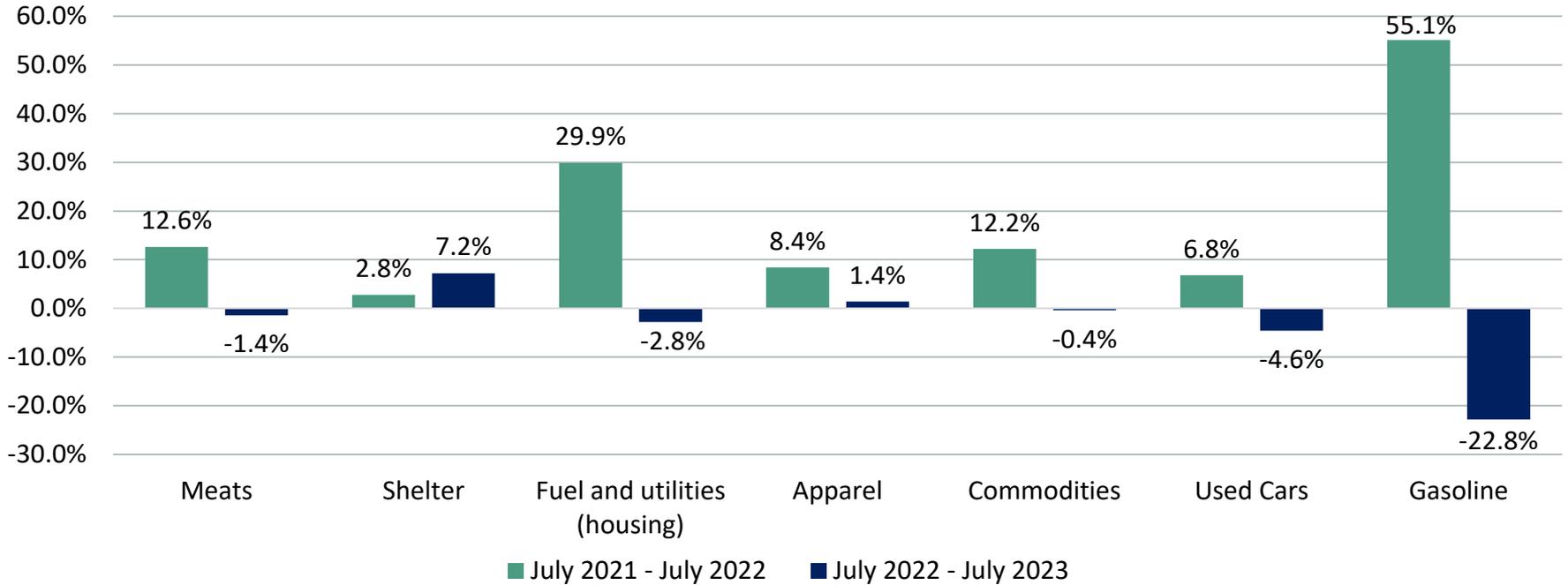


INFLATION

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

The graphic below shows year-over-year increases on everyday necessities between July 2021 and July 2022 as well as July 2022 and July 2023. 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 down 2.8% from July 2022, while the price of gasoline has decreased by 22.8% from July 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 May 3rd, 2023, the probability of a target fed funds rate of 525-550bps was nearly 26% for the September 20th meeting. The updated probabilities of a target fed funds rate of 525-550bps for the September 20, 2023 meeting is 86.5%. 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 525-550bps is 59.2%. The December 13, 2023 meeting probabilities show an increased probability of a decreasing fed funds rate throughout 2024.

MEETING PROBABILITIES(%) 9/20/2023

MEETING DATE	425-450	450-475	475-500	500-525	525-550	550-575	575-600
9/20/2023	0.0	0.0	0.0	0.0	86.5	13.5	0.0
11/1/2023	0.0	0.0	0.0	0.0	61.4	34.7	3.9
12/13/2023	0.0	0.0	0.0	5.1	52.9	32.2	3.6
1/31/2024	0.0	0.0	1.3	18.5	52.5	25.1	2.7
3/20/2024	0.0	0.5	8.5	32.8	41.0	15.7	1.6
5/1/2024	0.4	6.5	26.6	38.9	22.1	5.1	0.4
6/19/2024	2.7	14.1	31.3	32.5	15.6	3.3	0.2

MEETING PROBABILITIES(%) 1/31/2024

MEETING DATE	425-450	450-475	475-500	500-525	525-550	550-575	575-600
3/20/2024	0.0	0.5	8.5	32.8	41.0	15.7	1.6
5/1/2024	0.4	6.5	26.6	38.9	22.1	5.1	0.4
6/19/2024	2.7	14.1	31.3	32.5	15.6	3.3	0.2
7/31/2024	10.6	26.0	32.1	20.8	7.1	1.2	0.1
9/25/2024	22.2	30.6	23.6	10.5	2.7	0.4	0.0
11/6/2024	27.6	26.2	15.3	5.5	1.2	0.1	0.0
12/18/2024	26.7	19.4	9.2	2.8	0.5	0.1	0.0

Source: CME Group

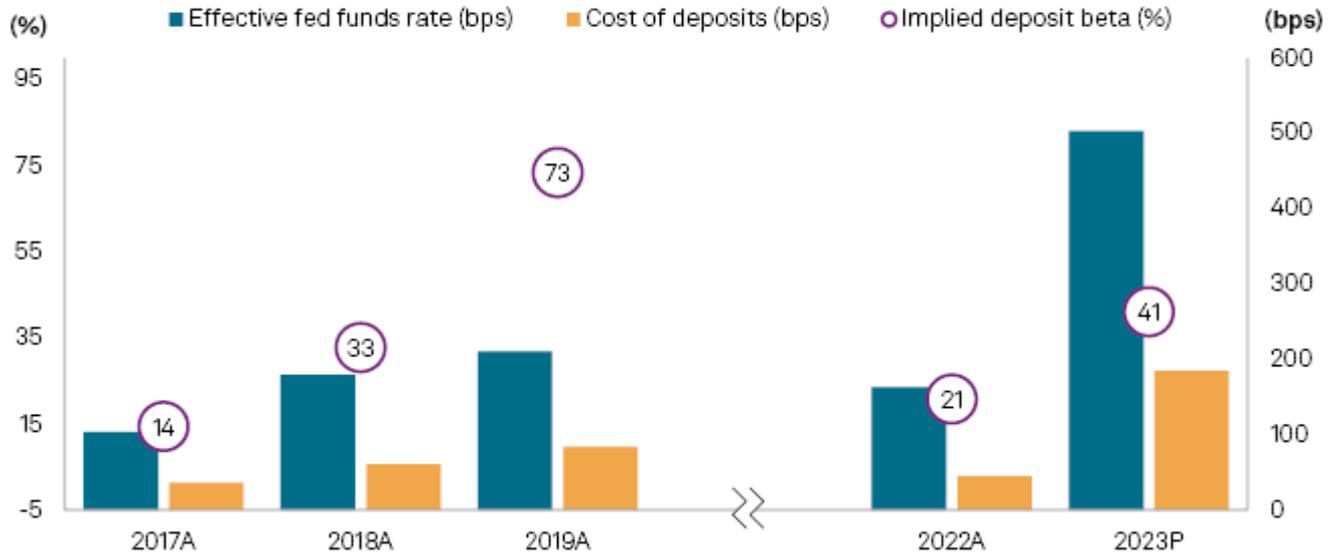


INTEREST RATE ENVIRONMENT

DEPOSIT BETAS

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

Deposit betas to jump in 2023



Source: S&P Capital IQ Pro

CREDIT CONDITIONS

EXPECTED DECREASE IN CREDIT MARKET CONDITIONS IN 2023

- In the 2nd Quarter of 2023, the Headline Credit Index dropped 6.7 points to 5.8, the lowest since the beginning of the Covid-19 pandemic. This raises the expectation for credit conditions to worsen in the latter part of 2023, banks will likely be cautious about credit extensions. The Consumer Credit Index fell 7.9 points to 5.8 in Q2. Expectations are for credit availability to decrease faster than credit quality, however EAC members anticipate both to fall throughout the next 2 quarters. The Business Credit Index fell 5.6 points in Q2, emphasizing that EAC members expect credit availability and quality to debilitate in the near future.
- Despite increasing rates and high inflation, unemployment is below 4% and consumer spending is still strong. It appears consumers are still in good standing to pay larger debt obligations. Businesses are facing stronger challenges, as there are a plethora of vacant positions for small businesses. Increasing borrowing costs have resulted in an increase in delinquency and default rates. Consumer demand continues to be high, which has been supporting business owners

CREDIT CONDITIONS INDEX: HISTORICAL SERIES*



Source: ABA Credit Conditions Index 8/17/23

HOW WILL ARTIFICIAL INTELLIGENCE AFFECT THE INDUSTRY?

FIVE USES OF ARTIFICIAL INTELLIGENCE IN BANKING

1 Improve Customer Service

- Virtual assistants, also known as chatbots, provide information and instructions on how to perform transactions. By offering this option, banks can provide 24/7 customer service. Having this information on hand makes it easier to answer questions regarding branch hours, ATM locations, and credit card freezing and unfreezing.

2 Boosting the safety of transactions

- The implementation of artificial intelligence enables the recognition of specific user spending trends and can trigger automated responses in cases where suspicious bank transactions are detected. To illustrate, if you reside in a particular city and your bank card exhibits activity in a different city, the geolocation data from your mobile phone can be utilized to verify your whereabouts, alert you about the activity, and request verification. This functionality aids in the prevention of crimes such as card-related identity theft.

3 Reduce missed payments

- By using notifications on digital banking apps, it is possible to notify customers of upcoming transactions, such as a bill payment, in a couple of days. AI is able to examine spending habits and warn customers if they could run out of funds to meet said payments. This makes it possible to offer personalized care, encouraging better financial management and reducing the risk of running out of funds to meet upcoming payment obligations.

4 Optimizing loan management

- Data such as age, income, expenditure, average balance, and level of debt can be used to automate decision-making when granting banking products such as loans or other risky transactions. As a result, less time and resources are needed, and loans are safer for both parties.

5 Using the Banking of Things

- With the quantity and variety of devices available to connect to the internet, the Banking of Things is an infrastructure that can use the data it receives. This infrastructure can offer services and assist in financial decisions. For example, a smart fridge can detect that milk has run out or is about to run out and automatically orders from an online store. For this, the device needs a built-in digital wallet or bank card link.

Source: www.Santander.com, 04/28/2023

Unveil the Future of Banking Efficiency with Quick Search

MBA'S NEWEST PREFERRED VENDOR

Massachusetts Bankers Association is excited to introduce our new member benefit, an innovative product, Quick Search - is a next-generation bank technology and partner directory tool, specifically crafted to meet the unique needs of banks like yours. Built on Bankable Fintech's proprietary Smart Sourcing and Procurement AI platform, MBA's Quick Search is designed to drive efficiency, improve outcomes, and streamline your internal operational processes. It offers an unbiased, validated, personalized, and comprehensive view of the best fit technology for your specific needs.

The Unique Benefits Quick Search Delivers To Banks Include:

- 1. Efficiency & Improved Outcomes:** Utilize intelligent technology to make informed decisions swiftly and confidently, ultimately enhancing your operational efficiency.
- 2. Streamlined Processes:** Quick Search's smart features can help streamline your internal operational processes, making it a game-changer in bank technology.
- 3. Regulatory Alignment:** Quick Search adheres to Treasury Guidelines, uniquely enabling alignment with third and fourth-party selection processes, ensuring full regulatory compliance.
- 4. Revolutionized Find-to-Buy Journey:** With Quick Search, you can supercharge your find-to-buy process, making it simpler and quicker to identify technology solutions that best suit your needs.



Quick Search, the most advanced service available to banks in the USA, is poised to revolutionize the banking sector with its smart, agile, and precision-focused features.

We are committed to assisting you in leveraging the full potential of Quick Search for your bank's efficiency and growth. MBA members visit <https://mba.bankabledomain.com/qs/auth/login> to sign up for a free account.

Source: Massachusetts Bankers Association & Bankable Fintech



MBA'S FRESH START INITIATIVE

IMPROVING MBA'S CRM AND WEBSITE



- We have less than 147 days, 8 hours, 44 minutes and 32 seconds before we launch the Association's new member customer relationship database and website, something we are calling the "Fresh Start" initiative! Yes, we ARE counting!
- Our team, has been dedicating countless hours over the past year bringing our existing system current and, importantly, mapping our new technology infrastructure with the overarching goal of improving the member experience. We go "live" on January 17, 2024.
- A huge thank you to our partners at Euclid Technology and 501Works! They spent two days with us this week training on Euclid ClearVantage, assessing what's going well and planning for the next five months. We've kept our members informed of our technology evolution with more to come on what they can expect as we approach our January launch. 118 years strong, we are so excited for the future!

Source : Massachusetts Bankers Association

MASSACHUSETTS DIVISION OF BANKS

TO SUPPORT FORECLOSURE COUNSELING, FIRST-TIME HOMEBUYER EDUCATION PROGRAMS

- The Healey-Driscoll Administration’s Division of Banks awarded nearly \$3 million in grants to 23 organizations across the state to fund first-time homeownership education programs and foreclosure prevention counseling centers throughout Massachusetts.
- Grant funds were awarded through the Chapter 206 Grant Program, which provides help to homeowners who are facing financial hardship and prospective homebuyers who are thinking about buying a home.
- As part of the Office of Consumer Affairs and Business Regulation, the Division of Banks administers this grant program. Among the grant recipients are 10 regional foreclosure education centers and 13 consumer counseling organizations.
- “These grants and the programs they support will empower consumers as they embark on their homeownership journey and help them build long-term, sustainable wealth,” said Layla R. D’Emilia, Undersecretary of the Office of Consumer Affairs and Business Regulation. “We’re proud to play a role in helping to expand economic opportunity for Massachusetts residents through this program.”



Source : Mass.gov, 5/16/2023

BUILD A BANK THAT MATTERS

AMERICAN BANKER'S BEST BANKS TO WORK FOR - 8 CORE FOCUS AREAS

The Cooperative Bank of Cape Cod, Seamen's Bank, and Cape Code 5 were among the 90 institutions listed as best banks to work for in 2022. The Employee Engagement & Satisfaction Survey consists of approximately 77 statements that employees respond to along with two open-ended and seven demographic questions. This survey makes up the other 75% of the overall score.



Leadership and Planning



Corporate Culture and Communications



Role Satisfaction



Work Environment



Relationship with Supervisor



Training, Development and Resources



Pay and Benefits



Overall Engagement



Source: American Banker, survey was conducted by bestcompaniesgroup.com

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. 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



Committee Update

- In June, the Joint Committee on Financial Services held what is expected to be its only public hearing on credit union related bills this session. The hearing agenda consisted of a total of 30 bills including several bills seeking authority for credit unions to receive public deposits and other expanded credit union powers.

- The Association commented or submitted testimony on more than 20 bills, including voicing our lasting concerns and strong opposition to several measures seeking to expand credit union powers to accept public deposits (H 1034, H 1163 & S 652) and to merge with or buy a bank (H 1033 & S 720), bills mandating foreclosure mediation (H 942, H 1083 & S 653), burdensome ATM security requirements (H 929), amongst others.

- The Association also testified in support of H 974, an act to protect consumers by further defining subprime loans, to address the recent rapidly changing interest rate environment as well as H 1097, a bill filed on behalf of the Association to establish a statutory process governing credit union membership eligibility and ensuring that state-chartered credit unions in the Commonwealth focus on their traditional mission.

Source: Massachusetts Bankers Association

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

SECOND QUARTER OF 2023 RESULTS (AGGREGATE)

105 MA Institutions*

4,857 Total U.S. Institutions**

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

1.76% of the U.S. Banking Industry's Total Loans

Net Interest Margin

MA: 2.71% down from 2.85% in Q1

U.S.: 3.21% down from 3.25% in Q1

Returns

MA: ROAA of 0.82% up from 0.37% in Q1, ROAE of 7.62% up from 3.41% in Q1

U.S.: ROAA of 1.20% down from 1.36% in Q1, ROAE of 12.65% down from 14.37% in Q1

Capital Levels

MA: Leverage Ratio of 10.81% up from 10.79% in Q1

U.S.: Leverage Ratio of 9.15% down from 9.20% in Q1

Credit Quality

MA: Net charge-offs to average loans of 0.22% up from 0.16% in Q1.

U.S.: Net charge-offs to average loans of 0.49% up from 0.41% in Q1

Number of Unprofitable Institutions

MA: 3.81%

U.S.: 4.88%

*Massachusetts FDIC call report filers; removed State Street Bank and Trust Company

**All FDIC call report filers

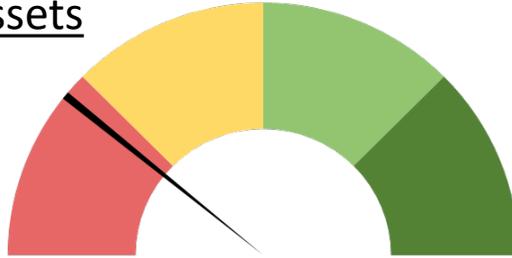
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 6/30/2023 and includes both commercial and mutual bank data.

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT PROFITABILITY RATIOS

*Return On Avg. Assets

MA Median: 0.55%
U.S. Median: 0.97%

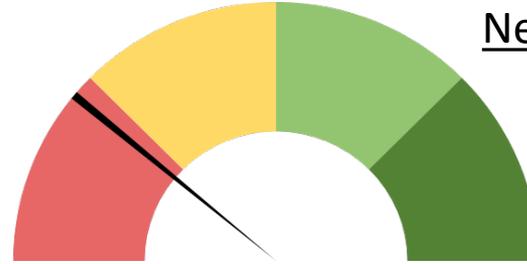


MA's **Median** ROAA ranks among the **21st** percentile Nationwide

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

Net Interest Margin

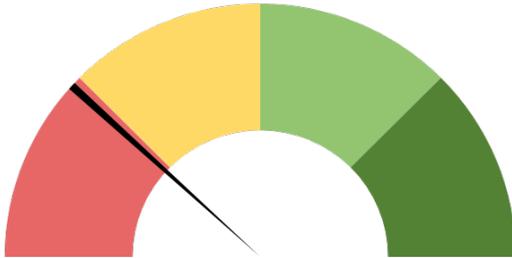
MA Median: 2.77%
U.S. Median: 3.36%



MA's **Median** Net Interest Margin ranks among the **22nd** percentile Nationwide

Efficiency Ratio

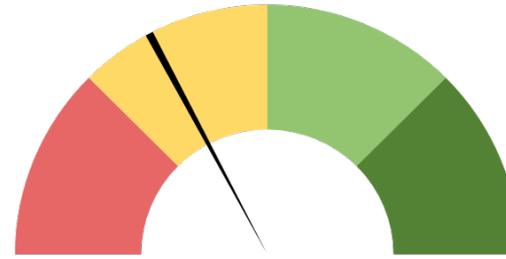
MA Median: 77.25%
U.S. Median: 65.30%



MA's **Median** Efficiency Ratio ranks among the **23rd** percentile Nationwide

Cost of Funds

MA Median: 1.60%
U.S. Median: 1.30%



MA's **Median** Cost of Funds ranks among the **34th** percentile Nationwide

Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 6/30/2023 and includes both commercial and mutual bank data.

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT BALANCE SHEET RATIOS

NPA/Assets

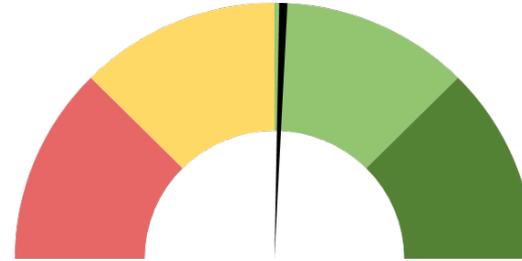
MA Median: 0.23%
U.S. Median: 0.22%



MA's **Median** NPA/Assets ranks among the **49th** percentile Nationwide

Tier 1 Leverage

MA Median: 10.54%
U.S. Median: 10.51%

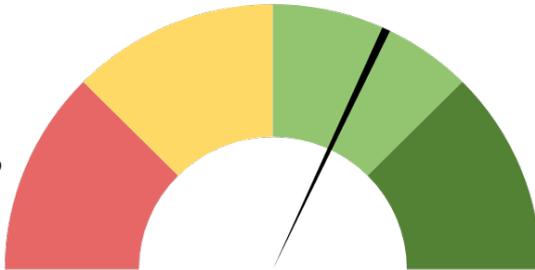


MA's **Median** Tier 1 Leverage Ratio ranks among the **51st** percentile Nationwide

CRE/Loans*

MA Median: 30.07%
U.S. Median: 23.68%

**non-owner occupied*



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

Loans/Deposits

MA Median: 91.89%
U.S. Median: 77.22%



MA's **Median** Loan/ Deposit ratio ranks among the **75th** percentile Nationwide

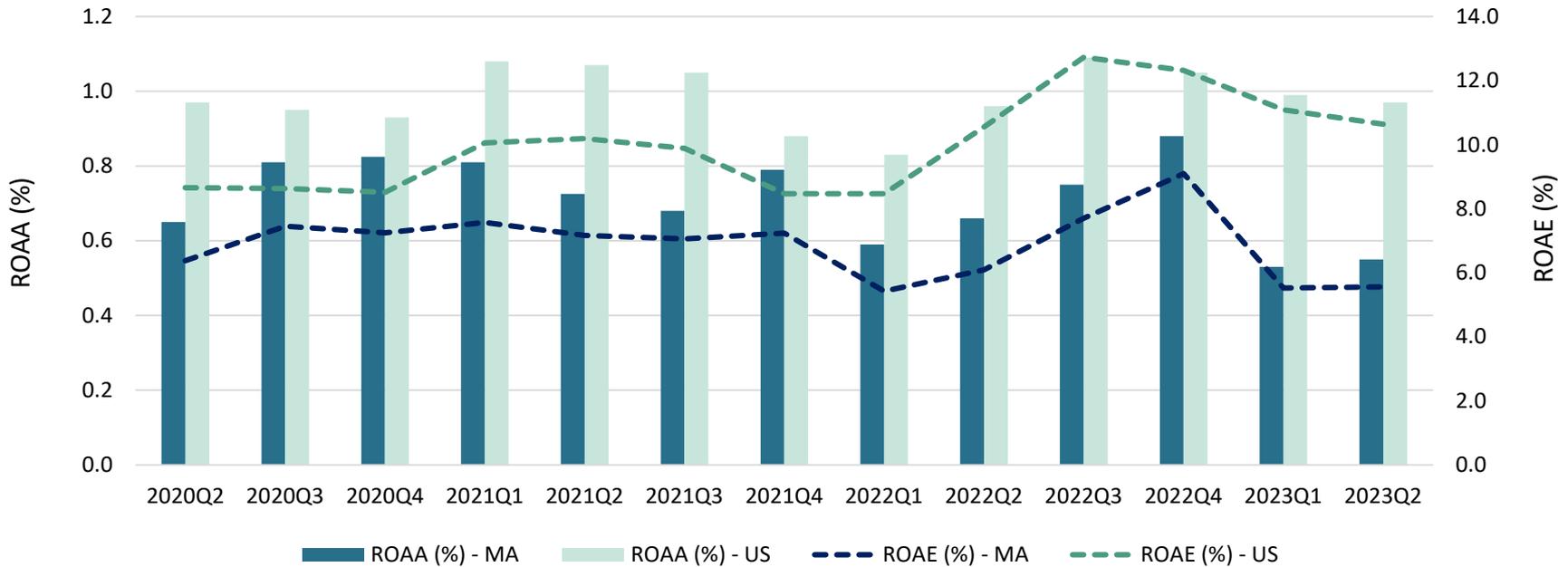
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 6/30/2023 and includes both commercial and mutual bank data.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS

ROAA and ROAE both increased for Massachusetts banks and for U.S. banks in 2023Q2 compared to 2023Q1.

Profitability Highlights (Median %)

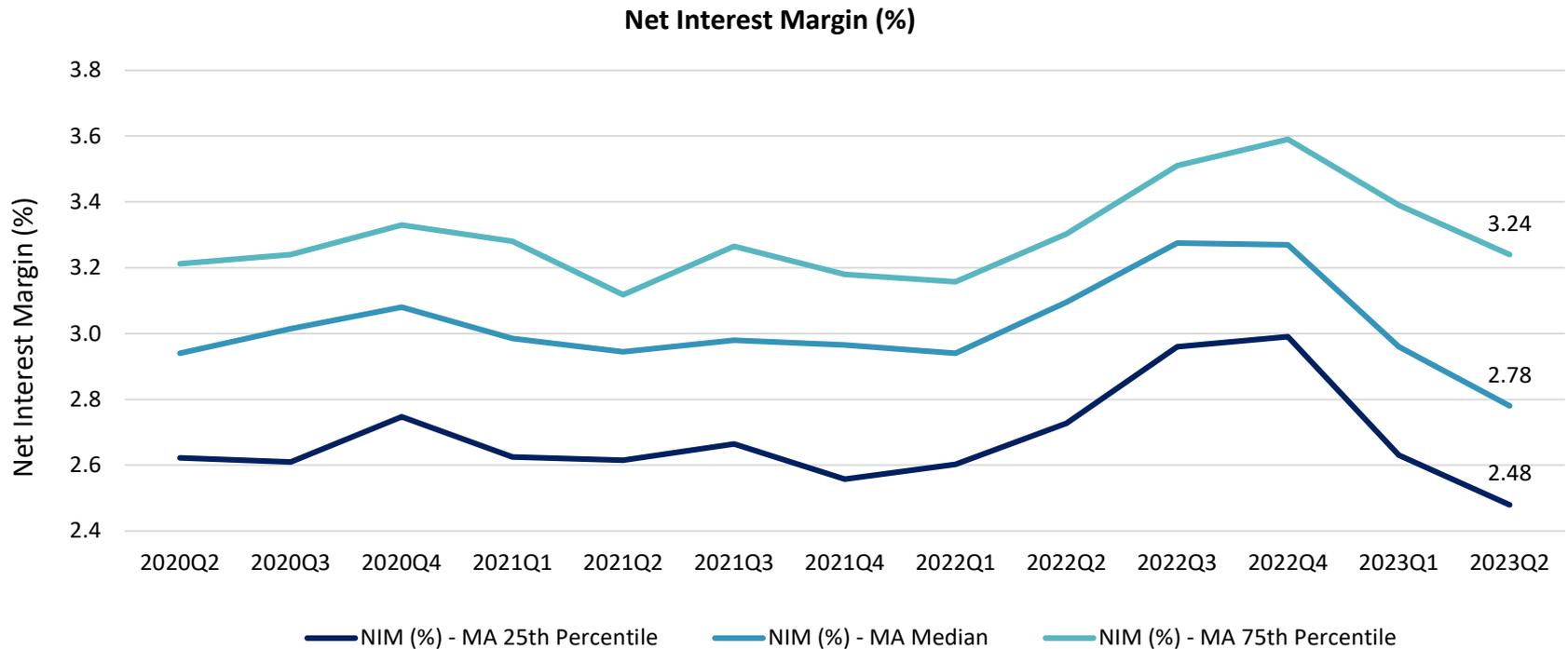


Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 6/30/2023, adjusted for election of Sub Chapter S and includes both commercial and mutual bank data.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

The net interest margin for Massachusetts banks and U.S. banks decreased on an aggregate level in Q2 2023 compared to Q1 2023. Median, 75th percentile, and top 25th percentile levels of NIM for Massachusetts banks decreased in Q2 2023 by approximately 15 to 18 basis points.



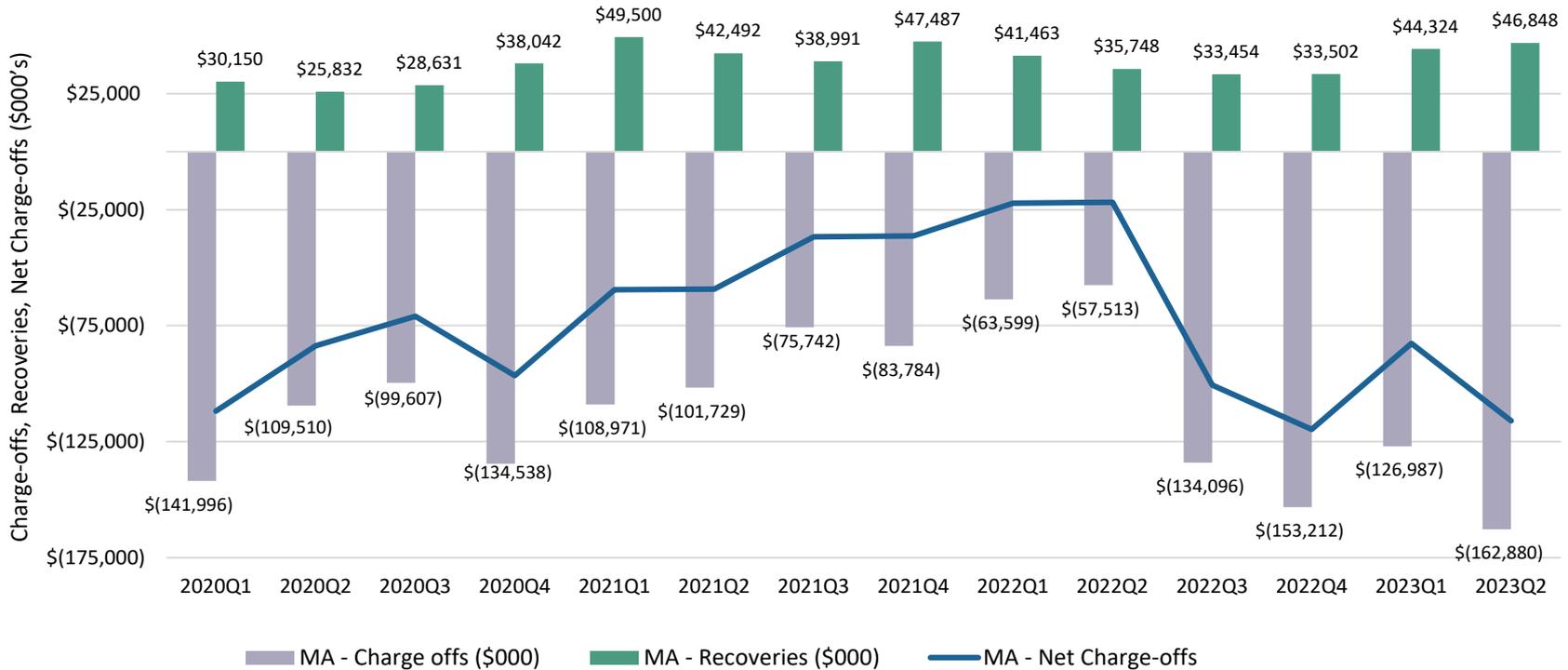
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 6/30/2023 and includes both commercial and mutual bank data. Excludes certain institutions.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

Net-charge offs in 2023Q2 decreased for Massachusetts banks; banks nationwide saw an increase in net-charge offs to total loans.

Massachusetts Aggregate Charge-offs and Recoveries



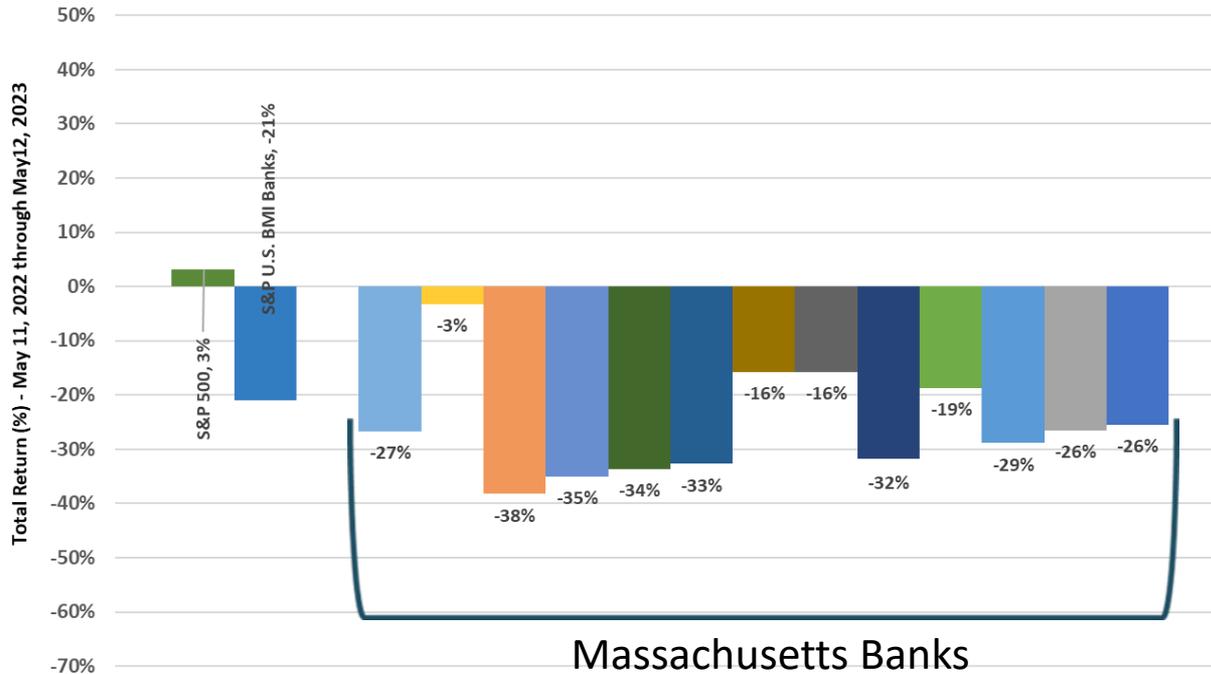
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 6/30/2023 and includes both commercial and mutual bank data.



TOTAL RETURN

TOTAL RETURN: AUGUST 15, 2022 THROUGH AUGUST 15, 2023

Publicly traded Massachusetts headquartered banks were below the S&P U.S. BMI Banks Index and the S&P 500 as of August 15, 2023. The median total return for Massachusetts banks was -26.68%, 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 8/15/2023

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

[What should be in your deposit strategy?](#)

[What Does Brand Get You?](#)

[How to Acquire and Retain Small Business Relationships](#)

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



TKG Quarterly Perspectives

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

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

[Strategic Alignment: Accountabilities](#)

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

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