ROSENTHAL | HENRY

CAPITAL ADVISORS

2023 Annual Letter to Investors:

Important Notes to Readers: 1) Monthly Investor Statement(s) are available via our secure online portal. The link to that site is: https://app.lpx.fund/. If you have any issues accessing your statements, please let us know and we will provide them to you immediately. This and past newsletters are also posted on our website. You may review them by going to www.rosenthalpartners.net Login using the password – banksrus; 2) We are on schedule to have 2022 K-1's available and delivered in early March. You will receive an email from us once those documents are available on the investor portal. Again, for those unable to access your K-1 via the secure portal, please let us know and we will provide them immediately.

The "Annual Letter to Investors" consists of Four Sections and Two Appendices:

Section 1 – A Recap of Investment Returns from the Funds

Section 2 – General Commentary on the Community Banking Industry and its Prospects; Including our 2023 Forecast for Banks

Section 3 – An Analysis of our Banks Earnings/Operating Performance

Section 4 – Conclusion

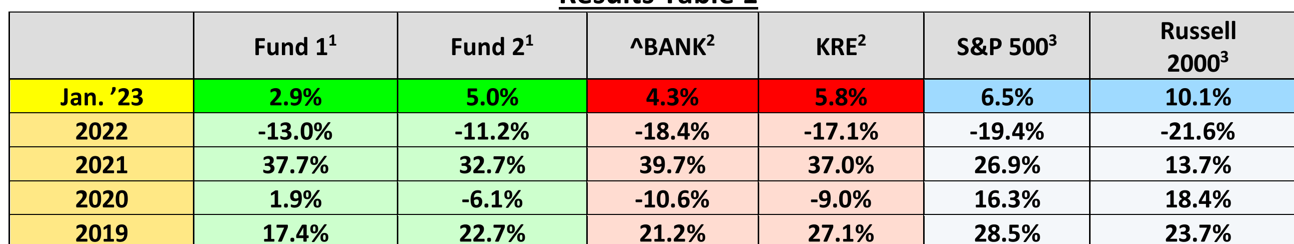
Appendix A – Net CAGR, 1-year and Inception-to-Date Returns

Appendix B – Our Banks Operating and Performance Metrics

Section 1 – A Recap of Investment Returns from the Funds:

Summary Results Table: The table below presents our annual performance for 2022 along with results from the previous 3 years. The first row of the table presents our results from January 2023.

Results Table 1



	Fund 1[1]	Fund 2[1]	^BANK[2]	KRE[2]	S&P 500[3]	Russell 2000[3]
Jan. '23	2.9%	5.0%	4.3%	5.8%	6.5%	10.1%
2022	-13.0%	-11.2%	-18.4%	-17.1%	-19.4%	-21.6%
2021	37.7%	32.7%	39.7%	37.0%	26.9%	13.7%
2020	1.9%	-6.1%	-10.6%	-9.0%	16.3%	18.4%
2019	17.4%	22.7%	21.2%	27.1%	28.5%	23.7%

1. Average monthly net rate of return after fees/expenses
2. BANK is the Nasdaq Small Cap Bank Index and KRE are regional bank stock ETF's
3. Russell 2000 is a small-cap stock market index; S&P 500 tracks performance of 500 large companies

Year in Review: 2022 was a "negative return year" for *all* equities, including banks. In investing, the term "delivering Alpha" means to outperform other indices or benchmarks. Again in 2022, we have achieved that! It's little consolation in the near term for sure – but *very significant to the long-term results we strive to produce for you over time.* (See the historical graphs in Appendix A.) Given the current challenging investment environment, it is more common for us all to hear the adage that it's now a **"stock pickers"** market. As a professional investment advisory firm (not an Index Fund), that's ALWAYS been the case for us! It's our job/mandate to pick stocks that will cause us to outperform "an index". We take some solace that we have done just that – by a fair amount.

Stock price performance is the measure by which everything is judged. And we accept that. However, and very ironically, the financial and operating performance of banks during 2022 was very strong (see Section 3); which leads to the perpetual (and perplexing) question of whether stock prices are a function of past performance or future prospects. We believe the answer to this question is – both – however, given the particularly uncertain times in which we are investing, we further believe that *future prospects* (i.e., guesses about upcoming earnings) are being disproportionately weighted in this vexing issue. But know that increases in "book value per share" are most definitely an important factor in establishing stock price as time goes on.

In our *January Quick Overview Summary*, we promised to share much more about how we generate returns above our benchmarks. We are pleased to do so now.

How we deliver Alpha:

1. **Actual Stock Selection**: It is definitely a "stock pickers" market and our *laser focus* remains on owning community banks which have:
    a. A balanced culture serving all constituents fairly over the long-term;
    b. An historically low level of credit losses during various economic cycles driven by strong loan underwriting standards and diverse/granular loan portfolios;
    c. Core funded deposit bases leading to asset sensitive balance sheets which will benefit most from higher interest rates;
    d. Very strong overall capital positions regardless of marks against their bond portfolios;
    e. Diverse revenue streams;
    f. Attractive acquisition attributes; and
    g. Operations in recession resistant, growth-oriented markets featuring universities and medical centers.

This investment philosophy and approach is the primary contributor to our ability to deliver Alpha.

2. **Value Creation/Preservation Techniques:** An important technique we use to create/preserve value and deliver Alpha is to sell "covered call options" on specific positions. Our general approach is to sell covered calls (i.e., calls on stocks we already own) with strike prices usually 10% higher than the existing price of the stock on which we have written the call. We collect a **cash** premium for this and keep this cash regardless of what happens to the option. We tend to do this with stocks in which we have already achieved a very substantial unrealized gain and/or positions which have grown to be an "outsized" portion of the portfolio as a whole – due to significant stock price appreciation. It allows us to get paid to rebalance the portfolio if the option is exercised. By selling covered calls we avoid the possibility of being "short" a stock if the option is exercised – and also avoid additional losses on having the option exercised at a price over an undetermined level above the strike prices. The tables below, illustrate the significant value we created by using this technique:

Fund 1 Total	$2,743,640

Fund 2 Total	$1,833573

3. **Selling Certain Positions to Harvest Tax Losses:** Another value creation/preservation approach we use is to harvest tax losses in certain positions. In some cases, we sell the stock outright and don't repurchase the stock. In other cases, we repurchase the stock after the wash sale period expires – hopefully at a lower price to reduce our basis in the stock. The tables below show the meaningful benefit we achieved by harvesting tax losses – *exclusive* of the value of the tax loss to offset capital gains. When we rebought the stock after the wash sale period expired, we show the value of the trade comparing the difference between the sale price and the price at which we rebought the shares. If we haven't repurchased the stock, we compare the value of the trade using the actual price at which we sold the stock vs. the Dec. 31 price of the stock we sold.

Fund 1 Total	$1,024,657

Fund 2 Total	$2,217,030

4. **Holding Cash:** Our forecast influences how much cash we hold and how actively we engage in using value-preservation techniques. Of great significance, cash is now able to earn a small (but not inconsequential), positive return on investment. Previously, cash earned nothing. Now we can actually hold cash and earn 3%+. This too influences how much cash we are holding. You will note on the audited statements forthcoming soon that we have increased our cash position to about 10% in each of the Funds. This is quite a bit more than the usual 2-3% we retain in cash and has been a conscious decision on our part at this time. This action is partly in response to the inverted yield curve. As we have indicated all along, the longer and more steeply the yield curve remains inverted, the more likely a steeper recession will follow. Therefore, if this phenomenon continues, don't be surprised if we increase the level of cash we are holding to an even greater percentage of the portfolio.

This overall portfolio management approach has helped us create Alpha for all our investors and allowed us to beat our benchmarks over time.

Section 2 – General Commentary on the Community Banking Industry and its Prospects; Including our 2023 Forecast for Banks:

P/E's: Our first data point about the current state of the industry is how Price/Earnings multiples ("P/E's") have changed in 2022. They've decreased significantly. (See Table Below.) Of great consequence, it isn't 2022 earnings or "E" that has caused this decline. It is largely the uncertainty about whether or how much "E" may decline going forward. So, at this point, P in the P/E equation has declined in advance of – or in anticipation of – future E declines. Only time will tell if this "guess" by market participants is the correct outlook.

Average P/E Ratios						
	2022	2021	2020	2019	2018	2017
All Banks P/E	11.2	12.5	13.3	15.7	14.0	17.6
Fund 1 P/E	11.3	14.8	15.3	14.0	12.9	21.2
Fund 2 P/E	10.0	11.3	14.6	13.0	11.2	19.3

As economic, geopolitical, and other general uncertainties decline, we believe P/E's will adjust upwards towards more historic levels. *This is a positive and should not be overlooked – as it may be very significant to our portfolio's overall performance.*

2023 Earnings Outlook: We now begin our overview of how we believe bank *earning*s will perform in 2023 in order to come up with our overall forecast for the coming year. We will focus our discussion on the four main drivers of earnings at banks: net interest income, non-interest income, allowance for possible loan/lease losses, and operating expenses.

1. **Net Interest Income ("NII"):** This is a very complex topic and a crucial issue since most banks derive the majority of their revenue from this source. We've talked about certain aspects of net interest income in virtually all our letters to you. It seems appropriate and necessary that we do a deep dive into all the factors that go into NII.

   The amount of NII a bank generates is based on a multifaceted interaction of a variety of variables. Those variables are the "spread" (or rates) between what banks generate on earning assets and the costs incurred for interest-bearing liabilities, (primarily deposits); the "mix" of earning assets and liabilities; and the "volume" or growth of certain earning assets or interest-bearing liabilities. Simple, eh? We assure you it is not. This asset/ liability management function is part of the "science" of banking.

   Let's start with interest rates and the shape of the yield curve. Rates matter – a lot. As does the shape of the yield-curve. We have preached long and hard for some time now that higher rates are good for banks. In 2022 they most definitely were. Higher rates allowed banks to earn more on floating rate loans, new loans booked (fixed or floating), and new investments made. This occurred against a backdrop of banks not having to increase the rate of interest on deposits or other interest-bearing liabilities as much or as fast as the rate at which they increased rates on loans and investments. The result of this was a dramatic expansion of the net interest margins and NII of banks. (See Tables in Section 3.)

   Now however, after lagging during 2022, most banks (but not all) will begin to increase more rapidly, rates paid on deposits and incur higher rates on other interest-bearing liabilities. Therefore, we expect the delta at which net interest margins have grown in '22 to stabilize or even shrink modestly in the year ahead.

   The yield curve has now been inverted for over 10 months (the curve first inverted April 1, 2022). This and the absolute level of rates will likely impact whether a recession occurs and how deep/long it may last. When the 10-year UST popped over 4% for a while in 2022, this gave us pause for concern – as rates on most mortgage loan products are tied to this instrument – and the possibility of an even greater slowdown in the residential housing market was real. Fortunately, the 10-year UST is back around 3.5% and this level is less concerning than a 4+% rate. JPM focuses mostly on the yield of the 2-year UST. That rate impacts many other consumer-loan products, including autos and a host of personal loans. The yield on the 2-year UST is hovering around 4.2%. Thus, the roughly 70 bps negative spread between the 10-2-year UST's. While the inverted treasury yield curve is NOT currently the same as the funding curve for banks, it does, over time, influence the costs of liabilities for banks. Government bonds are definitely a competing investment alongside bank deposit products. This too is a reason margins may have peaked for now.

Next, let's talk about "mix" and its impact on margin. Mix is a crucial but often overlooked component of how banks generate NII. In our previous letter, we emphasized the value of non-interest-bearing deposits. These are both consumer and corporate checking accounts on which no interest is paid. We have long focused on investing in banks with a disproportionate percentage of their funding base from these so-called demand deposit accounts ("DDA"S). The benefit to banks which hold lots of DDA's is immense in a rising rate environment since no interest is paid on those accounts. So, NOT all banks are created equal. Unfortunately, unsophisticated investors tend to overlook the value of banks who hold these non-interest-bearing accounts. Having a bunch of DDA's is what is referred to as a positive mix variance. It's crucial and a very big deal – but not the only opportunity for enhanced NII due to mix.

Banks whose assets (loans and investments) reprice in the near-term will also benefit from a positive mix variance. So, floating rate loans to borrowers which change as and when the Fed moves rates are a boon for banks. Conversely, if a bank has locked in a yield for a long time on an asset and that asset won't reprice soon, it'd be a negative mix variance. You might well imagine that our focus has been on owning stocks with a very asset sensitive overall balance sheet so that as rates rise, they have benefitted the most.

The question bandied about frequently nowadays is: what is a banks "deposit beta"? That is to say, how fast and how much will liabilities (deposits) banks hold reprice. The lower the deposit beta the better. That's what we look for and invest in.

Finally, margins will be impacted by what new types of new loans and deposits banks are bringing into their portfolios. The "volume" of variable rate loans which reprice immediately will be beneficial to banks as long as rates continue to rise. Similarly, the more DDA's banks attract and/or retain, the better it will be for their NII. As you might expect, banks are working very hard to attract and retain low-cost funding sources through sophisticated cash management offerings to their corporate clients and by actively soliciting other historic providers of non-interest-bearing accounts. Similarly, they are marketing loan products which will generate higher NII – mostly commercial and industrial loans to corporate borrowers. In Section 3, we review the wonderful success of our banks in generating new loan growth – even during these challenging times. This new loan growth and the retention of DDA's is what community banking is all about and a key reason for our focus on this sector vs. large banks who tend to compete much more on the pricing proposition alone. Spoiler alert: loan growth at our community banks continues to outpace the industry average as a whole and will continue to positively impact NII. We firmly believe that this will eventually be rewarded in their stock price. It always has in the past!

The key takeaway from this lengthy presentation on NII is that it will be unlikely that NII will increase at the *pace* it did in 2022 – although due primarily to mix and volume considerations, we believe NII will still increase in 2023 – even if margins don't expand.

2. **Non-Interest Income ("Non II"):** Investors have correctly recognized that Non II will be an area of ongoing challenge for all banks. The mortgage refi boom is over, trust and wealth management fees are often tied to the value of assets under management and AUM's are stagnant in this market. Together with insurance premium revenue, service charges on operating accounts, interchange income, credit card fee income, and the myriad other fees and charges imposed by banks, fees will not match levels of recent years. Fee income from the PPP loan program was a once-in-a-lifetime boon for banks. It is gone. So, banks are having to work harder and be more creative to generate fee income to match past levels. You can see the impact of declining fee income as a percentage of total revenue in the tables in Section 3. This is a real issue and one we are watching closely.

   Banks which have unique niches that generate significant fee income will be rewarded in an outsized manner during this part of the economic cycle. We have several banks in our portfolio's which have "specialty lines of business" which will not be impacted as much as traditional fee generating activities at this time. We are pleased to have these banks with specialty niches, and they fulfill an important place in our portfolios.

3. **Allowance for possible loan/lease losses (“ALLL”):** This is the wildcard, the biggest unknown, the primary reason P in the P/E calculation has been affected. Investors are wary. Inflation, recession, etc. How will borrowers do during this part of the economic cycle?

   Given the “big pop” in margins this year and related increase in NII, bankers have begun using some of these proceeds to build reserves by increasing the ALLL. Why not? We would. It’s the conservative thing to do. Stock prices have already been affected in anticipation of the possibility of increasing provisions. Might as well provide now for possible future loan losses. No downside and lots of upside to do this.

   When the pandemic first hit in Q1 ’20, banks posted **huge** provisions for possible loan losses. When they didn’t materialize, they unwound those extra reserves over many subsequent quarters. If losses don’t materialize this time, they can do the same thing.

   So, will loan losses happen? The answer, of course, is – it depends. It depends on how deep and/or long any potential recession might last. Most economists predict a mild, short-lived recession. (That guarantees it won’t be that. Ha!) Factors which will help determine this include but are not limited to companies’ ability to manage through the labor side of this equation. Layoffs have begun. Yet, unemployment remains low and wage growth, while accelerating, has not run away rampantly. The job market is strong! Obviously, taming inflation will be another consideration in how borrower’s will fare. What we currently know is that cash reserves, leverage, and pent-up demand are all ok – for now. It appears that more pundits are coming around to the idea that it is possible for the Fed to engineer a soft-landing. Others predict a “rolling recession”. Again, we will see.

   Of vital importance, there are “leading indicators” to help us assess whether loan charge-offs are likely to rise. Ratios like: % of 30-89 day past due loans, % of non-accrual loans, levels of criticized and classified loans, the amount of TDR’s (troubled debt restructurings), the level of other real estate owned (i.e., foreclosed loans), and any shifting in the overall ratings/classifications of loans graded 1-9 – are all ratios which serve as tell-tale-signs of what’s to come. As you would expect, we watch these carefully to help us determine if a real issue in loan quality is on the horizon. So far, while things are not “improving” further (as they had through 2021 and most of 2022 to record strong levels), these loan quality metrics are <u>not</u> deteriorating in a meaningful way either. So, the jury is truly still out on this matter – but we understand why bankers have begun to lay up reserves and play it safe while they can.

4. **Operating Expenses (“OE”):** Some wage inflation has most certainly been an issue for banks as it has with other industries. Banks which operate in more rural areas, are less likely to have big issues with this compared to banks which operate in (or near) major metropolitan areas. About half our banks are faced with meaningful wage pressures while the remainder are not. Furthermore, banks are not immune from the rising costs of both goods AND services. The cure-all solution of utilizing more technology is alive and well. But technology costs are not decreasing either.

   I recently wrote a friend a note on this topic. In it, I explained that “necessity is the mother of invention”. I can assure you that bankers will pass on costs to borrowers and users of their services to produce acceptable returns for shareholders. They always have, and they always will. Bankers are “consummate capitalists”. They will do whatever is necessary to generate required returns.

5. **Other Macro Factors:** Banks don’t operate in a vacuum. They are subject to other pressures like all businesses. The lingering war in Ukraine (and its potential escalation), increasing tensions with China, political issues here at home, the environment for M&A (which we expect to remain muted at least through the first half of 2023), and regulatory issues – all play on banks. While the regulatory environment remains more “friendly” for community banks, they are not exempt from certain rules, pronouncements, and decrees. So, all these factors as well as the next unknown “snake(s) in the grass” (virus, cyber-attack, etc.) add to the usual risks of investing.

2023 Forecast: Given all of the above, we anticipate that bank earnings will be flat to down 5% YOY. But as we progress further away from covid, Fed tightening, inflation, recession fears – we believe that bank stock prices are likely to rebound from 2022 – especially in the second half of 2023 – <u>maybe by as much as 10%</u>. Buying low is still a proven technique to enjoy good returns over time. Please consider this.

As you know, we have shown (with many examples and graphs), that it pays to be long-term, value-oriented investors – and NOT market timers! Therefore, our advice remains to stay the course, and let us keep delivering Alpha for you over time.

Section 3 – An Analysis of our Banks Earnings/Operating Performance

Fund 1 Headlines

- **Year-Over-Year Wtd. Ave. "Pre-Provision" EPS for Banks in Fund 1 Increased 44% while "bottom line" EPS Increased 28% YOY.**
- **Loan Growth Exceeds Expectations – Banks in *Our Portfolio* Grew Loans More than Banking Industry as a Whole (Wtd. Ave. up 3.7% in Our Portfolio vs. 3.3% Banking Industry Avg. Q/Q)**
- **Margins Expand Nicely with Wtd. Ave. NIM at 3.9% in Q4 '22 vs. 3.1% in Q4 '21**

Fund 2 Headlines

- **Year-Over-Year Wtd. Ave. "Pre-Provision" EPS for Banks in Fund 2 Increased 35% while "bottom line" EPS Increased 42% YOY.**
- **Loan Growth Exceeds Expectations – Banks in *Our Portfolio* Grew Loans More than Banking Industry as a Whole (Wtd. Ave. up 4.2% in Our Portfolio vs. 3.3% Banking Industry Avg. Q/Q)**
- **Margins Expand Attractively with Wtd. Ave. NIM at 4.0% in Q4 '22 vs. 3.3% in Q4 '21**

Section 4 – Conclusion

This has been a long, detailed letter. In it we've highlighted many of the fundamental and basic factors that go into how banks work, how we choose our specific investments, how we manage the overall portfolio and our outlook for bank earnings and stock prices for the upcoming year. Obviously, our forecast will not be perfect. But we firmly believe it is "directionally correct". Forecasting operating results is easier than forecasting future possible stock prices. As we highlighted in the body of the letter, we think that we are due for a recovery in stock prices as we move further away from the pandemic, Fed tightening, rampant inflation, and general doldrums in the marketplace. So far in '23 that has happened. Whether that continues will be determined by events as they unfold throughout the year. Regardless, we remain very comfortable with our niche investments in best-in-class community banks. This is a solid sector and has performed well over time. We expect that to be the case going forward.

In our January email to you about December's monthly performance, we shared the announcement regarding the name change of our firm recognizing the significant role which Adam Henry plays in our company. We also discussed long-term transition planning. If you missed it, here is a link to that message: Major Announcement.

Finally, please be on the lookout for our Annual Audited Financial Statements, Form ADV and Privacy Policy updates. They and the link to your K-1's will be emailed to you in late February or early March.

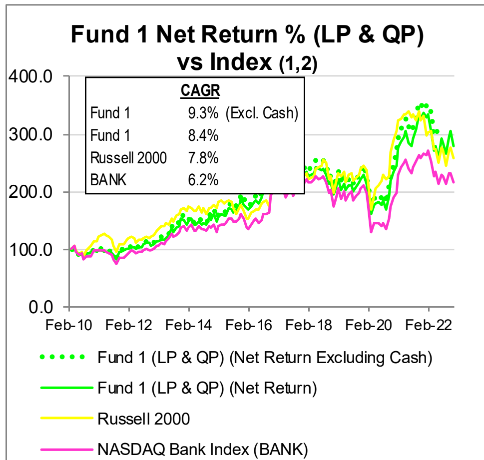
As always, you may reach us by calling the office at 574-243-6502, John's cell at 574-276-1128, or Adam's cell at 440-667-5974. Or by email: john@rosenthalpartners.net or adam@rosenthalpartners.net

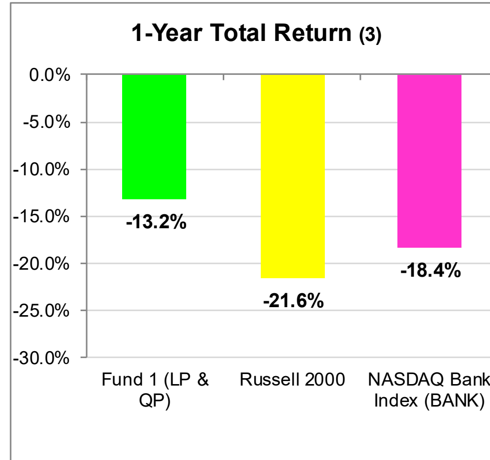
With warmest personal regards,

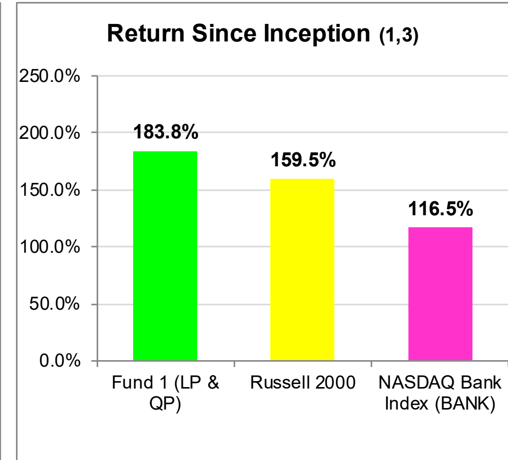
John and Adam

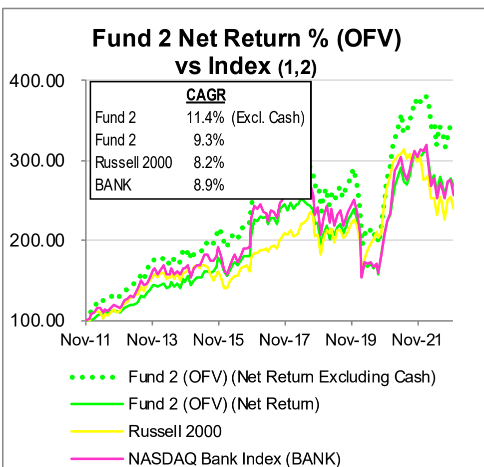
As always, past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable or equal to past performance levels.

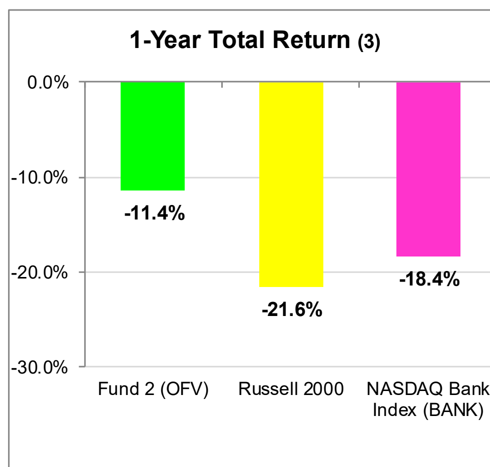
APPENDIX A

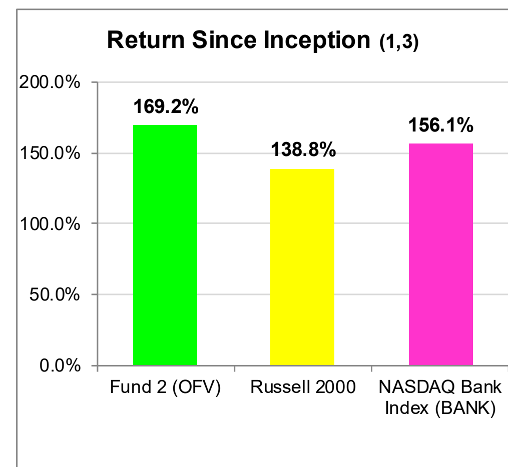












(1) For comparison purposes, inception date for Fund 1 uses March 2010 Fund 2 uses November 2011 monthly statement from LICCAR.
CAGR = Compound Annual Growth Rate
(2) Net return (excluding cash) for Fund 1 = Fund 1 Total Return divided by prior month end market value of bank/security investments.
(3) Total return for Fund 1 (LP & QP) based on monthly statements compiled by LICCAR & Gryphon Group net of all expenses;
Russell 2000 and NASDAQ Bank Index based on data provided by S&P Global Market Intelligence.
(Based on ending index value, not total return).

APPENDIX B

Fund 1 Q4 2022 Recap

Ticker	Quarterly Record Pre-Prov. EPS?	Total Assets ($bils)	Pre-Provision EPS (1) 4Q '22	Pre-Provision EPS % Change from 3Q '22	Pre-Provision EPS % Change from 4Q '21	Earnings Per Share 4Q '22	Earnings Per Share % Change from 3Q '22	Earnings Per Share % Change from 4Q '21	Tg. CE / Tg. Assets 4Q '22	Tg. CE / Tg. Assets 4Q '21	Net Interest Margin 4Q '22	Net Interest Margin 4Q '21	Non Int. Inc. / Revenue 4Q '22	Non Int. Inc. / Revenue 4Q '21	NPAs+90 PD/ Assets 4Q '22	NPAs+90 PD/ Assets 4Q '21	Reserves / Total Loans 4Q '22	Reserves / Total Loans 4Q '21	Loan Growth (Not Annualized) Quarter	Loan Growth (Not Annualized) YTD	Beta vs. S&P 500
A	Yes	$12.4	$1.71	3%	63%	$1.70	3%	48%	8.6%	10.9%	3.86%	2.89%	30%	37%	0.46%	0.70%	1.33%	1.36%	NA	NA	1.01
B	Yes	$7.9	$0.83	33%	67%	$0.72	33%	57%	8.8%	9.5%	4.21%	3.52%	25%	35%	0.77%	0.63%	0.37%	0.35%	4.2%	46.4%	1.44
C		$15.8	$1.78	15%	35%	$1.58	10%	10%	7.0%	7.9%	4.27%	3.19%	10%	17%	0.17%	0.17%	1.39%	1.44%	3.3%	11.7%	1.19
D		$4.3	$0.51	-8%	13%	$0.45	-4%	15%	7.5%	8.9%	3.18%	3.54%	5%	4%	0.02%	0.06%	1.35%	1.42%	5.6%	26.7%	0.81
E		$6.0	$0.76	-7%	29%	$0.67	10%	14%	6.9%	7.8%	4.09%	3.57%	12%	15%	0.35%	0.76%	0.83%	0.91%	4.0%	44.4%	1.10
F	Yes	$3.1	$2.84	49%	157%	$0.96	17%	68%	7.7%	7.6%	7.02%	3.98%	44%	37%	1.06%	0.07%	2.82%	1.64%	4.8%	50.8%	1.33
G		$4.1	$0.40	-15%	-9%	$0.39	-15%	117%	4.8%	9.2%	2.99%	3.36%	23%	24%	0.44%	0.41%	1.12%	1.26%	0.2%	3.2%	0.80
H		$12.3	$0.68	2%	24%	$0.61	-5%	15%	6.5%	7.5%	3.26%	2.38%	24%	32%	0.15%	0.18%	1.19%	1.22%	0.7%	7.5%	1.03
I	Yes	$17.9	$1.11	17%	41%	$1.19	10%	34%	7.3%	9.0%	3.72%	3.04%	14%	20%	0.28%	0.29%	1.86%	2.11%	3.0%	29.9%	0.97
J		$6.2	$0.82	-2%	8%	$0.83	0%	14%	6.2%	9.9%	3.80%	3.22%	21%	25%	0.23%	0.26%	1.16%	1.23%	2.8%	26.0%	0.82
K		$26.6	$0.72	-5%	4%	$0.72	0%	57%	7.1%	8.6%	3.33%	3.24%	12%	16%	0.25%	0.38%	1.19%	1.28%	2.7%	13.5%	1.12
L	Yes	$10.8	$0.53	1%	14%	$0.51	16%	19%	7.9%	8.3%	3.31%	3.01%	8%	9%	0.19%	0.25%	0.89%	0.97%	3.9%	31.6%	1.04
M	Yes	$6.4	$1.23	11%	33%	$1.01	-9%	6%	8.8%	10.7%	3.92%	3.00%	16%	18%	0.27%	0.31%	1.54%	1.58%	4.9%	9.9%	0.80
N	Yes	$13.1	$0.99	56%	122%	$0.89	39%	141%	8.0%	8.4%	3.65%	3.00%	21%	12%	0.24%	0.32%	0.57%	0.57%	2.1%	15.0%	0.89
O		$6.7	$1.05	49%	48%	$0.98	21%	-51%	5.1%	6.7%	5.67%	4.63%	40%	35%	0.61%	0.60%	1.49%	1.82%	-0.8%	-4.7%	1.27
P		$21.7	$0.85	1%	5%	$0.77	0%	-13%	8.9%	9.5%	3.64%	3.56%	10%	12%	0.19%	0.15%	1.33%	1.38%	-1.6%	2.7%	1.24
Q	Yes	$155.2	$0.76	7%	46%	$0.70	63%	63%	5.6%	6.8%	4.03%	2.86%	28%	38%	0.76%	0.62%	1.50%	1.67%	2.4%	10.5%	1.32
R		$12.1	$0.70	16%	26%	$0.34	-28%	-45%	8.8%	11.1%	4.39%	3.19%	13%	20%	0.26%	0.38%	1.40%	1.40%	21.7%	37.5%	1.12
S		$110.4	$5.53	-9%	13%	$4.65	-17%	7%	6.6%	6.0%	2.33%	1.93%	7%	6%	0.54%	0.47%	0.65%	0.73%	0.6%	14.5%	1.40
T	Yes	$7.5	$1.12	6%	26%	$1.01	4%	10%	7.4%	8.2%	3.67%	3.09%	25%	29%	0.21%	0.22%	1.41%	1.29%	2.6%	24.9%	0.92
U		$211.8	$7.68	-29%	21%	$4.62	-36%	-26%	5.6%	5.7%	2.01%	1.93%	36%	33%	0.09%	0.06%	0.86%	0.64%	2.9%	12.0%	1.56
V	Yes	$9.9	$1.31	0%	23%	$1.09	-3%	16%	7.5%	9.2%	4.38%	3.53%	14%	19%	0.34%	0.48%	1.64%	1.74%	2.2%	31.2%	0.91
W		$3.6	$0.53	-24%	-26%	$0.53	-23%	-25%	5.8%	7.4%	2.51%	3.02%	10%	9%	0.01%	0.26%	0.93%	1.15%	4.9%	11.7%	0.91
X	Yes	$52.9	$3.09	20%	64%	$2.23	1%	41%	7.1%	6.9%	3.76%	2.57%	18%	31%	0.28%	0.23%	0.68%	0.70%	2.7%	12.7%	1.25
Y	Yes	$89.5	$2.08	18%	59%	$1.84	31%	37%	3.8%	6.5%	3.56%	2.60%	18%	22%	0.40%	0.55%	1.03%	1.01%	3.2%	9.4%	1.09
Wtg. Avg.		**$28.7**		**12%**	**44%**		**7%**	**28%**	**7.4%**	**8.7%**	**3.89%**	**3.11%**	**21%**	**24%**	**0.38%**	**0.37%**	**1.19%**	**1.18%**	**3.7%**	**20.3%**	**1.10**

Note: For certain performance metrics, if data was not reported, consolidated and/or bank regulatory data for the most recent quarter available may have been used.

(1) Pre-Provision EPS = Pre-provision net revenue per share assuming a 21% federal marginal tax rate and based on average diluted shares outstanding. Pre-Provision Net Revenue = Net Interest Income + Noninterest Income - Noninterest Expense

Fund 2 Q4 2022 Recap

Ticker	Quarterly Record Pre-Prov. EPS?	Total Assets ($bils)	Pre-Provision EPS (1) 4Q '22	Pre-Provision EPS % Change from 3Q '22	Pre-Provision EPS % Change from 4Q '21	Earnings Per Share 4Q '22	Earnings Per Share % Change from 3Q '22	Earnings Per Share % Change from 4Q '21	Tangible CE / Tangible 4Q '22	Tangible CE / Tangible 4Q '21	Net Interest Margin 4Q '22	Net Interest Margin 4Q '21	Non Int. Inc. / Revenue 4Q '22	Non Int. Inc. / Revenue 4Q '21	NPAs+90 PD/ Assets 4Q '22	NPAs+90 PD/ Assets 4Q '21	Reserves / Total Loans 4Q '22	Reserves / Total Loans 4Q '21	Loan Growth (Not Annualized) Quarter	Loan Growth (Not Annualized) YTD	Beta vs. S&P 500
A		$8.3	$1.42	-2%	28%	$1.25	-5%	13%	9.5%	10.4%	3.72%	3.12%	23%	28%	0.33%	0.51%	2.32%	2.38%	4.3%	12.4%	0.95
B	Yes	$7.9	$0.83	33%	67%	$0.72	33%	57%	8.8%	9.5%	4.21%	3.52%	25%	35%	0.77%	0.63%	0.37%	0.35%	4.2%	46.4%	1.44
C		$13.2	$1.09	-8%	11%	$0.99	1%	19%	6.9%	7.7%	3.17%	3.17%	9%	NA	0.36%	0.36%	0.79%	0.91%	4.4%	14.3%	1.07
D		$4.3	$0.51	-8%	13%	$0.45	-4%	15%	7.5%	8.9%	3.18%	3.54%	5%	4%	0.02%	0.06%	1.35%	1.42%	5.6%	26.7%	0.81
E		$7.4	$0.80	18%	19%	$0.74	21%	-8%	6.1%	7.5%	3.18%	3.09%	17%	18%	0.13%	0.16%	1.15%	1.33%	2.5%	8.9%	1.11
F		$1.4	$1.53	0%	24%	$1.32	-1%	19%	4.6%	5.2%	3.77%	2.39%	14%	23%	0.04%	0.00%	1.37%	1.27%	1.0%	3.5%	0.16
G		$9.6	$0.93	-4%	6%	$0.79	13%	0%	9.0%	10.1%	3.51%	3.78%	4%	5%	1.05%	1.46%	1.12%	1.15%	2.5%	18.6%	1.09
H		$6.6	$0.40	0%	22%	$0.24	-31%	-40%	8.8%	11.9%	3.64%	3.32%	7%	10%	0.25%	1.03%	1.15%	1.37%	14.9%	26.2%	0.72
I		$3.0	$1.14	-11%	12%	$1.18	-6%	17%	8.0%	8.4%	4.15%	3.39%	18%	27%	0.13%	0.25%	0.99%	1.08%	4.8%	9.1%	0.94
J	Yes	$35.2	$1.65	6%	42%	$1.65	6%	6%	7.1%	7.7%	3.70%	2.82%	21%	27%	0.14%	0.20%	1.33%	1.61%	2.3%	9.4%	1.36
K		$7.9	$0.43	-8%	-10%	$0.48	-13%	-2%	6.6%	7.6%	2.75%	2.79%	18%	21%	0.30%	0.30%	1.21%	1.48%	3.1%	13.7%	1.13
L		$182.9	$0.46	3%	46%	$0.42	8%	62%	5.5%	6.8%	3.55%	2.87%	25%	31%	0.74%	0.84%	1.77%	1.80%	1.2%	7.4%	1.16
M		$12.6	$1.28	-3%	4%	$1.12	-8%	-2%	7.5%	6.9%	3.16%	2.72%	19%	36%	0.21%	0.05%	0.42%	0.34%	7.4%	29.2%	1.07
N	Yes	$4.9	$1.49	30%	150%	$1.37	36%	85%	8.1%	7.8%	4.34%	2.77%	13%	28%	0.27%	0.37%	1.08%	1.02%	0.9%	13.4%	0.98
O		$6.7	$1.05	49%	48%	$0.98	21%	-51%	5.1%	6.7%	5.67%	4.63%	40%	35%	0.61%	0.60%	1.49%	1.82%	-0.8%	-4.7%	1.27
P	Yes	$1.4	$0.67	25%	134%	$0.54	10%	100%	18.4%	20.5%	6.64%	4.32%	3%	6%	0.10%	0.16%	0.45%	0.54%	8.9%	25.1%	0.44
Q	Yes	$9.7	$1.08	3%	28%	$0.95	67%	-21%	8.1%	8.7%	3.80%	3.08%	14%	17%	0.44%	0.98%	1.22%	1.22%	3.0%	35.5%	0.82
R	Yes	$155.2	$0.76	7%	46%	$0.70	63%	63%	5.6%	6.8%	4.03%	2.86%	28%	38%	0.76%	0.62%	1.50%	1.67%	2.4%	10.5%	1.32
S		$13.8	$1.01	-13%	-5%	$0.76	1%	-23%	8.2%	9.2%	3.28%	3.53%	12%	18%	0.29%	0.39%	1.19%	1.09%	1.6%	14.3%	1.00
T		$10.9	$0.83	0%	22%	$0.04	-92%	-95%	7.2%	8.4%	4.75%	3.60%	5%	4%	0.71%	0.76%	1.20%	1.14%	68.9%	83.7%	0.83
U		$211.8	$7.68	-29%	21%	$4.62	-36%	-26%	5.6%	5.7%	2.01%	1.93%	36%	33%	0.09%	0.06%	0.86%	0.64%	2.9%	12.0%	1.56
V		$3.8	$0.52	-18%	18%	$0.44	-10%	1367%	7.9%	11.3%	3.78%	4.82%	5%	8%	0.32%	0.69%	0.98%	0.93%	4.5%	50.2%	NA
W		$15.8	$0.70	-4%	35%	$0.64	-7%	16%	8.9%	8.8%	3.56%	2.74%	27%	37%	0.11%	0.13%	1.02%	1.08%	2.2%	13.6%	0.99
X		$5.3	$0.79	11%	-26%	$0.67	8%	-34%	11.4%	9.5%	8.28%	7.73%	11%	12%	1.05%	0.97%	1.04%	0.87%	-7.1%	-15.4%	1.44
Y	Yes	$3.3	$0.28	32%	16%	$0.23	13%	-6%	10.1%	12.8%	2.87%	2.79%	7%	11%	NA	NA	0.06%	0.07%	NA	NA	0.46
Z	Yes	$71.3	$1.82	14%	51%	$1.38	5%	15%	7.4%	8.0%	3.85%	2.74%	15%	28%	0.43%	0.65%	1.20%	1.35%	4.1%	123.4%	1.39
AA	Yes	$52.9	$3.09	20%	64%	$2.23	1%	41%	7.1%	6.9%	3.76%	2.57%	18%	31%	0.67%	0.51%	0.68%	0.70%	2.7%	12.7%	1.25
Wtg. Avg.		**$25.7**		**8%**	**35%**		**6%**	**42%**	**7.9%**	**8.6%**	**3.99%**	**3.31%**	**17%**	**23%**	**0.36%**	**0.42%**	**1.07%**	**1.12%**	**4.2%**	**19.0%**	**0.98**

Note: For certain performance metrics, if data was not reported, consolidated and/or bank regulatory data for the most recent quarter available may have been used.

(1) Pre-Provision EPS = Pre-provision net revenue per share assuming a 21% federal marginal tax rate and based on average diluted shares outstanding. Pre-Provision Net Revenue = Net Interest Income + Noninterest Income - Noninterest Expense

<u>Legend:</u> Our color-coded legend above gives an overview of GREAT, GOOD and BELOW PAR – but oftentimes does not tell the whole story. We do NOT adjust earnings for one-time events such as acquisition costs. So, a "red" in one quarter may end up being a bit misleading. Furthermore, given the lines of business for certain of our banks, there is some seasonality to income, which makes quarterly comparisons difficult. Green is outstanding and represents banks which have posted EPS increases of more than 5%, whose net interest margin is up and whose non-performing loans are down. Yellow is good and represents banks which have posted EPS gains within a range, up or down, of 4.9%. Red represents banks which have posted EPS declines of greater than 5%, had a decrease in their net interest margin or an increase in non-performing loans.

Finally, as always, past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable or equal to past performance levels