

**STATE OF THE INDUSTRY: MASSACHUSETTS Q3 2024**

Performance  
Measurement



Strategic  
Management



Profit & Process  
Improvement



Management  
Advisory



Financial  
Advisory



# DISCLOSURE STATEMENT

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## FORWARD LOOKING STATEMENTS

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Source: The Kafafian Group, Inc.

# MASSACHUSETTS BANKERS ASSOCIATION QUARTERLY UPDATE

## SUMMARY OF KEY THEMES

1

At the September 18<sup>th</sup> FOMC meeting the Fed lowered interest rates by 50bps, the first rate cut since March 2020. The Fed lowered interest rates by another 25bps at the November 7<sup>th</sup> meeting. Anticipated rate cuts were larger than expected. The CME Fed watch tool projects there is a 59% probability there will be one additional rate cut in 2024. Despite rates decreasing by 75bps, the 5-year treasury rate has increased from 3.41% to 4.30% (as of 11/22/2024).

2

Net interest margins (NIM) also improved in Q3, as the median NIM for all U.S. banks increased 6bps to 3.37% in Q3 2024 from 3.31% in Q2 2024. Additionally, credit quality conditions improved in Q3 2024.

3

The State Treasurer's Office of Economic Empowerment (OEE), in partnership with the Massachusetts Division of Banks (DOB) and the Office of Consumer Affairs and Business Regulation (OCABR), announced funding for the 2025 Financial Education Innovation Fund Grant.

4

The transition to cloud technology has been a priority for 84% of banks in a survey conducted by the American Banker. Banks are migrating to cloud technology to optimize data utilization, enhance safety and security, reduce costs, and for faster innovation to enhance scalability.

5

Nationwide, industry consolidation remains elevated in 2024. Additionally, deal values in Q3 remain around Q2 levels. However, volatile economic conditions and increased regulatory scrutiny have resulted in a significant increase in the time between the announcement and close for deals in 2024 compared to 2023.

Source: The Kafafian Group, Inc.

# ECONOMIC SNAPSHOT

## EMPLOYMENT & HOUSING

EMPLOYMENT	Measure				Change from	Change from
		Sep-24	Aug-24	Jul-24	Prior Month (%) or actual change	Prior Year (%) or actual change
1 Unemployment Rate (National Seasonally Adj)	%	4.1	4.2	4.3	-0.1	0.30
2 Unemployment Rate in Massachusetts (Not Seasonally Adj)	%	3.6	4.5	4.6	-0.9	0.5
3 All Employees, Total Nonfarm	000's	158,993	158,770	158,692	0.14%	2,326
4 Labor Force Participation Rate	%	62.7	62.7	62.7	0.00	(0.1)
		<b>9/28/2028</b>	<b>8/31/2024</b>	<b>7/27/2024</b>		
5 Initial Claims (Weekly)		225,000	228,000	250,000	-1.32%	4.17%

HOUSING	Measure				Change from	Change from
		Sep-24	Aug-24	Jul-24	Prior Month (%) or actual change	Prior Year (%) or actual change
6 S&P/Case-Shiller U.S. National Home Price Index		NA	322.3	321.2	0.34%	3.50%
7 S&P/Case-Shiller MA-Boston Home Price Index		NA	335.4	334.6	0.24%	5.50%
8 Housing Affordability Index		105.5	99.1	93.8	6.46%	13.32%
9 New Privately-Owned Housing Units Started: Single-Family Units	000's	1,042	1,006	861	3.58%	7.09%
10 New Privately-Owned Housing Units Started: Single-Family Units in the Northeast Census Region	000's	94.0	85.0	57.0	10.59%	77.36%
11 30-Year Fixed Rate Mortgage Average in the United States	%	6.08	6.35	6.78	-4.25%	-16.83%
		<b>2Q2024</b>	<b>1Q2024</b>	<b>4Q2023</b>		
12 Delinquency Rate on Single-Family Residential Mortgages	%	1.73	1.71	1.7	1.17%	0.58%

Source: The Kafarian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 9/30/2024

# ECONOMIC SNAPSHOT

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

MARKET/RATES (End of Period)	Measure	Sep-24	Aug-24	Jul-24	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
1 S&P 500		5,762.5	5,648.4	5,522.3	2.02%	34.38%
2 Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis	%	3.81	3.91	4.09	-3%	(0.78)
3 Bank Prime Loan Rate	%	8.00	8.50	8.50	(0.06)	(0.50)
4 Federal Funds Effective Rate	%	5.13	5.33	5.33	(0.04)	(0.20)

CONSUMER	Measure	Sep-24	Aug-24	Jul-24	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
5 Personal Consumption Expenditures: Chain-type Price Index		123.9	123.7	123.6	0.16%	1.89%
6 Retail Sales: Excluding Motor Vehicle and Parts	\$mil	549,652	548,302	545,173	0.25%	0.56%
7 University of Michigan: Consumer Sentiment		70.10	67.90	66.40	3.24%	3.39%
8 Personal Saving Rate	%	4.6	4.80	4.90	-4.17%	4.55%

PRODUCTION/PRICES	Measure	Sep-24	Aug-24	Jul-24	Change from	Change from
					Prior Month (%) or actual change	Prior Year (%) or actual change
9 Consumer Price Index		314.69	314.12	313.53	0.18%	2.40%
10 ISM Manufacturing: PMI		47.20	47.20	46.80	-	(1.80)
11 ISM Services: PMI		54.90	51.50	51.40	0.07	1.30
		<b>2Q2024</b>	<b>1Q2024</b>	<b>4Q2023</b>		
12 Gross Domestic Product (Change from Prior, annualized rate)	%	0.90	(0.10)	(2.90)	1.00	3.20

Source: The Kafarian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 9/30/2024

# STATE ECONOMIC TRENDS

## NEW ENGLAND REGIONAL ECONOMIC TRENDS

The below highlights unemployment rate and salary trends in New England from April 2024 through September 2024. Massachusetts had the highest increase in 12-month percentage change in Nonfarm Wage and Salary Employment in the New England region during the six-month period.

Unemployment Rate %						
State	Apr2024	May2024	Jun2024	Jul2024	Aug2024	Sep2024
1 Massachusetts	3.10	3.80	4.00	4.60	4.50	3.60
2 Connecticut	3.50	4.10	2.80	3.50	3.40	2.50
3 Rhode Island	3.70	4.40	4.30	5.20	5.40	3.90
4 New Hampshire	2.40	2.00	2.40	2.90	3.00	2.00
5 Vermont	2.30	2.00	2.10	2.10	2.40	2.20
6 Maine	2.80	2.70	2.60	2.70	2.60	2.60

Nonfarm Wage and Salary Employment 12 Month % Change						
State	Apr2024	May2024	Jun2024	Jul2024	Aug2024	Sep2024
7 Massachusetts	0.50	0.60	1.10	1.10	1.00	0.90
8 Connecticut	1.30	1.00	0.70	0.90	0.80	0.60
9 Rhode Island	2.60	1.50	1.10	0.90	1.00	1.30
10 New Hampshire	1.40	1.30	1.60	1.50	1.90	2.00
11 Vermont	1.80	1.90	0.80	2.20	2.00	1.90
12 Maine	1.80	1.50	1.00	0.80	0.70	0.90

Finance Activities Wage and Salary Employment 12 Month % Change						
State	Apr2024	May2024	Jun2024	Jul2024	Aug2024	Sep2024
13 Massachusetts	(0.10)	0.20	-	0.70	0.50	(0.40)
14 Connecticut	0.50	0.10	0.50	0.80	0.40	0.70
15 Rhode Island	(0.80)	(0.80)	-	(0.60)	1.10	0.60
16 New Hampshire	(1.20)	0.30	(0.60)	(0.90)	(0.60)	(0.60)
17 Vermont	1.70	1.70	0.80	2.50	3.30	2.50
18 Maine	(2.30)	(1.90)	(1.50)	(1.90)	(0.80)	0.40

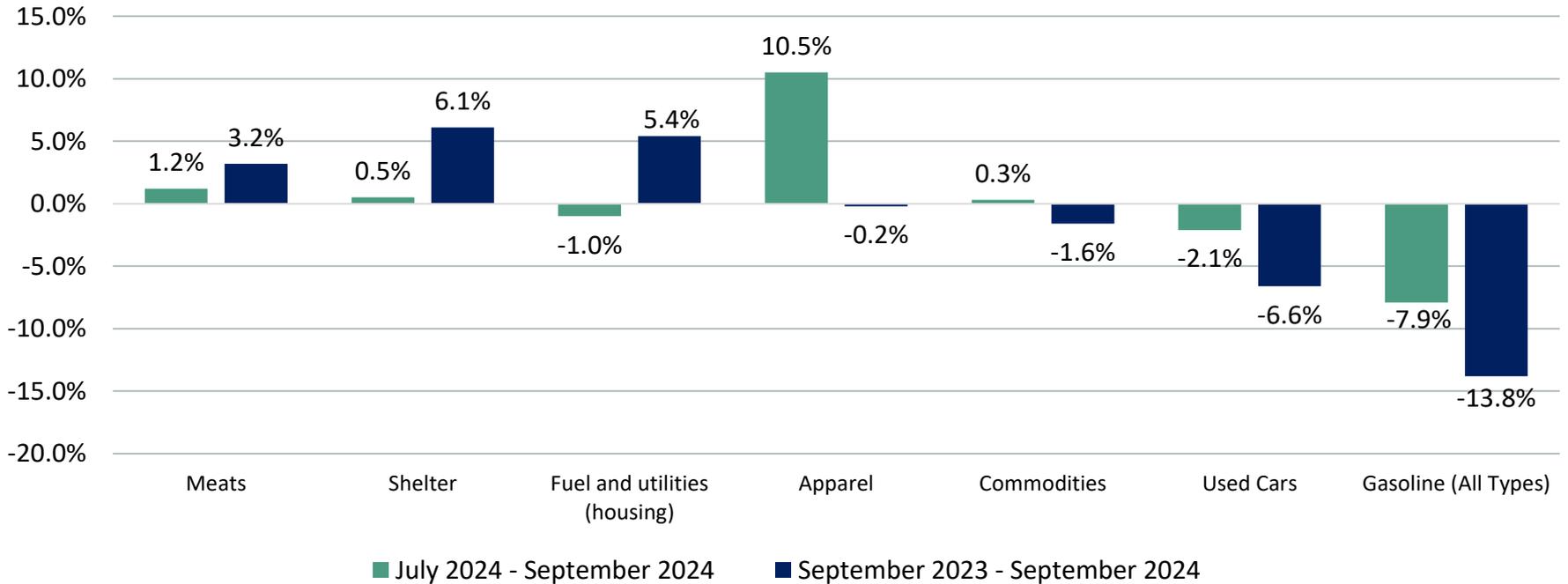
Source: Bureau of Labor Statistics

# INFLATION

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

The graphic below shows year-over-year increases in everyday necessities between July 2024 and September 2024 as well as September 2023 and September 2024. Inflation has subsided in most categories. The cost of used cars in the Boston-Cambridge-Newton Metropolitan area is down 6.6% from September 2023 and the price of gasoline has decreased significantly by 13.8% from September 2023 to September 2024.

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



Source: Bureau of Labor Statistics, eia.gov

# INTEREST RATE ENVIRONMENT

## CHICAGO MERCANTILE EXCHANGE INC. (CME GROUP) FEDWATCH TOOL

At year-end 2023, there was a 2.79% probability of rates being 425-450bps for the December 2024 meeting, by quarter end Q12024 that probability increased to 23.81%. As of June 28, 2024, the probability of a target fed funds rate of 425-450bps was 1.64% for the December 18 meeting. As of September 30, 2024, the updated probability of a target fed funds rate of 425-450bps for the December 18, 2024 meeting was 38.24%. Interest rates decreased for the first time since 1Q2020. The probabilities for the December 2024 meeting indicate the probability of a target fed funds rate of 425-450bps is 59.10%, indicating that there will likely be a third rate cut before the year ends.

MEETING PROBABILITIES(%)								
MEETING DATE	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475
12/18/2024			0.00%	0.00%	0.00%	0.00%	59.10%	40.90%
1/29/2025	0.00%	0.00%	0.00%	0.00%	0.00%	15.20%	54.50%	30.40%
3/19/2025	0.00%	0.00%	0.00%	0.00%	9.10%	38.70%	40.00%	12.10%
5/7/2025	0.00%	0.00%	0.00%	2.60%	17.60%	39.10%	32.00%	8.70%
6/18/2025	0.00%	0.00%	1.30%	9.90%	28.00%	35.70%	20.70%	4.50%
7/30/2025	0.00%	0.40%	4.00%	15.70%	30.50%	30.90%	15.50%	3.00%
9/17/2025	0.10%	1.10%	6.20%	18.50%	30.50%	28.00%	13.20%	2.50%
10/29/2025	0.40%	2.60%	9.90%	22.10%	29.80%	23.50%	10.00%	1.70%
12/10/2025	0.60%	3.50%	11.30%	23.00%	29.00%	21.90%	9.00%	1.50%

Source: CME Group. Data as of 11/19/2024

# CREDIT CONDITIONS

## POTENTIAL FOR IMPROVING CREDIT MARKET CONDITIONS IN 2024?

- In the third quarter of 2024, the headline credit index increased 2.0 points to 28.8, the third consecutive quarterly increase resulting in its highest reading in two years. The consumer credit index decreased 0.7 points to 22.5 in Q3. Many bank economists are optimistic that credit conditions will remain stagnant over the next six months. The business credit index increased 4.6 points to 35.0 in Q3, reaching its highest level in two years. Although there has been significant improvement in credit conditions in 2024, the three credit indices remain well below the sub-50 line.
- Credit quality improved for a third consecutive quarter in Q3 2024. This has led bank economists to express optimism about the outlook of the economy through the end of the year and into 2025. The Fed has cut interest rates by 75bps thus far in 2024 and projects an additional 25bps cut in the fourth quarter of 2024. With a strong labor market, positive spending growth, and improving inflation data, bank economists believe the U.S. economy is headed toward a soft landing. Although consumer spending has remained positive thus far in 2024, there are signs that both consumer spending and business credit demand are due for a slight pullback over the next six months. Despite a potential pullback, bank economists remain optimistic that the Headline, Consumer, and Business credit indices will continue to improve in Q4 2024 and into 2025.

**CREDIT CONDITIONS INDEX: HISTORICAL SERIES\***

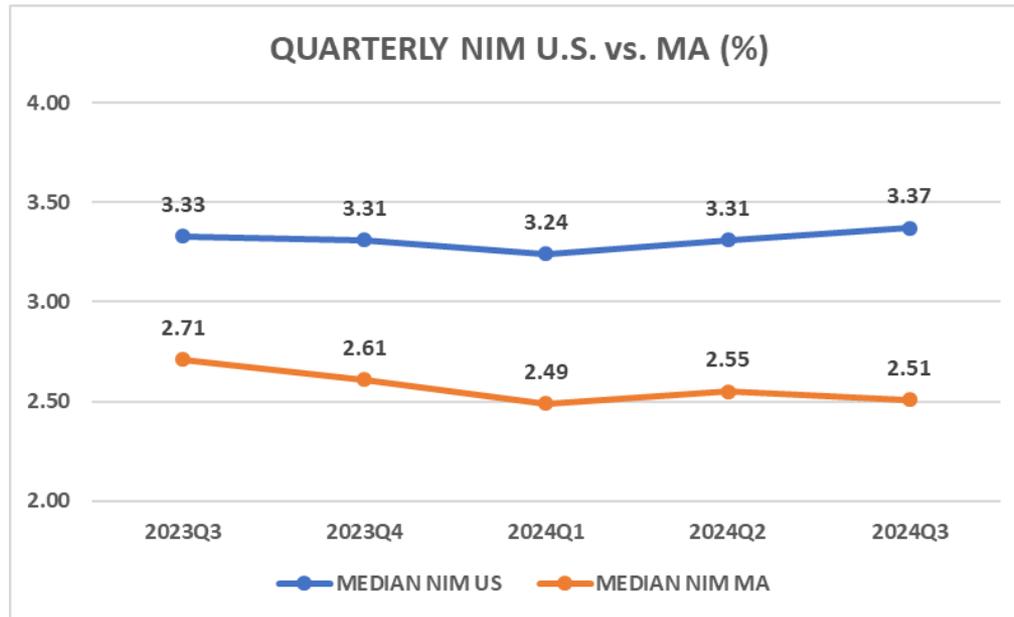


Source: ABA Credit Conditions Index 9/30/2024

# NET INTEREST MARGIN ENVIRONMENT

## U.S. VS MASSACHUSETTS

Increased borrowing costs due to high rates have resulted in a decreased net interest margin (NIM) for banks across the nation, the graph below illustrates the median NIM by quarter from Q3 2023 to Q3 2024 in both the U.S. and the Commonwealth of Massachusetts. The U.S. NIM annual growth rate is 1.20% for the U.S. and -7.38% for the Commonwealth. The quarter-over-quarter growth rate is 0.30% in the U.S. and -1.90% for Massachusetts. While net interest margins have slightly risen in the U.S. over the past year, the net interest margin in Massachusetts has decreased in Q3 2024.

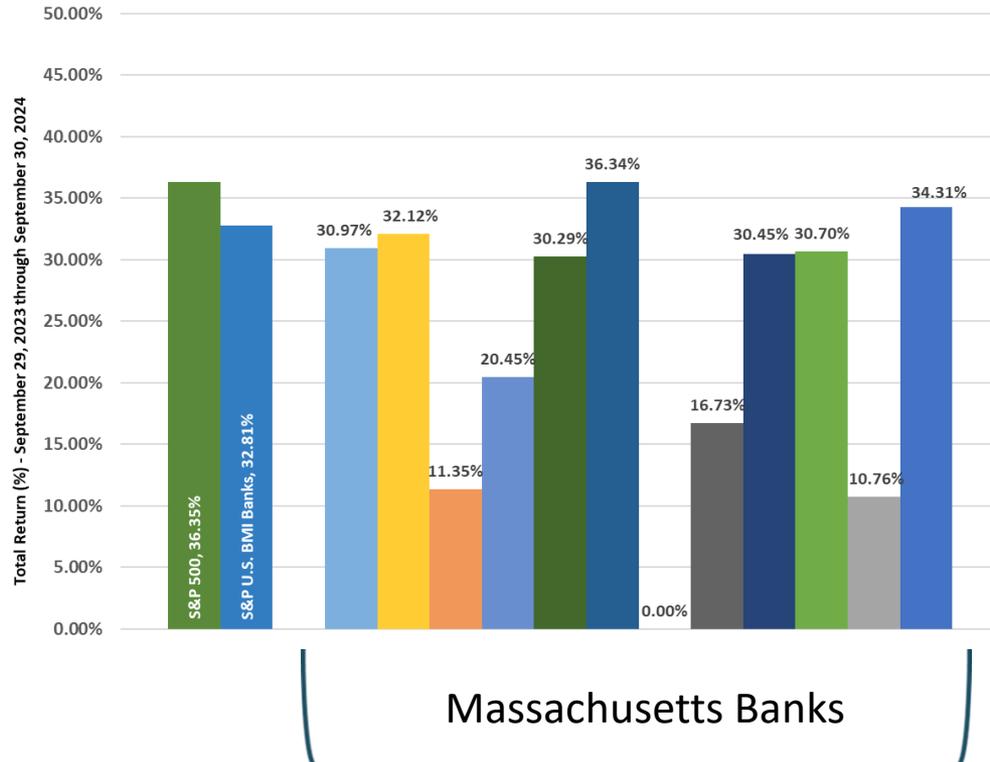


Source: S&P Capital IQ Pro

# TOTAL RETURN

## TOTAL RETURN: SEPTEMBER 29, 2023 THROUGH SEPTEMBER 30, 2024

The median total return for publicly traded Massachusetts headquartered banks was 30.29%, while the S&P U.S. BMI Banks Index was 32.81% and the S&P 500 was 36.35%.

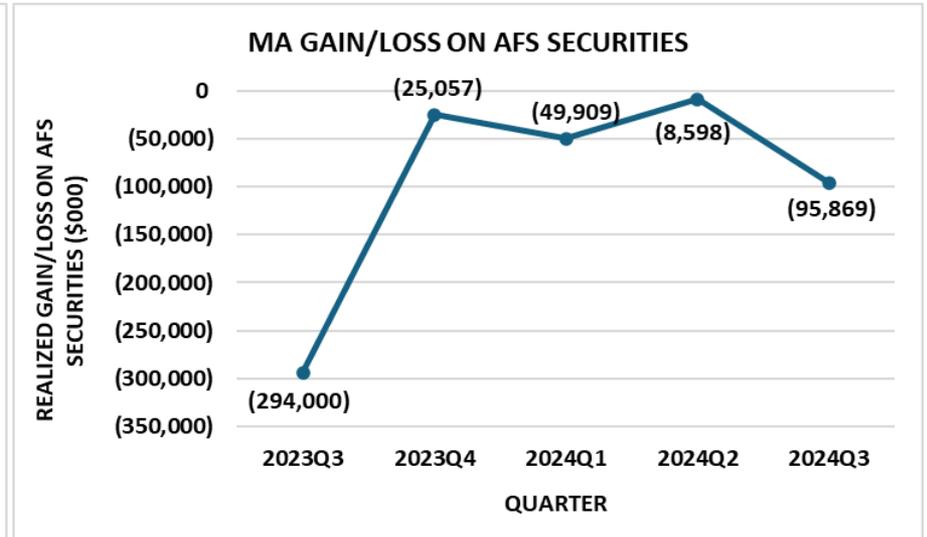
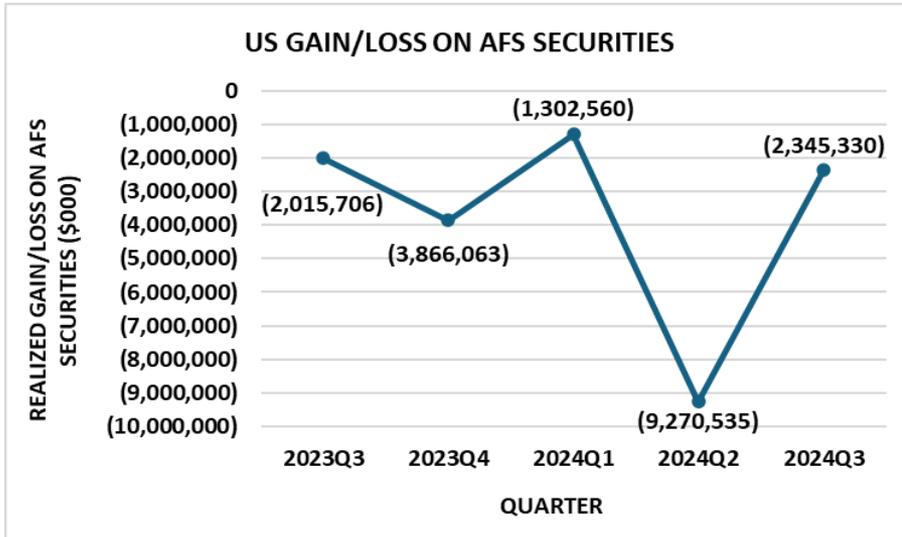


Source: The Kafafian Group, Inc. and S&P Capital IQ Pro data as of 11/20/2024

# CREATING LIQUIDITY ON BALANCE SHEETS

## IMPACT OF REALIZING GAINS/LOSSES ON THE SALE OF AFS SECURITIES

The charts below show the trend in realized gains/losses on available-for-sale (AFS) securities for both U.S. and Massachusetts banks from Q3 2023 to Q3 2024. Bond values react inversely to the movement of interest rates, the rapid increase of rates from March 2022 to July 2023 has resulted in the decrease of securities portfolios for most banks across the nation. The 3<sup>rd</sup> quarter of 2024 shows a 74% decrease in realized losses on AFS securities for banks in the U.S. because banks have been selling low-yielding bonds to replace them with higher-yielding bonds. Banks have taken a temporary hit from the sale; however, banks are restructuring their portfolio with higher-yielding securities to build future earnings. Massachusetts saw a major decrease in realized losses on AFS securities from Q3 2023 to Q4 2023, this is largely due to two individual banks realizing losses on AFS securities at one time. One bank realized a \$294 million loss in Q3 2023 in Massachusetts. In Q3 2024, Massachusetts banks increased their realized loss on AFS securities by about \$87.2 million despite U.S. banks' realized loss on AFS securities decreasing by about \$6.9 billion.

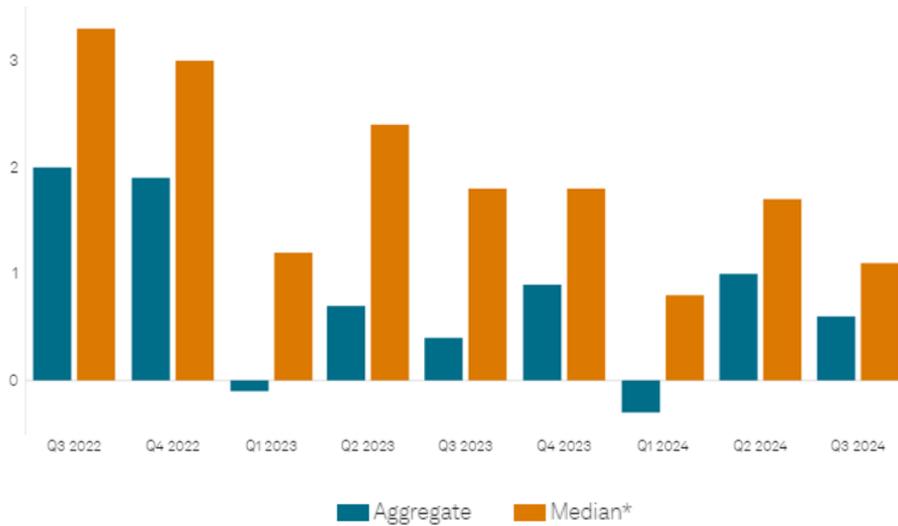


Source: S&P Capital IQ Pro, American Banker

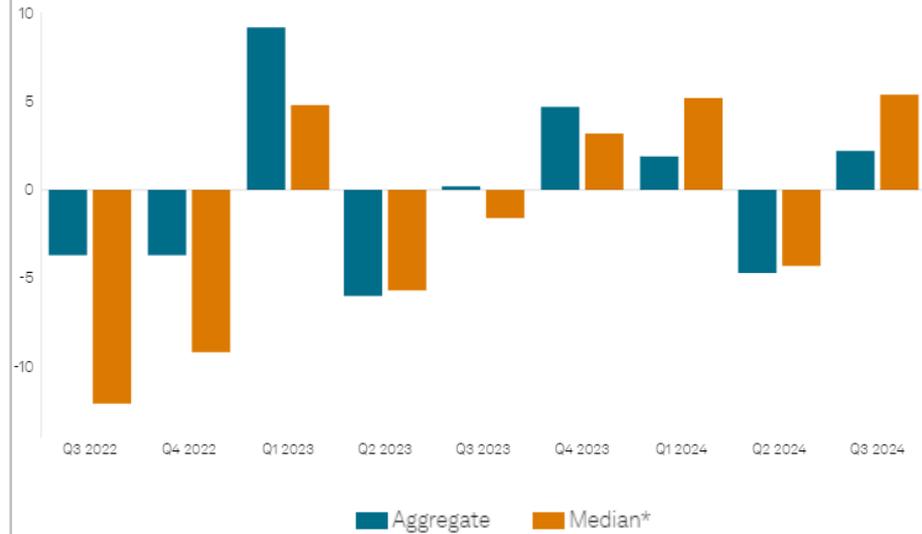
# U.S. BANK BALANCE SHEETS

## SIGNS OF STRENGTHENING IN Q3 2024

**Total Loans and Leases  
QOQ Change (%)**



**Cash and Equivalents  
QOQ Change (%)**

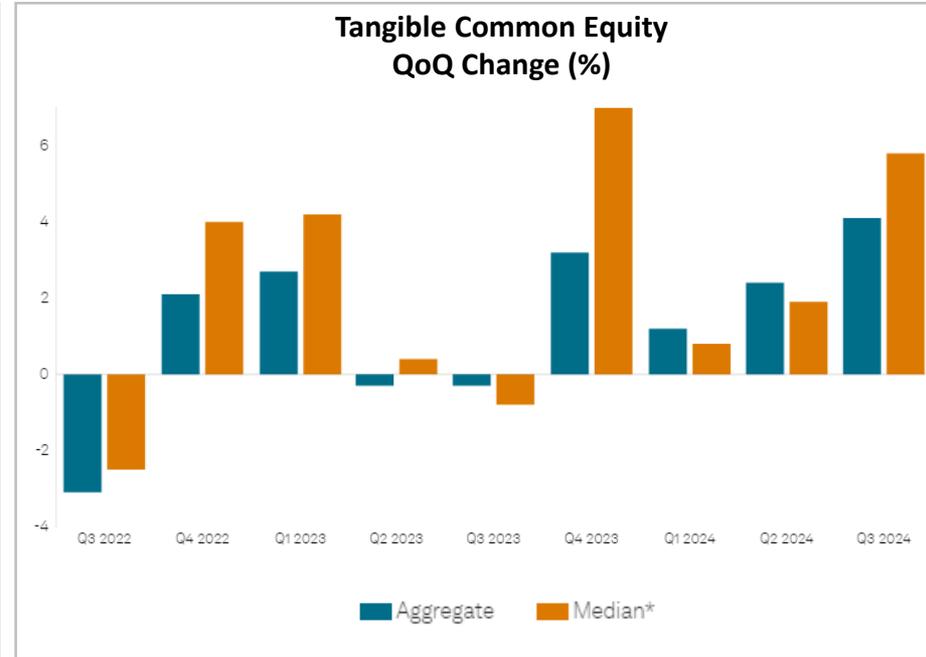
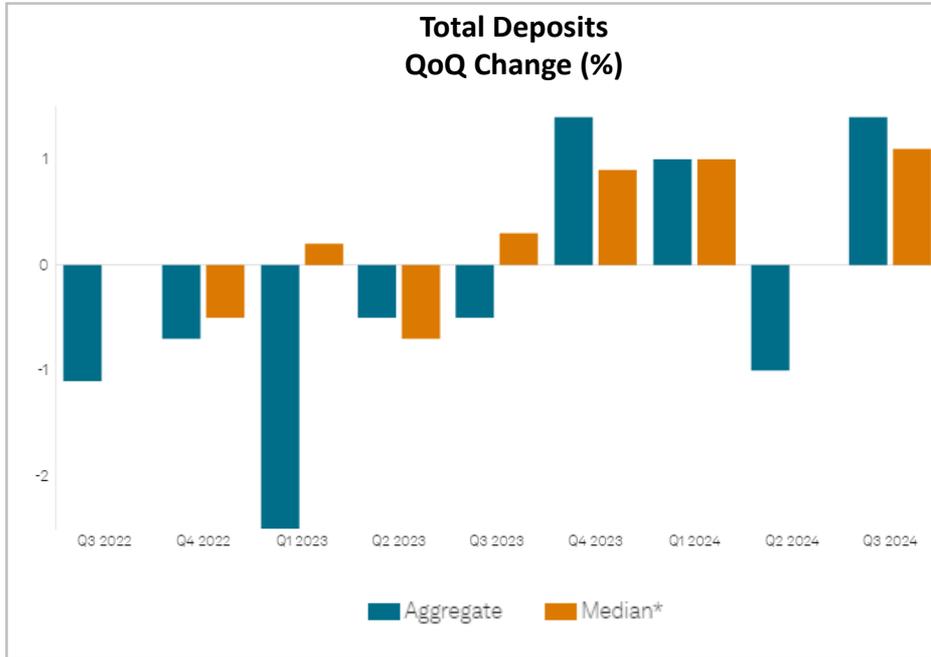


Note: Analysis includes U.S. commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.  
\* Represents the median change, not the change in the median, for each respective period. Data based on regulatory filings as of Sept. 30, 2024.

Source: S&P Global Market Intelligence, Data compiled on 11/9/2024

# U.S. BANK BALANCE SHEETS

## SIGNS OF STRENGTHENING IN Q3 2024 (CONTINUED)



Note: Analysis includes U.S. commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.  
 \* Represents the median change, not the change in the median, for each respective period. Data based on regulatory filings as of Sept. 30, 2024.

Source: S&P Global Market Intelligence, Data compiled on 11/9/2024

# NEW CUSTODIAL DEPOSIT RULE & MERGER POLICY FINALIZED

## FDIC

*The Federal Deposit Insurance Corp. board issued a proposed rule regarding custodial deposit accounts and finalized its policy on bank merger transactions.*

### PROPOSED NEW CUSTODIAL DEPOSIT RULE

- The FDIC's proposal requires banks holding custodial deposit accounts used for transactions to maintain records that clearly identify the beneficial owners of those deposits and the account balance for each owner.
- The proposal comes in response to third-party custodial arrangements, where fintech companies and other non-bank entities serve as intermediaries between consumers and FDIC-insured banks. Scrutiny has increased due to the bankruptcy of Synapse Financial Technologies, a technology middleware firm that worked with several banks, in April.
- If finalized, the proposed rule would require banks to maintain detailed and accurate records identifying the beneficial owners of such custodial accounts. In the event of a bank's failure, the FDIC will be able to promptly identify customers' funds and process deposit insurance claims. Banks would also be required to update the balance attributable to each owner. If a bank relies on a third-party entity to manage these records, it will need to ensure uninterrupted access to these records, even in the event of the third party's business disruption or failure.



### FINALIZED MERGER POLICY

- The FDIC also approved a final policy statement on bank merger transactions, reflecting updates from the proposed version released earlier this year. This final statement updates the FDIC's policy, which was last changed in 2008, and incorporates feedback from 23 public comments received.
- The FDIC's final statement emphasizes a thorough review of statutory factors like competition, financial resources, and community impact. The policy introduces more rigorous standards for mergers involving banks with more than \$50 billion of assets, including the expectation of public hearings, and it mandates heightened scrutiny for mergers that result in the creation of institutions with more than \$100 billion of assets.
- One of the notable updates from the proposal is the removal of the language suggesting that the FDIC would not approve mergers that result in a "weaker" institution. The final statement clarifies that mergers will only be approved if the combined institution presents less financial risk than the separate entities.

Source: American banker, 9/17/2024

## 2025 FUNDING FOR HIGH SCHOOL FINANCIAL EDUCATION FAIRS

### TREASURER'S OFFICE OF ECONOMIC EMPOWERMENT & DIVISION OF BANKS

*The State Treasurer's Office of Economic Empowerment (OEE), in partnership with the Massachusetts Division of Banks (DOB) and the Office of Consumer Affairs and Business Regulation (OCABR), announced funding for the 2025 Financial Education Innovation Fund Grant. Created in 2015, the Financial Education Innovation Fund provides students with the opportunity to experience real-world financial simulations without real-world consequences.*

- Since 2015, over 40,000 Massachusetts students have attended Credit for Life Fairs. The Financial Education Innovation Fund Grant was established as an ongoing effort to increase access to financial literacy programs within Massachusetts. The financial education program is funded by the Division of Banks through a settlement of alleged unlawful lending practices.
- Credit for Life Fairs include interactive workshops that offer a fun and unique opportunity for students to learn about personal finance. These fairs often serve as a supplement or capstone to financial education classes and engage students in real-world saving, spending, and budgeting simulations. Student participants either choose or are assigned an occupation and make a variety of financial decisions, ranging from where to live and how to save for retirement to buying a television or owning a pet.
- Massachusetts public or charter high schools and special education programs approved by the Massachusetts Department of Elementary and Secondary Education (DESE) are eligible to apply. Applicants looking to start a new program can receive up to \$6,400 and those enhancing or expanding an existing fair can receive up to \$3,200. Schools with a student population of over 50% considered low-to-moderate income, as designated by DESE, can apply for additional funding of \$500.



Source: Mass.gov, 9/24/2024

# BANKS OF THE FUTURE

## THE JOURNEY TO CLOUD-FIRST BANKING

*Research was conducted online by American Banker during April and May 2024. The survey included 181 bank and credit union leaders discussing their institutions' cloud priorities for 2024.*

### KEY FINDINGS

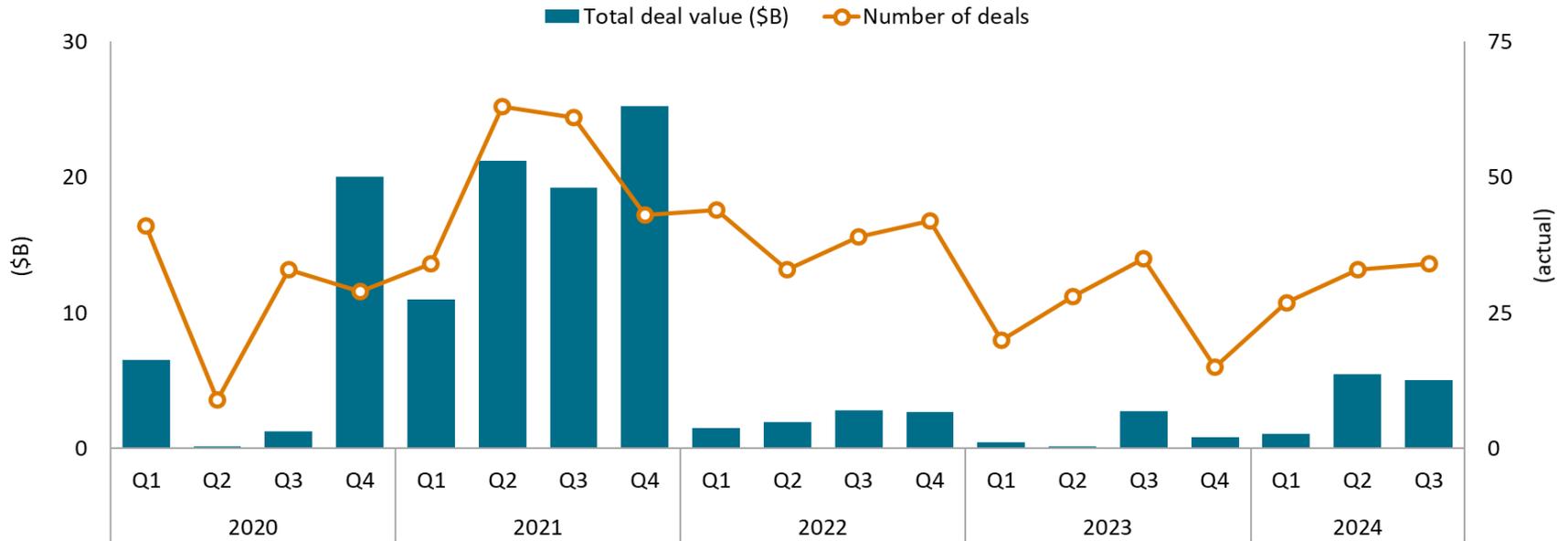
- The move to cloud technology is gaining momentum. On average, banks have moved more than half of their IT infrastructure to the cloud; a year from now, they expect that number to increase to two-thirds. Looking further ahead, in the next three years 61% plan to shift most or all of their data center workloads to the cloud.
- The leading near-term focus of respondents' cloud strategy for the next 12 months is to move existing workloads to the cloud. This is followed by developing cloud-native applications and then rewriting existing applications to take advantage of the cloud.
- Banks are seeking flexibility in their cloud expansion plans by pursuing multi-cloud strategies, attempting to avoid single points of failure, and choosing the best performance, privacy, and security fit for each application. They are also diversifying their use of cloud vendors as they worry about overreliance on a single vendor.
- Regarding data security and privacy, banks have taken several steps to improve their processes. As a result, 75% of respondents are now extremely or very confident in their internal IT team's ability to ensure the confidentiality, integrity, and availability of data in the cloud.



Source: American Banker Exclusive research "Cloud migration hits its stride"

# SIGNS OF BANK M&A PICKING UP

## QUARTERLY DEAL VOLUME FOR U.S. BANKS



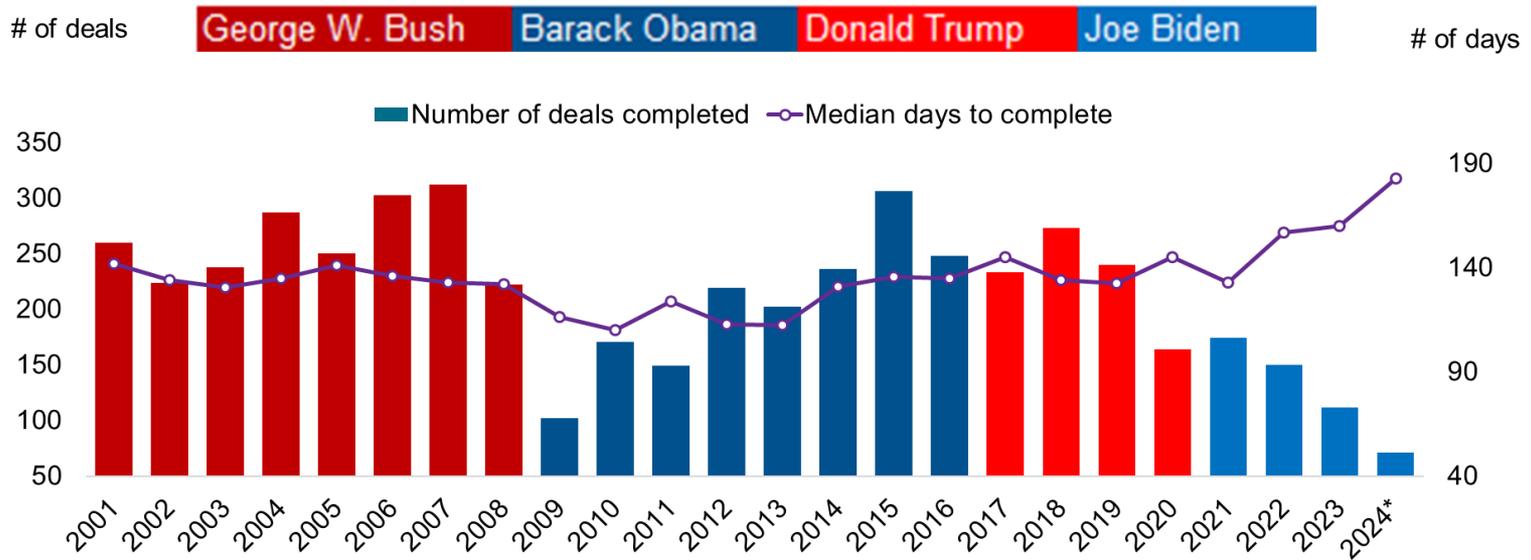
Data compiled Oct. 9, 2024.

Analysis limited to the US-based whole-company and franchise bank and thrift transactions announced between Jan. 1, 2019, and Sept. 26, 2024. Government-assisted, branch and minority-stake deals, as well as thrift merger conversions and terminated transactions, are excluded from the analysis.

Source: S&P Global Market Intelligence

# BANK M&A CLOSING TIMES DURING DIFFERENT ADMINISTRATIONS

NUMBER OF DEALS COMPLETED BETWEEN 2001 AND 2024



\*Data compiled Sep. 25, 2024.  
 Analysis limited to US-based bank and thrift deals completed between Jan. 20, 2001 and Sept. 25, 2024. Excludes branch, government-assisted and terminated deals.

Source: S&P Global Market Intelligence

# THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

## THIRD QUARTER OF 2024 RESULTS (AGGREGATE)

**102** MA Institutions\*

**4,729** Total U.S. Institutions\*\*

**0.79%** of the U.S. Banking Industry's Total Assets

**1.30%** of the U.S. Banking Industry's Total Loans

### Net Interest Margin

**MA:** 2.66% up from 2.59% in Q2  
**U.S.:** 3.16% up from 3.11% in Q2

### Returns

**MA:** ROAA of 0.73% down from 0.76% in Q2, ROAE of 6.39% down from 6.81% in Q2  
**U.S.:** ROAA of 1.09% down from 1.20% in Q2, ROAE of 10.90% down from 12.27% in Q2

### Capital Levels

**MA:** Leverage Ratio of 11.15% down from 11.20% in Q2  
**U.S.:** Leverage Ratio of 9.41% up from 9.37% in Q2

### Credit Quality

**MA:** Net charge-offs to average loans of 0.10% up from 0.08% in Q2  
**U.S.:** Net charge-offs to average loans of 0.67% down from 0.69% in Q2

### Q3 2024 Number of Unprofitable Institutions

**MA:** 9.80%  
**U.S.:** 6.62%

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

\*\*All FDIC call report filers

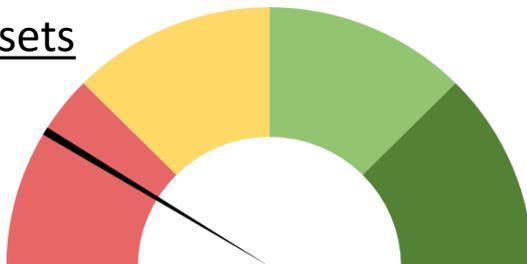
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2024 and includes active commercial banks, savings banks and savings & loan associations

# THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

## RECENT PERFORMANCE: SELECT PROFITABILITY RATIOS (MEDIAN)

### \*Return On Avg. Assets

**MA Median: 0.41%**  
**U.S. Median: 0.93%**

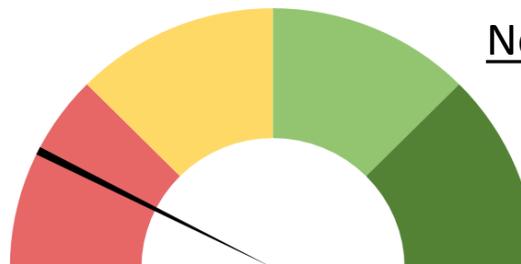


MA's **Median** ROAA ranks among the **17<sup>th</sup>** percentile Nationwide

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

### Net Interest Margin

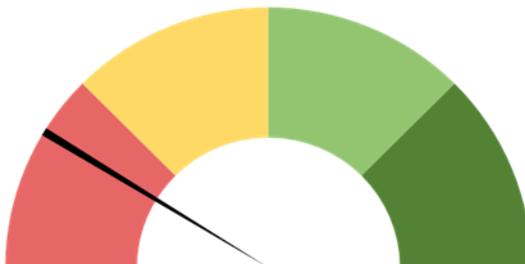
**MA Median: 2.51%**  
**U.S. Median: 3.37%**



MA's **Median** Net Interest Margin ranks among the **14<sup>th</sup>** percentile Nationwide

### Efficiency Ratio

**MA Median: 82.30%**  
**U.S. Median: 66.12%**



MA's **Median** Efficiency Ratio ranks among the **17<sup>th</sup>** percentile Nationwide

### Cost of Funds

**MA Median: 2.48%**  
**U.S. Median: 2.17%**



MA's **Median** Cost of Funds ranks among the **36<sup>th</sup>** percentile Nationwide

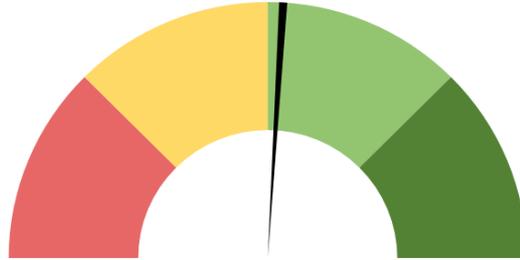
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2024 and includes active commercial banks, savings banks and savings & loan associations

# THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

## RECENT PERFORMANCE: SELECT BALANCE SHEET RATIOS (MEDIAN)

### NPA/Assets

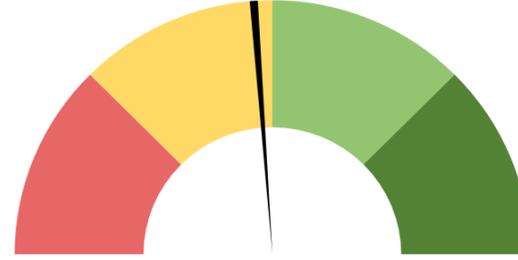
MA Median: 0.23%  
U.S. Median: 0.25%



MA's **Median** NPA/Assets ranks among the **51<sup>st</sup>** percentile Nationwide

### Tier 1 Leverage

MA Median: 10.56%  
U.S. Median: 10.72%



MA's **Median** Tier 1 Leverage Ratio ranks among the **47<sup>th</sup>** percentile Nationwide

### \*CRE/Loans

MA Median: 29.42%  
U.S. Median: 23.85%

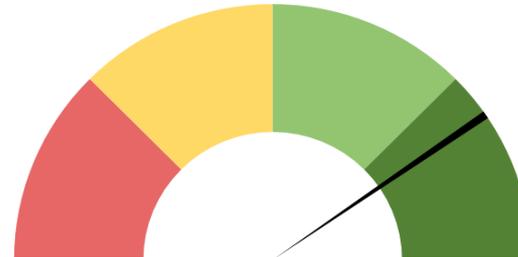
*\*non-owner occupied*



MA's **Median** Total CRE/Loans ratio ranks among the **61<sup>st</sup>** percentile Nationwide

### Loans/Deposits

MA Median: 94.96%  
U.S. Median: 80.57%



MA's **Median** Loan/ Deposit ratio ranks among the **80<sup>th</sup>** percentile Nationwide

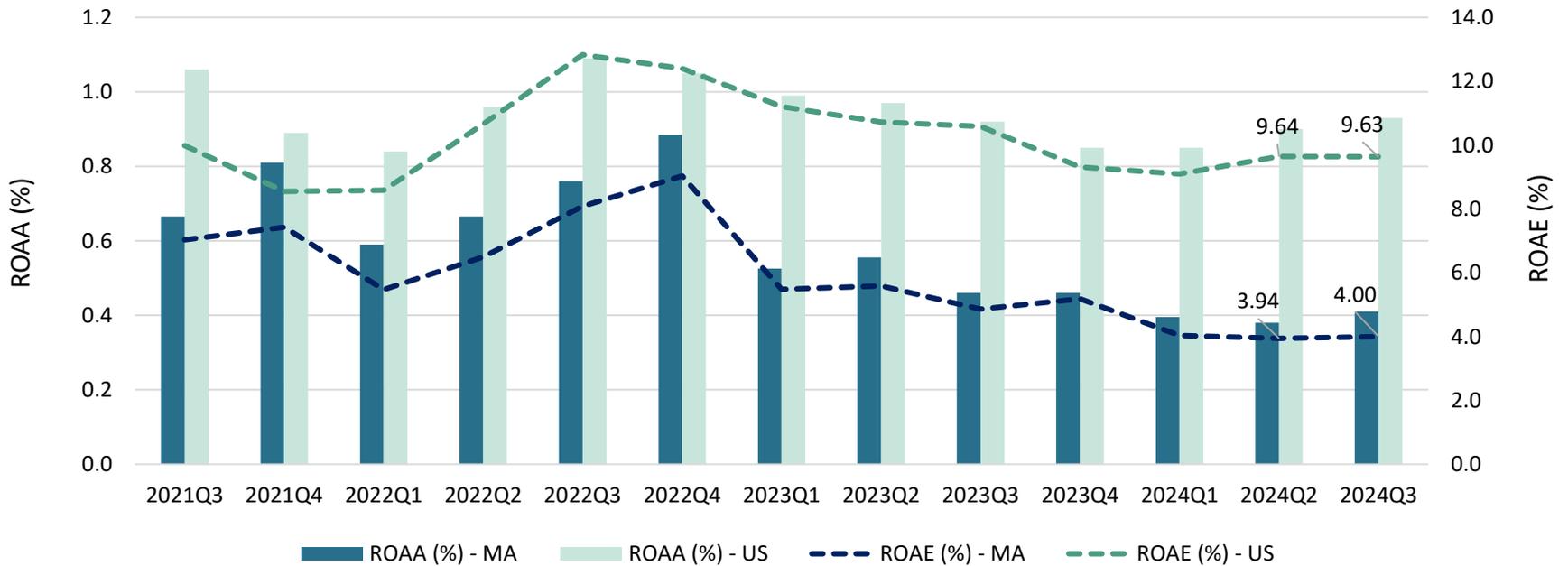
Source: The Kafarian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2024 and includes active commercial banks, savings banks and savings & loan associations

# MASSACHUSETTS BANKS PERFORMANCE

## RECENT TRENDS (MEDIAN)

ROAA and ROAE both increased for Massachusetts banks in Q3 2024 compared to Q2 2024. While ROAA increased and ROAE decreased for U.S. banks in Q3 2024 compared to Q2 2024.

Profitability Highlights (Median %)

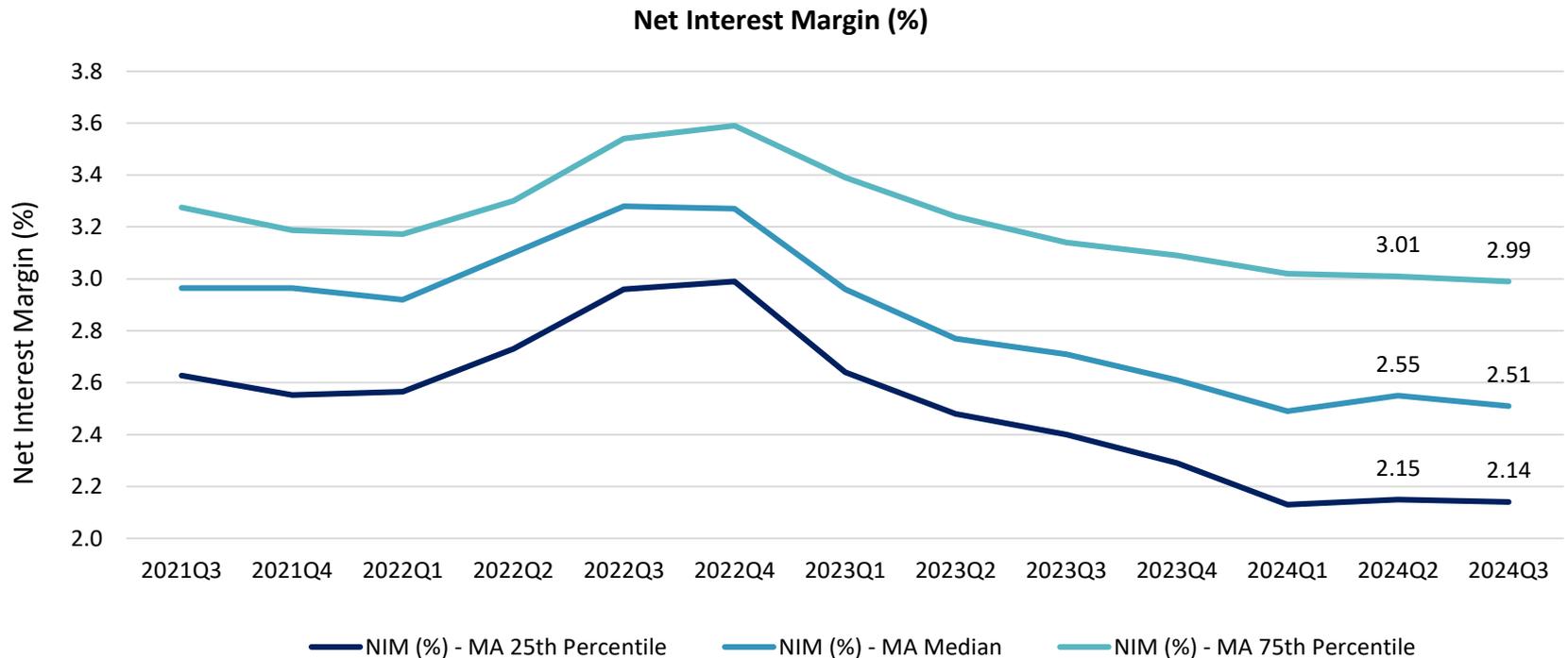


Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2024 and includes active commercial banks, savings banks and savings & loan associations

# MASSACHUSETTS BANKS PERFORMANCE

## RECENT TRENDS (CONTINUED)

The net interest margin (NIM) 25th percentile, median, and 75th percentile for Massachusetts banks decreased in Q3 2024 compared to Q2 2024.



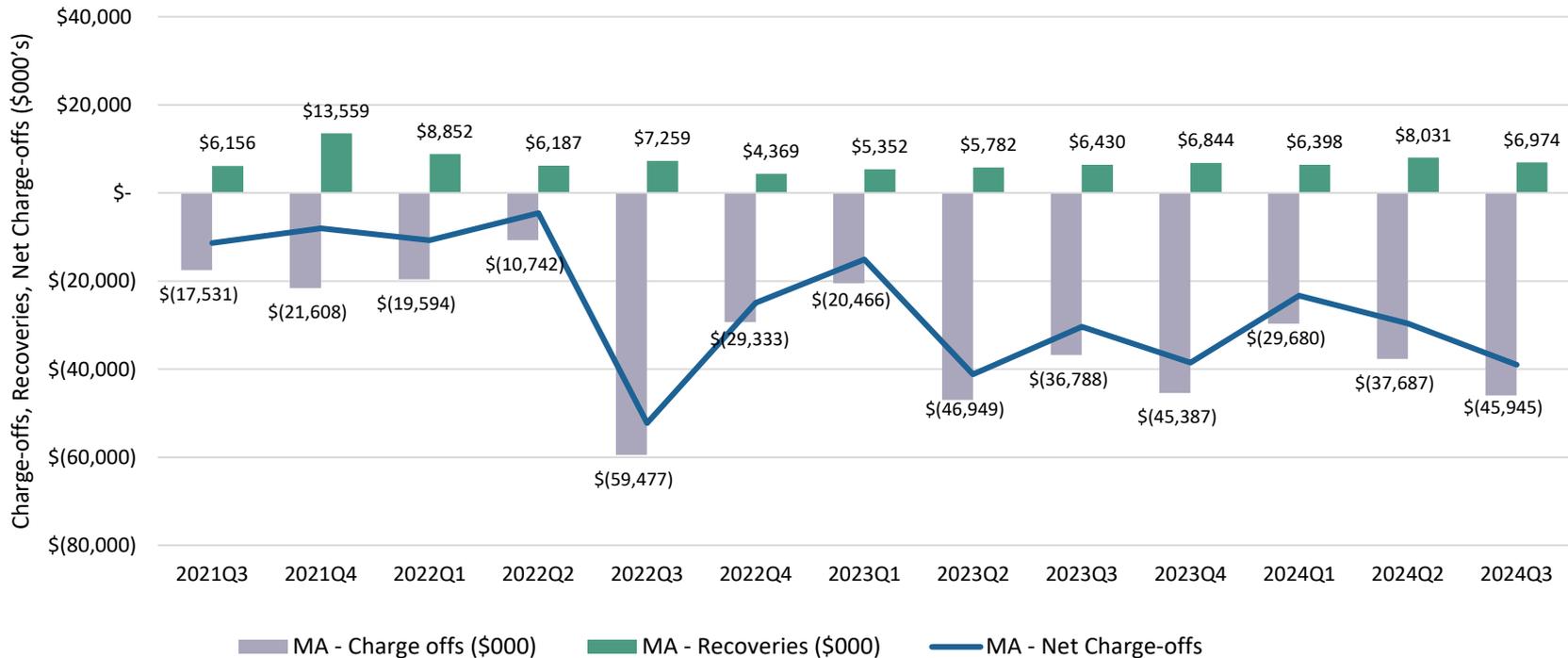
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2024 and includes active commercial banks, savings banks and savings & loan associations

# MASSACHUSETTS BANKS PERFORMANCE

## RECENT TRENDS (CONTINUED)

Net-charge offs in Q3 2024 increased for all active Massachusetts banks.

Massachusetts Aggregate Charge-offs and Recoveries



Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 9/30/2024 and includes all active commercial banks, savings banks and savings & loan associations in Massachusetts

## MBA LEGISLATIVE SESSION UPDATE

### \$4 BILLION ECONOMIC DEVELOPMENT BILL SIGNED INTO LAW

Though formal sessions have ended, the Association government affairs team continues our discussions with lawmakers on active outstanding bills and is planning for the next legislative session that commences in January 2025. Governor Maura Healey (D-Arlington) signed H.5100, An Act relative to strengthening Massachusetts' economic leadership – a roughly \$4 billion economic development bill – in November. There were several provisions included in the bill of which the Association submitted supporting testimony; also included was a section to establish a “Payments Study Commission,” which, though concerning, the Association will have a seat to advocate on behalf of our membership and the Massachusetts banking industry. See below for more details on sections related to the industry:

#### **Section 53 – Massachusetts Development Finance Agency Board Makeup**

- Section 53 refers to the Massachusetts Development Finance Agency, which is a public instrumentality with the authority to issue PACE bonds for approved commercial projects. Section 53 of the economic development bill amends the existing statute relative to the makeup of the Agency's 13-member Board to specifically add 1 representative of a Massachusetts community bank to the Board along with the 1 representative with experience in banking or investment banking

#### **Section 266 – Exchange Traded Funds (ETF) Modernization – Association Supported**

- This section would modernize Massachusetts law to align with recommended guidance from the National Association of Insurance Commissioners (NAIC) on how insurance companies treat fixed income exchange traded funds (ETFs) for accounting purposes. The House adopted identical legislation in 2022



#### **Section 269 – Shared Appreciation Mortgages – Association Supported**

- Section 269 ensures continued access to Shared Appreciation Mortgages (“SAM”). These products are important tools used by local nonprofits who provide financial relief for Massachusetts families in hopes of preserving homeownership and preventing foreclosures.

#### **Section 303 – Payments Study Commission – Concerning but Association has a seat on Commission**

- Section 303 would establish a “commission to study the future of payments and sales transactions by credit card and other forms of payment and the impacts for small businesses in commonwealth.” The Association will have a designated seat on the commission and will work to secure more industry-friendly seats to provide more balance to the group. The conference report is not due until the end of 2025.

Source: Massachusetts Bankers Association

# MASSACHUSETTS BANKERS ASSOCIATION

## 2024 DAY ON THE HILL

*The Association hosted its 2024 Day on the Hill in November – the first since 2019.*

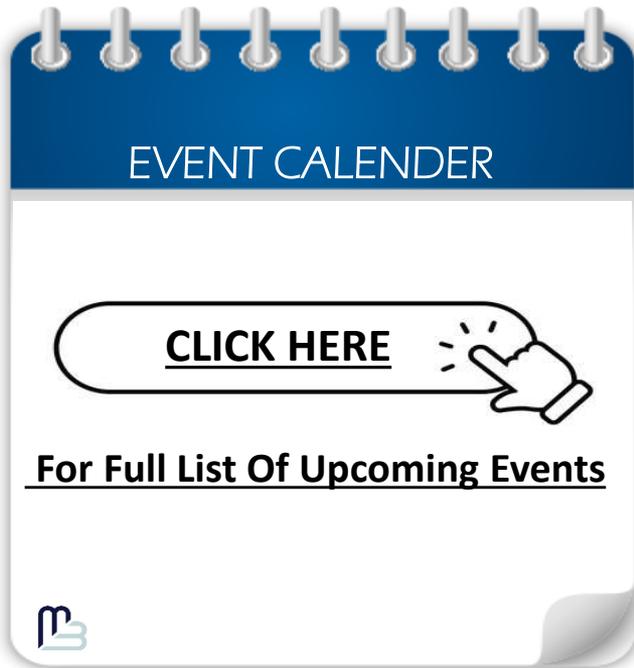
- With at least 12 member banks represented, the Association's contingent of roughly 30 members, leadership and staff gathered to hear policy updates from the Chairs of the Joint Committee, State Senator Paul Feeney (D – Foxborough) and State Representative James Murphy (D – Weymouth) and to network with several other members of the Committee and their staff.
- Chair Feeney and Chair Murphy spoke of the importance of the collaborative working relationship between the Association and the Committee that ensures the Massachusetts banking industry remains strong. We are proud to advocate on behalf of you and your institutions.
- Special thanks to our members who joined us and made the day a great success.



Source: Massachusetts Bankers Association

# MASSACHUSETTS BANKERS ASSOCIATION

## UPCOMING EVENTS



- 4** Dec 2024 **2024 Deposit Account Workshop**  
Mass Bankers Association is pleased to announce its 2024 Deposit Account Workshops.
- 5** Dec 2024 **2024 Year-End HMDA Filers Webinar**  
Carl Pry presents a 2-hour webinar to address HMDA submission requirements.
- 5** Dec 2024 **2024 Deposit Account Workshop**  
Mass Bankers Association is pleased to announce its 2024 Deposit Account Workshops.
- 10** Dec 2024 **2024 Deposit Account Workshop**  
Mass Bankers Association is pleased to announce its 2024 Deposit Account Workshops.
- 12** Dec 2024 **New FDIC Signage Requirements Webinar**  
The FDIC issued their final rule on digital signage rules. This webinar with Carl Pry reviews the new requirements.
- 17** Dec 2024 **The Whimsical World of Business Email Compromise**  
Has your institution been compromised? Are you preparing to defend your institution from email compromise? Come join this webinar and learn about protecting your institution from email vulnerabilities.
- 15** Jan 2025 **Thirty (30) Steps to Audit Your Safe Deposit Department**  
This seminar covers the "nuts and bolts" and the important steps that must be followed to audit your entire safe deposit function.
- 22** Jan 2025 **CTR Essentials Live Virtual Workshop**  
3-hour virtual workshop focusing on the rules and submission requirements for CTRs at the Teller Line. Provides tips and real-life scenarios for working with customers.

Source: Massachusetts Bankers Association

## 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

[Use Cases of Generative AI – What are the Risks?](#)

[Banking for Good – CFG Bank launches Maryland Tough Baltimore Strong High Yield Money Market Account to support Key Bridge Recovery](#)

[Banking on Change – The Leader’s Guide to Achieving Exponential Growth in the Age of AI](#)

[Pig Butchering Scams – Help Protect Your Customers!](#)



#### TKG Quarterly Perspectives

[Key Trends Shaping Community Banks: Insights from the Fall Banking Conference Season](#)

[Unlocking Data Analytics: The Critical Role of a Profitability Measurement System for 2024 and Beyond](#)

[Failure is OK](#)

[Insights from the American Bankers’ Association Conference for Community Bankers](#)

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

# THE KAFAFIAN GROUP, INC.

## FIRM OVERVIEW – LINES OF BUSINESS



### Performance Measurement

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



### Strategic Management

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



### Profit and Process Improvement

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



### Management Advisory

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



### Financial Advisory

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

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