



Massachusetts
Bankers
Association

**THE
KAFAFIAN
GROUP**



STATE OF THE INDUSTRY: MASSACHUSETTS Q3 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 stable as inflation has decreased from 3.7% in Q2 2023 to 2.4% in Q3 2023. This is still above the Fed's target inflation rate of 2.0% but down from the peak of 6.0% in 2022.

2

The unemployment rate in Massachusetts stayed the same at 2.4% from Q2 2023 to Q3 2023. Which is on trend as the nation's unemployment levels remain unchanged. 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

Credit performance worsened modestly in the third quarter both nationwide and for Massachusetts Banks. As write offs and delinquencies picked up for the Q3 2023, they may worsen through the rest of the year.

4

The State Treasurer's Office of Economic Empowerment (OEE), the Division of Banks (DOB), and the Office of Consumer Affairs and Business Regulation (OCABR) announced the recipients of the 2023 Operation Money Wise grants. These grants provide the resources to non-profit organizations, public agencies, and higher education institutions that serve the military community in Massachusetts for financial education programming.

Source: The Kafafian Group, Inc.



ECONOMIC SNAPSHOT

EMPLOYMENT & HOUSING

EMPLOYMENT		Measure	Sep-23	Aug-23	Jul-23	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
1	Unemployment Rate (National Seasonally Adj)	%	3.8	3.8	3.5	0.0	0.20
2	Unemployment Rate in Massachusetts (Not Seasonally Adj)	%	2.6	2.6	2.5	0.0	(1.3)
3	All Employees, Total Nonfarm	000's	156,773	156,476	156,311	0.19%	4,361
4	Labor Force Participation Rate	%	62.8	62.8	62.6	0.00	0.6
			9/30/2023	8/26/2023	7/29/2023		
5	Initial Claims (Weekly)		209,000	229,000	227,000	-8.73%	(4,000)

HOUSING		Measure	Sep-23	Aug-23	Jul-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	311.5	310.2	0.42%	0.01
7	S&P/Case-Shiller MA-Boston Home Price Index		NA	318.5	315.2	1.05%	0.02
8	Housing Affordability Index		94.1	92.4	93.9	1.84%	(0.06)
9	New Privately-Owned Housing Units Started: Single-Family Units	000's	968	948	988	2.11%	(0.04)
10	New Privately-Owned Housing Units Started: Single-Family Units in the Northeast Census Region	000's	50.0	57.0	59.0	-12.28%	0.02
11	30-Year Fixed Rate Mortgage Average in the United States	%	7.20	7.07	6.84	1.84%	0.26
			3Q2023	2Q2023	1Q2023		
12	Delinquency Rate on Single-Family Residential Mortgages	%	NA	1.72	1.74	-1.15%	(0.11)

Source: The Kafarian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 9/30/2023



ECONOMIC SNAPSHOT

MARKET/RATES, CONSUMER, & PRODUCTION/PRICES

MARKET/RATES (End of Period)	Measure				Change from	Change from
		Sep-23	Aug-23	Jul-23	Prior Month (%) or actual change	Prior Year (%) or actual change
1 S&P 500		4,345.4	4,457.4	4,409.1	-2.51%	0.11
2 Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis	%	4.38	4.17	3.90	0.05	1.24
3 Bank Prime Loan Rate	%	8.50	8.50	8.29	-	4.14
4 Federal Funds Effective Rate	%	5.33	5.33	5.12	-	4.12

CONSUMER	Measure				Change from	Change from
		Sep-23	Aug-23	Jul-23	Prior Month (%) or actual change	Prior Year (%) or actual change
5 Personal Consumption Expenditures: Chain-type Price Index		121.3	120.9	120.5	0.33%	-2.11%
6 Retail Sales: Excluding Motor Vehicle and Parts	\$mil	565,506	563,506	560,745	0.35%	-0.67%
7 University of Michigan: Consumer Sentiment		67.90	69.40	71.50	-2.16%	0.39
8 Personal Saving Rate	%	3.4	4.00	4.10	-15.00%	0.48

PRODUCTION/PRICES	Measure				Change from	Change from
		Sep-23	Aug-23	Jul-23	Prior Month (%) or actual change	Prior Year (%) or actual change
9 Consumer Price Index		307.48	306.27	304.35	0.40%	4.33%
10 ISM Manufacturing: PMI		49.00	47.60	46.40	0.03	(4.00)
11 ISM Services: PMI		53.60	54.50	52.70	(0.02)	(1.70)
		3Q2023	2Q2023	1Q2023		
12 Gross Domestic Product (Change from Prior, annualized rate)	%	4.90	2.10	2.20	1.33	(4.50)

Source: The Kafafian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 9/30/2023



STATE ECONOMIC TRENDS

NEW ENGLAND REGIONAL ECONOMIC TRENDS

The below highlights unemployment rate and salary trends in New England from April, 2023 through September, 2023. Massachusetts also had the highest 12 month percentage change in Finance Activities and Nonfarm Wage and Salary Employment in the New England region.

Unemployment Rate %						
State	Apr2023	May2023	Jun2023	Jul2023	Aug2023	Sep2023
1 Massachusetts	3.10	2.80	2.60	2.50	2.60	2.60
2 Connecticut	3.80	3.70	3.70	3.60	3.50	3.50
3 Rhode Island	3.00	3.00	2.90	2.80	2.70	2.60
4 New Hampshire	2.10	1.90	1.80	1.70	1.80	2.00
5 Vermont	2.40	2.10	1.90	1.80	1.80	1.90
Nonfarm Wage and Salary Employment 12 Month % Change						
State	Apr2023	May2023	Jun2023	Jul2023	Aug2023	Sep2023
6 Massachusetts	2.70	2.90	2.60	2.40	2.50	2.10
7 Connecticut	1.10	1.50	1.20	1.10	1.30	1.80
8 Rhode Island	(0.20)	(0.40)	(0.40)	(1.20)	(0.70)	(0.50)
9 New Hampshire	2.00	2.70	2.20	1.40	1.70	1.90
10 Vermont	1.80	1.20	(0.20)	0.50	0.90	1.10
Finance Activities Wage and Salary Employment 12 Month % Change						
State	Apr2023	May2023	Jun2023	Jul2023	Aug2023	Sep2023
11 Massachusetts	3.20	2.50	2.90	2.70	2.20	0.80
12 Connecticut	(3.40)	(2.90)	(3.30)	(2.80)	(3.00)	(3.10)
13 Rhode Island	-	-	0.30	0.00	-0.30	(0.80)
14 New Hampshire	0.30	1.20	(0.30)	(1.20)	(0.60)	(0.30)
15 Vermont	-	-	(1.70)	0.80	0.80	(0.80)

Source: Bureau of Labor Statistics

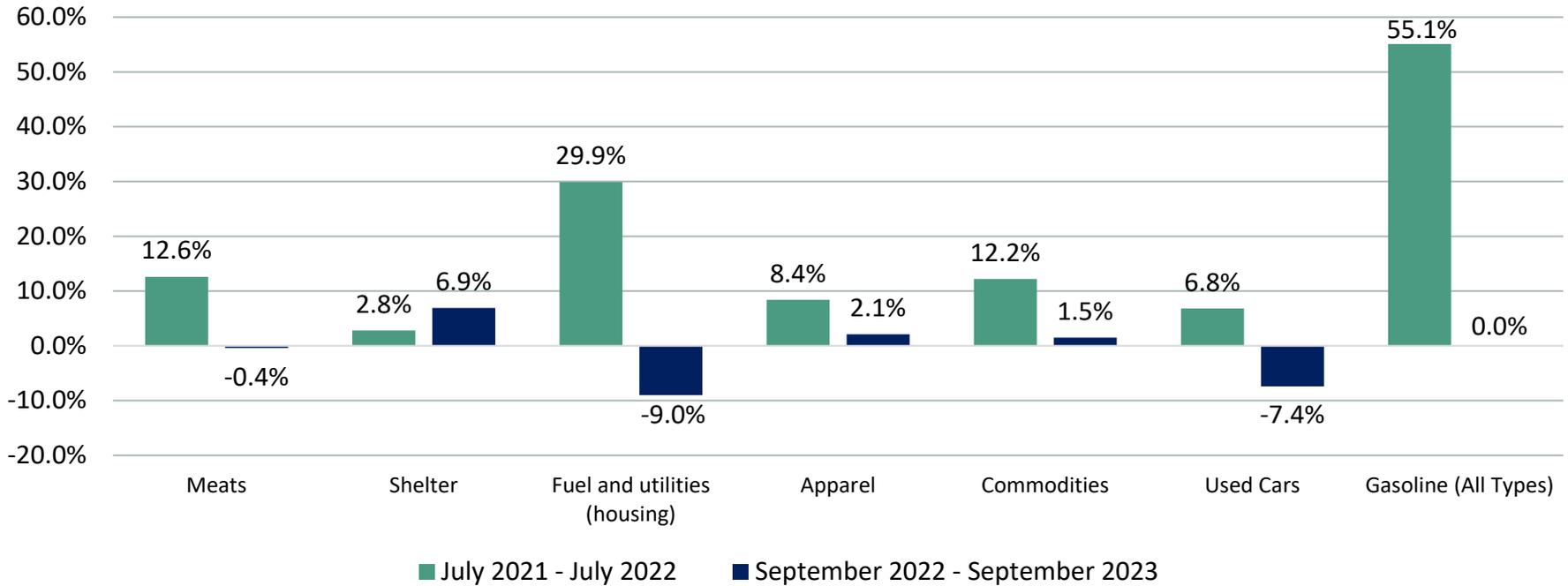


INFLATION

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 September 2022 and September 2023. Inflation has subsided in most categories. The cost of fuel and utilities in the Boston-Cambridge-Newton Metropolitan area are down 9% from September 2022 and the price of gasoline has not changed from September 2022 to September 2023

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 September 20th, 2023, the probability of a target fed funds rate of 525-550bps was nearly 58% for the December 13th meeting. As of November 16th, 2023, the updated probability of a target fed funds rate of 525-550bps for the December 13, 2023 meeting is 99.83%. The pace of interest rate increases has been stagnant. The probabilities for the June 2024 meeting indicate the probability of a target fed funds rate of 525-550bps is 17.7%. The June 12th, 2024 meeting probabilities show an increased probability of a decreasing fed funds rate throughout 2024.

MEETING PROBABILITIES(%)							
12/13/2023							
MEETING DATE	375-400	400-425	425-450	450-475	475-500	500-525	525-550
12/13/2023	0.0	0.0	0.0	0.0	0.0	0.0	100.0
1/31/2024	0.0	0.0	0.0	0.0	0.0	0.0	100.0
3/20/2024	0.0	0.0	0.0	0.0	0.0	28.0	72.0
5/1/2024	0.0	0.0	0.0	0.0	12.6	47.8	39.5
6/12/2024	0.0	0.0	0.0	7.0	32.0	43.3	17.7

MEETING PROBABILITIES(%)							
6/12/2024							
MEETING DATE	375-400	400-425	425-450	450-475	475-500	500-525	525-550
6/12/2024	0.0	0.0	0.0	7.0	32.0	43.3	17.7
7/31/2024	0.0	0.0	3.9	20.9	38.3	29.0	7.8
9/18/2024	0.0	2.4	14.5	31.7	32.5	15.9	3.0
11/7/2024	1.2	8.6	23.4	32.1	23.9	9.2	1.4
12/18/2024	6.4	18.9	29.5	26.5	13.7	3.8	0.4

Source: CME Group



CREDIT CONDITIONS

EXPECTED DECREASE IN CREDIT MARKET CONDITIONS IN 2023

- In the 3rd Quarter of 2023, the Headline Credit Index increased 1.5 points to 7.3, remaining at its low level. 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 increased 2.6 points to 8.3 in Q3. EAC members expect consumer credit availability and quality to worsen in the next six months. The Business Credit Index increased 0.5 points in Q3, emphasizing that EAC members expect credit availability and quality to debilitate in the near future.
- Credit quality and conditions improved in Q3; however, it remains at almost all-time levels. High interest rates have decreased consumer and business demand for credit, and EAC members predict this trend will continue while the Fed continues to combat inflation. EAC economists anticipate job growth to weaken significantly throughout the end of 2023, with consumer credit stress continuing to rise. Businesses have been managing payment obligations well despite a tightening on credit conditions, but charge-off rates are slowly increasing. Due to the Fed’s quantitative tightening measures, EAC members expect slower financial growth for consumers, which will negatively impact businesses.

CREDIT CONDITIONS INDEX: HISTORICAL SERIES*



Source: ABA Credit Conditions Index 9/26/23

RECIPIENTS ANNOUNCED FOR STATE FINANCIAL EDUCATION GRANTS

VETERAN-SERVING INSTITUTIONS

- Organizations will use their funds to offer financial education programs to the military community.
- The State Treasurer’s Office of Economic Empowerment (OEE), the Division of Banks (DOB), and the Office of Consumer Affairs and Business Regulation (OCABR) announced the recipients of the 2023 Operation Money Wise grants. These grants provide the resources to non-profit organizations, public agencies, and higher education institutions that serve the military community in Massachusetts for financial education programming.
- This year, the 14 organizations included will create new or expand existing financial programs. In total, these groups were awarded \$64,432 made possible through a Division of Banks settlement over alleged unlawful lending practices.
- *“By investing in the financial futures of our military members and their families, we are investing in Massachusetts”* said Layla R. D’Emilia, Undersecretary for the Office of Consumer Affairs and Business Regulation. *“Through these grants, we have an exciting opportunity to provide tools that contribute to veterans’ long-term success.”*

Organization	Amount Requested
American Consumer Credit Counseling	\$5,000.00
Bridgewater State University	\$4,849.00
Cape and Islands Veterans Outreach Center	\$5,000.00
Joe Q Veteran Coffee Break, Inc	\$5,000.00
LifePath	\$5,000.00
Montachusett Veterans Outreach Center	\$1,500.00
Mount Wachusett Community College	\$3,883.00
North Shore Community College	\$4,200.00
Regis College	\$5,000.00
Somerset Veterans Office	\$5,000.00
Town of Leicester	\$5,000.00
Tri-Valley, Inc	\$5,000.00
Veterans Legal Services	\$5,000.00
YMCA Southeastern Massachusetts	\$5,000.00

Source: www.Mass.gov, 7/05/2023



MASSACHUSETTS BANKS TO ENTER CANNABIS INDUSTRY

NEW SERVICE UNIT

Banks in Massachusetts are expanding services for cannabis companies and entrepreneurs nationwide.

- Available services for plant-touching, ancillary and other marijuana-related businesses include electronic fund transfers and wire services, armored cash pickup, debit cards and checks, mobile and online banking as well as savings accounts, money-market access and wealth management, the business publication reported.
- The developments come as large parts of the cannabis industry still struggle to secure strong banking relationships and some key services.
- The recent decision by financial giant Mastercard to halt cannabis purchases through its popular debit card underscored these ongoing challenges.
- Earlier this year, cannabis operators were forced to scramble and find a new payroll provider after receiving a memo from Paychex advising that the company would no longer process direct deposits or offer other services for marijuana-related businesses.



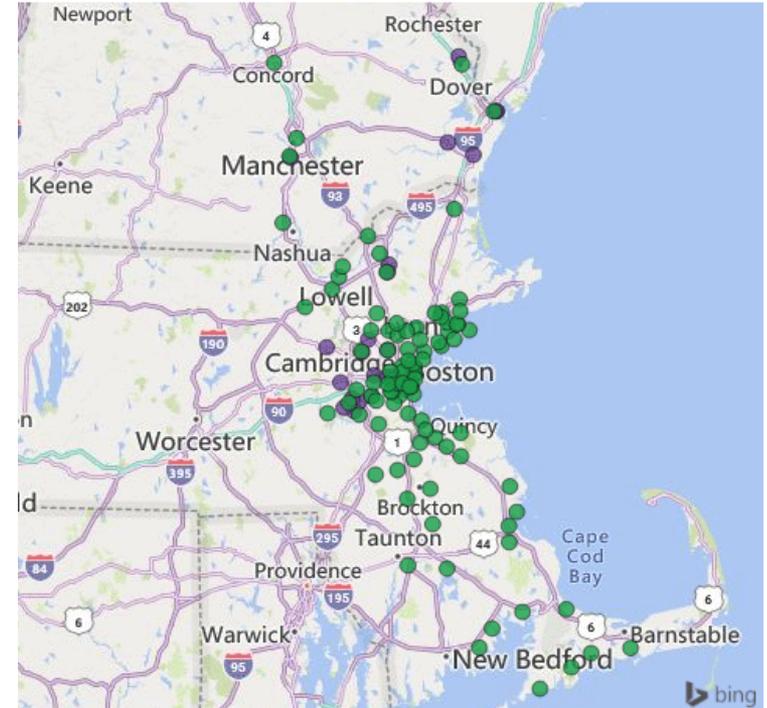
Source: mjbizdaily.com, 9/07/2023

CAMBRIDGE BANCORP TO MERGE INTO EASTERN BANKSHARES

DEAL VALUED AT \$528 MILLION

Cambridge, Mass.-based Cambridge Bancorp, the parent company of Cambridge Trust Co., agreed to merge with and into Boston-based Eastern Bankshares Inc., the holding company for Eastern Bank, in an all-stock deal.

- Based on the closing price of Eastern Bankshares' stock Sept. 18, the deal is valued at about \$528 million. The aggregate consideration reflects 114% of Cambridge Bancorp's tangible book value and a 24% premium to Cambridge Bancorp's 30-day volume weighted average price, according to a news release.
- The merger will create a company with roughly \$27.1 billion in total assets, \$18 billion in total loans, \$22.6 billion in deposits and \$7.6 billion in client assets under management and administration. The combined wealth management and private banking divisions will operate under the Cambridge Trust brand and leadership.
- Upon deal closing, Eastern Bankshares will expand in Massachusetts by 19 branches to be ranked fifth with a 3.96% share of approximately \$579.55 billion in total market deposits and will expand in New Hampshire by six branches to be ranked No. 11 with a 1.85% share of approximately \$51.04 billion in total market deposits, according to S&P Global Market Intelligence data
- Under the terms of the merger agreement, each Cambridge Bancorp common share will be exchanged for 4.956 Eastern Bankshares common shares. Eastern Bankshares expects to issue about 39.4 million common shares in the merger.



Eastern Bankshares Inc.

● 97 US branches

Cambridge Bancorp

● 25 US branches

Number of branches reflects information collected by S&P Global Market Intelligence, using the FDIC standard branch definition, and may not include recent non-publicly disclosed branch activity. Map includes all branch types.

Source: www.capitaliq.spglobal.com, 9/19/2023

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 LEGISLATIVE AGENDA & 2023-2024 LEGISLATIVE SESSION WATCHLIST

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

The Massachusetts legislature continues its work after convening for its new two-year cycle during the first week of January 2023. To date, more than 7,600 bills have been introduced, with the Massachusetts Bankers Association tracking 407 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 (details below). 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!

2023-2024 Legislative Session Filings



- H.1097 - Mandating stronger standards for credit union membership by-law changes and ensuring that state-chartered credit unions are fulfilling their traditional mission, filed by Representative Frank Moran (D-Lawrence); **(Heard by the Joint Committee on Financial Services – 6/20/23)**
- H.277 - Protecting Massachusetts banks against patent infringement claims, filed by Representative Edward Coppinger (D-Boston); **(Heard by the Joint Committee on Consumer Protection & Professional Licensure – 6/26/23)**
- H.955- Enhancing the state charter by making updates and revisions to several areas of state banking law, via our updated “mini-mod” bill filed by Representative Dan Cahill (D-Lynn); **(Heard by the Joint Committee on Financial Services – 10/24/23)**
- H.1078 - Correcting drafting issues contained in Chapter 482 of the Acts of 2014, the bank modernization law, filed by Representative John Lawn (D-Watertown); **(Heard by the Joint Committee on Financial Services – 10/24/23)**
- H.281- Imposing strong data security standards on retailers and other merchants, filed by Representative Michael Day (D-Stoneham); **(Heard by the Joint Committee on Consumer Protection & Professional Licensure – 6/26/23)**

- H.1419 / S.1117- Increasing the penalties for bank robberies and allowing the check fraud cases to be consolidated into a single county, filed by Representative Tackey Chan (D – Quincy) and Senator Michael Rush (D-West Roxbury); **(Heard by the Joint Committee on Judiciary– 6/13/23)**
- H.1641 / S.974 - Governing access to a person’s online accounts and assets when the owner passes away or loses the ability to manage the accounts, filed by Representative Jay Livingstone (D-Back Bay) and Senator Barry Finegold (D-Andover); **(Heard by the Joint Committee on Judiciary– 10/31/23)**
- H.954 - Updating the use of bank name statute to reflect changes in technology and customer communication, filed by Representative Dan Cahill (D-Lynn); **(Heard by the Joint Committee on Financial Services – 10/24/23)**
- H.1405 - Enacting provisions to help facilitate electronic lending in the Commonwealth filed by Representative Dan Cahill (D-Lynn); **(Heard by the Joint Committee on Judiciary– 5/9/23)**
- S. 943/ H. 1525 – Enabling permanent remote online notarization filed by Senator Brendan Crighton (D-Lynn) and Representative Carmine Gentile (D- Sudbury). **(Signed by Gov. Healey, Chapter 2 of the Acts of 2023).**

Source: Massachusetts Bankers Association

MASSACHUSETTS BANKERS ASSOCIATION GOES TO WASHINGTON, D.C.

LEGISLATIVE SUMMIT

Earlier this quarter, the Massachusetts Bankers Association and members joined the Connecticut Bankers Association and Rhode Island Bankers Association in Washington, D.C. for a legislative summit. Over the course of two days, attendees heard from policy experts from the American Bankers Association and the Independent Community Bankers of America on a range of topics including the ACRE Act, SAFER Banking, the recent CRA final rule and more.

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- Attendees met with and engaged in thoughtful discussions with Michael Hsu, Acting Comptroller of the Office of the Comptroller of the Currency, Jonathan McKernan, Director, Board Member of the Federal Deposit Insurance Corporation, and officials from the Consumer Financial Protection Bureau on a range of topics including the issues mentioned above and more.
- Members also had the opportunity to visit the U.S. Capitol and meet with Congressman Richie Neal (D, MA-1) and the office of Congressman Jim McGovern (D, MA-2) to discuss issues impacting the banking industry and your clients.
- A special note thanks to Association members for joining us in Washington, D.C. and for your advocacy on behalf of the entire MA banking industry.



Source: Massachusetts Bankers Association

MEET & GREET WITH CONGRESSWOMAN KATHERINE CLARK

CONGRESSWOMAN KATHERINE CLARK (D, MA-5), U.S. HOUSE MINORITY WHIP

- Congresswoman Katherine Clark (D, MA-5) recently met with Association leadership and member banks headquartered and/or with branches established in her district to discuss a variety of issues facing the banking industry and its customers in Massachusetts and across the country. Congresswoman Clark serves as the U.S. House Minority Whip and is the second-highest ranking Democrat in the U.S. Congress.
- We are grateful to Congresswoman Clark and her team, and to the Association members who took time to join us for this important advocacy event. The Association is proud to coordinate these events to connect our members with our elected leaders and build upon our strong relationships with them. Special thanks to East Cambridge Savings Bank for hosting us.



Association Members pictured with Congresswoman Katherine Clark (D, MA-5)

Source: Massachusetts Bankers Association

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

THIRD QUARTER OF 2023 RESULTS (AGGREGATE)

105 MA Institutions*

4,653 Total U.S. Institutions**

1.33% of the U.S. Banking Industry's Total Assets

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

Net Interest Margin

MA: 2.70% down from 2.71% in Q2

U.S.: 3.23% up from 3.21% in Q2

Returns

MA: ROAA of 0.64% down from 0.82% in Q2, ROAE of 5.92% down from 7.62% in Q2

U.S.: ROAA of 1.17% down from 1.20% in Q2, ROAE of 12.16% down from 12.65% in Q2

Capital Levels

MA: Leverage Ratio of 10.99% up from 10.81% in Q2

U.S.: Leverage Ratio of 9.31% up from 9.15% in Q2

Credit Quality

MA: Net charge-offs to average loans of 0.24% up from 0.22% in Q2.

U.S.: Net charge-offs to average loans of 0.51% up from 0.49% in Q2

Number of Unprofitable Institutions

MA: 13.33%

U.S.: 6.58%

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

**All FDIC call report filers

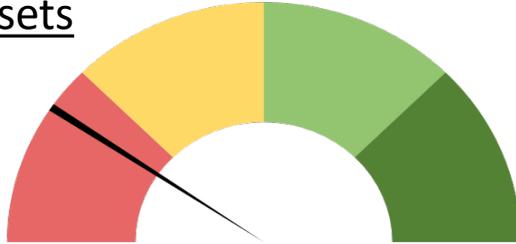
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2023 and includes both commercial and mutual bank data.

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT PROFITABILITY RATIOS

*Return On Avg. Assets

MA Median: 0.46%
U.S. Median: 0.92%

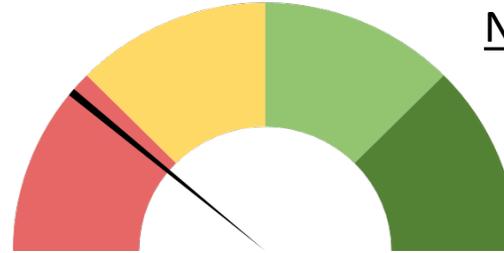


MA's **Median** ROAA ranks among the **18th** percentile Nationwide

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

Net Interest Margin

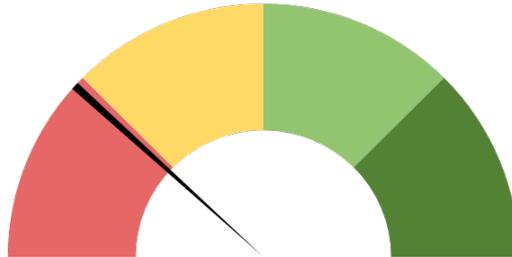
MA Median: 2.71%
U.S. Median: 3.33%



MA's **Median** Net Interest Margin ranks among the **21st** percentile Nationwide

Efficiency Ratio

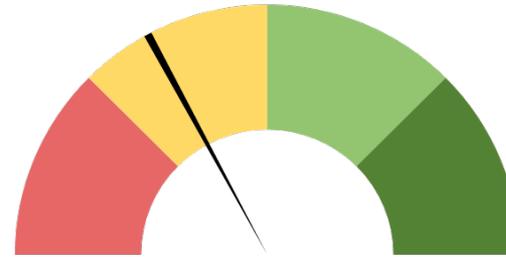
MA Median: 78.03%
U.S. Median: 65.87%



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

Cost of Funds

MA Median: 1.92%
U.S. Median: 1.61%



MA's **Median** Cost of Funds ranks among the **33rd** percentile Nationwide

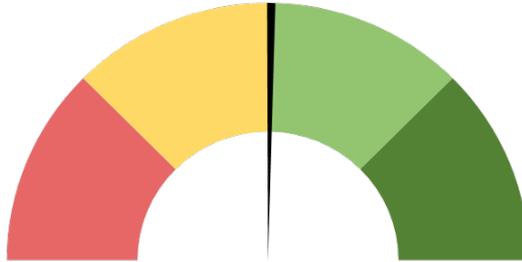
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2023 and includes both commercial and mutual bank data.

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT BALANCE SHEET RATIOS

NPA/Assets

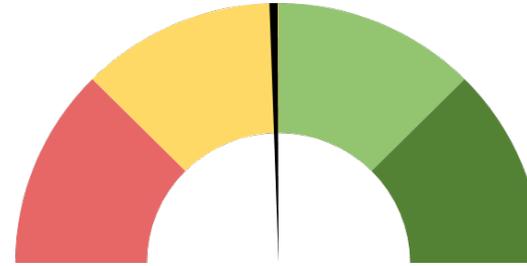
MA Median: 0.24%
U.S. Median: 0.23%



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

Tier 1 Leverage

MA Median: 10.56%
U.S. Median: 10.63%



MA's **Median** Tier 1 Leverage Ratio ranks among the **49th** percentile Nationwide

CRE/Loans*

MA Median: 30.47%
U.S. Median: 23.62%

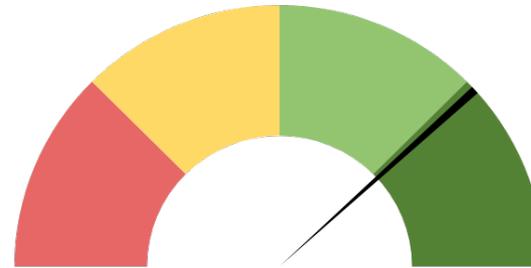
**non-owner occupied*



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

Loans/Deposits

MA Median: 92.63%
U.S. Median: 78.62%



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

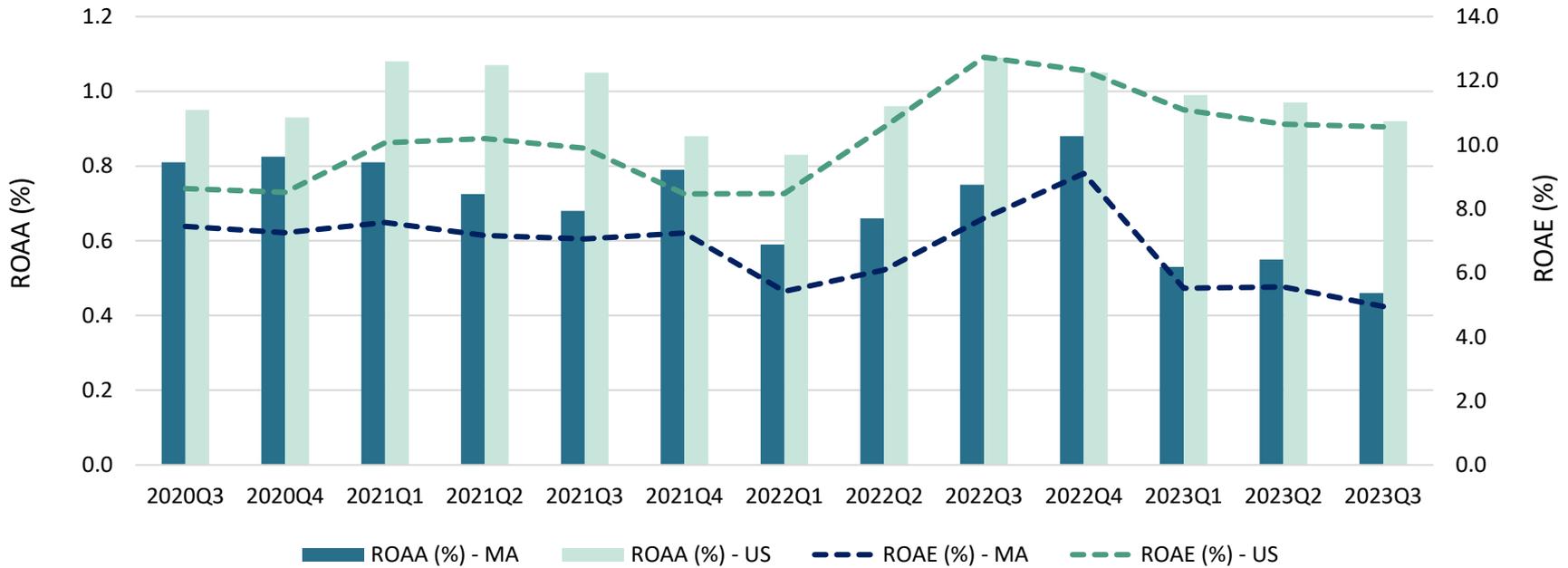
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2023 and includes both commercial and mutual bank data.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS

ROAA and ROAE both increased for Massachusetts banks and for U.S. banks in 2023Q3 compared to 2023Q2.

Profitability Highlights (Median %)

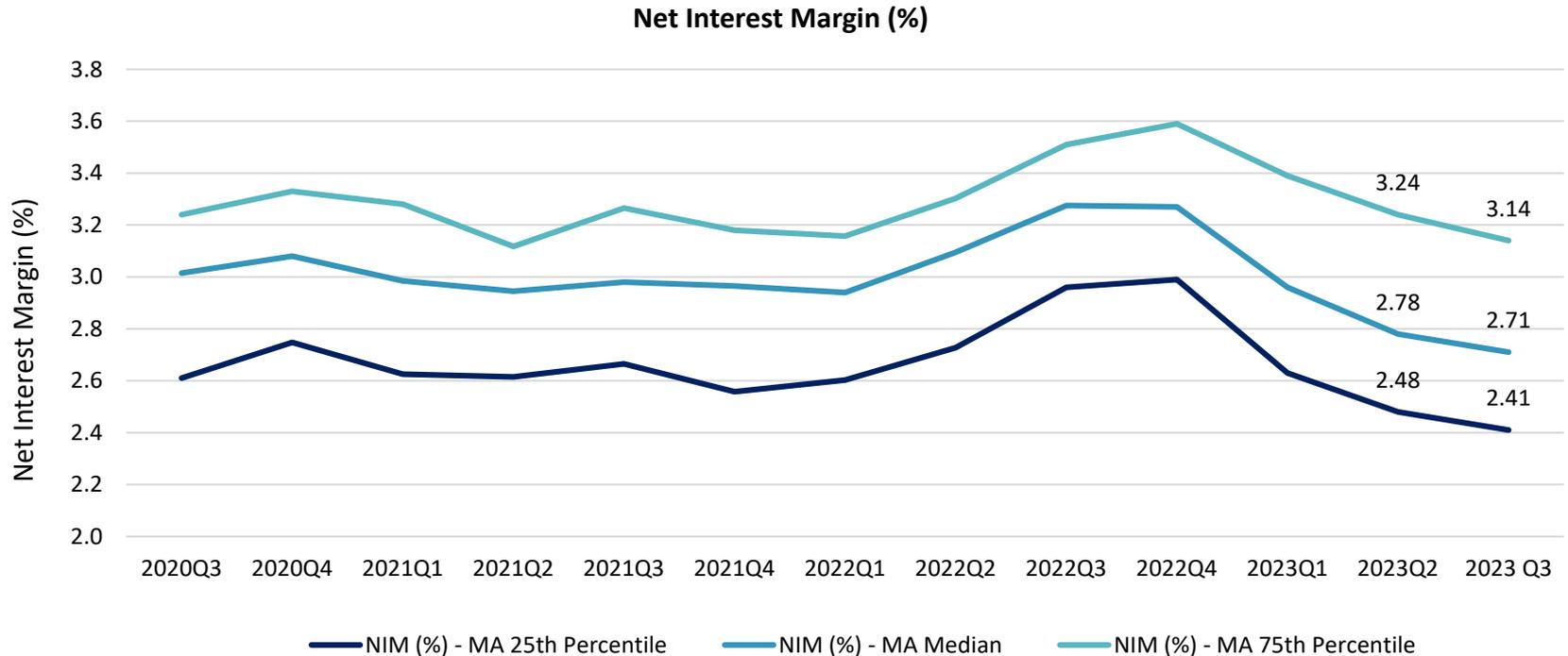


Source: The Kafarian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2023, adjusted for election of Sub Chapter S and includes both commercial and mutual bank data.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

The net interest margin for Massachusetts banks and U.S. banks decreased on an aggregate level in Q3 2023 compared to Q2 2023. Median, 75th percentile, and top 25th percentile levels of NIM for Massachusetts banks decreased in Q3 2023 by approximately 7 to 10 basis points.



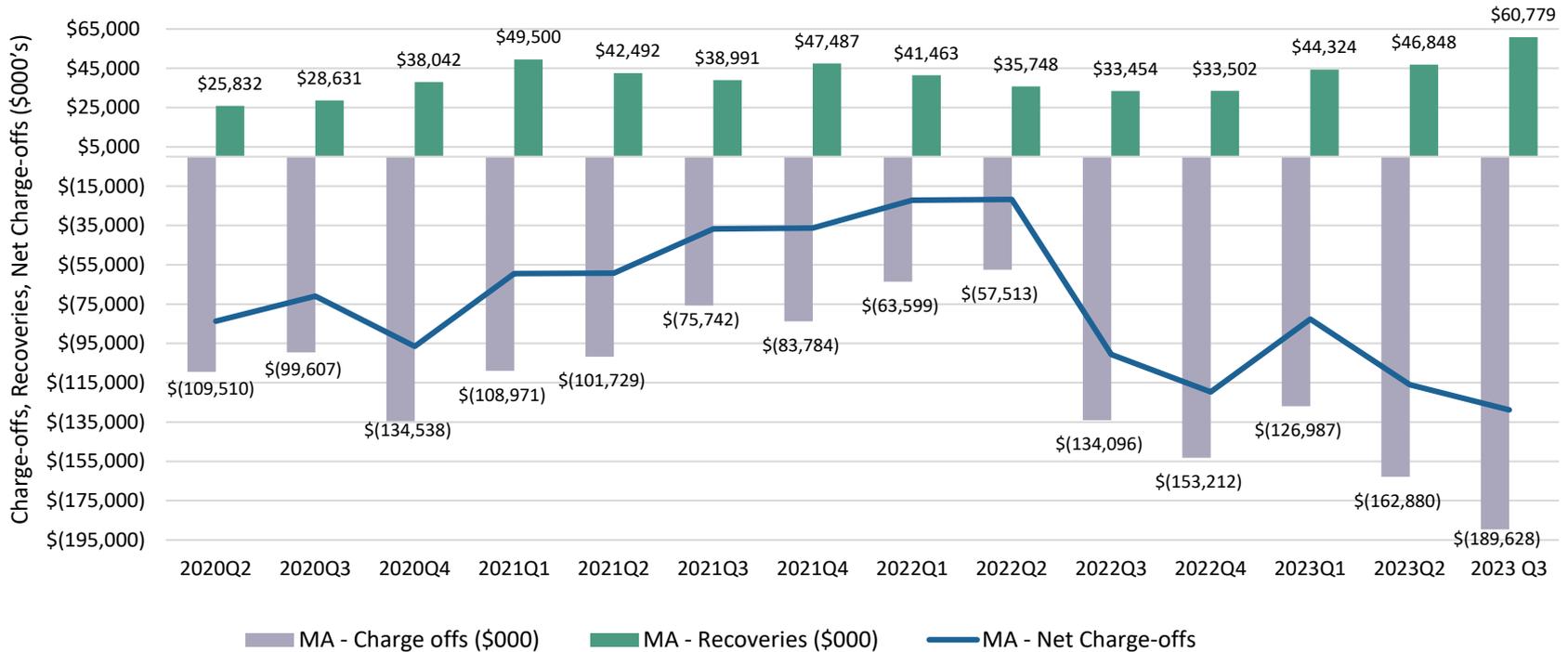
Source: The Kafarian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2023 and includes both commercial and mutual bank data. Excludes certain institutions.

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

Net-charge offs in Q3 2023 increased for Massachusetts banks; banks nationwide saw an increase in net-charge offs to total loans.

Massachusetts Aggregate Charge-offs and Recoveries



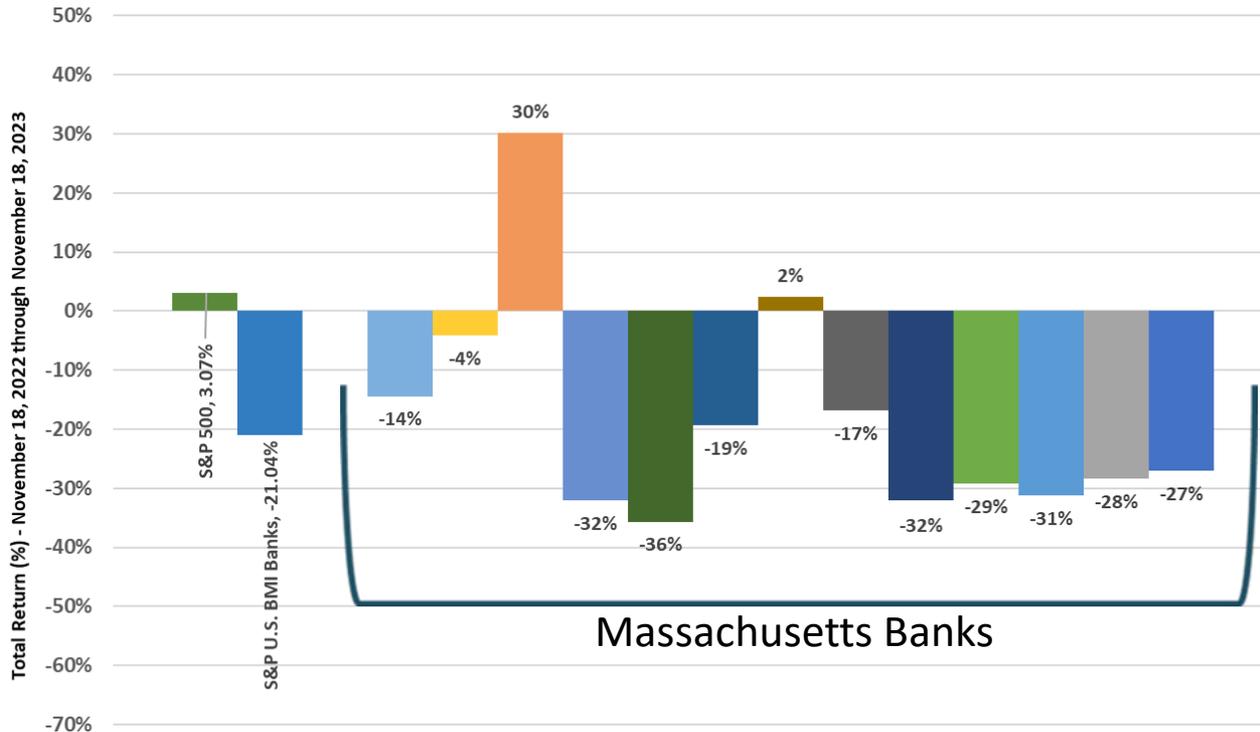
Source: The Kafarian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2023 and includes both commercial and mutual bank data.



TOTAL RETURN

TOTAL RETURN: NOVEMBER 18, 2022 THROUGH NOVEMBER 18, 2023

Publicly traded Massachusetts headquartered banks were below the S&P U.S. BMI Banks Index and the S&P 500 as of November 18, 2023. The median total return for Massachusetts banks was -27.08%, while the S&P U.S. BMI Banks Index was -21.04% and the S&P 500 was 3.07%.



Source: The Kafarian Group, Inc. and S&P Capital IQ Pro data as of 11/18/2023

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

[AI in Community Banking – Are YOU Ready?](#)

[Hot Topics in Accounting – What you need to know!](#)

[What is the “Secret Sauce” to Community Bank System, Inc.’s Long Term Success?](#)

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



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