ROSENTHAL | HENRY
CAPITAL ADVISORS

# 2024 Annual Letter to Investors – Celebrating 15 Years:

**Prologue:** It's hard to believe that we are celebrating our 15th anniversary. It has been an amazing ride! Thank you for your partnership on this fantastic journey. We've navigated various economic and political happenings; and even a once-in-a-lifetime (hopefully) pandemic. There has never been a "dull moment".

As we reflect on our history, we draw several conclusions. The single most important takeaway is what an incredible *honor and privilege* it has been to serve our friends as stewards of portions of your wealth. We have, and always will, consider this a profoundly serious responsibility. Communicating with you through our detailed letters and fulsome meetings has been a hallmark of our approach to serving you. Secondly, given all the ups and downs, twists and turns, challenges and opportunities, we believe we have delivered superior risk-adjusted returns over time. (Please see Appendix A) Thirdly, we take considerable pride that our overall **investment philosophy and approach** has proven to be successful. And finally, the ongoing lessons we've learned while operating this venture, as well as learnings from our prior career experiences, position us exceedingly well to lead, manage, adapt, and change – so that we will all prosper and thrive in the years ahead. Let's go!

**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; Including our 2024 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 2023 along with results from the previous 4 years. The first row of the table presents our results from January 2024. A slight backup in January, on the heels of the double-digit gains generated in November and December of 2023, isn't that surprising.

**Results Table 1**

| | Fund 1[1] | Fund 2[1] | ^BANK[2] | KRE[2] | Russell 2000[3] |
|---|---|---|---|---|---|
| Jan. '24 | -3.4% | -1.8% | -3.9% | -8.2% | -3.5% |
| 2023 | -10.1% | 4.6%[4] | -6.7% | -10.7% | 15.1% |
| 2022 | -13.0% | -11.2% | -18.4% | -17.1% | -21.6% |
| 2021 | 37.7% | 32.7% | 39.7% | 37.0% | 13.7% |
| 2020 | 1.9% | -6.1% | -10.6% | -9.0% | 18.4% |
| 2019 | 17.4% | 22.7% | 21.2% | 27.1% | 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
4. Average annual return for investors not fully redeemed in 2023

**Year in Review:** 2023 was disappointing. Panic gripped the market for bank stocks early in 2023 when 3 major niche/specialty banks failed. This story has been well documented in our previous letters to you. Unfortunately, as depicted in one of our slides from our *2023 Annual Investor Meeting*, the "baby was thrown out with the bath water" and *all* banks suffered from the mistakes and mismanagement of a few. The market took the second half of the year to "sort things out" and realize that the banking industry was not in trouble like 2008-09, and a steady rebound began to occur in recognition of the overreaction from the troublesome failures of a few non-traditional banks.

In the final analysis, Fund 1 performed in line with the industry, but Fund 2 dramatically outperformed bank indices in 2023! Several of you have enquired about the difference between the performance of the Funds. The simple explanation is that – in some years Fund 1 has bested Fund 2; and in others, Fund 2 has beaten Fund 1. Both Funds contain strong, well-capitalized, high-performing banks – located in attractive growth markets with demographics which include universities and regional medical hubs. Fund 2 consists of several banks which had banner years and were slightly less susceptible to margin pressures experienced by all banks in 2023. We assure you that there are no "core features" of our holdings in each Fund that would cause this variance to continue indefinitely. It was just one of those years where the specific holdings in Fund 2 performed better than those in Fund 1. Again, it is noteworthy and very significant that Fund 2 crushed the benchmarks against which we compare ourselves. While the "absolute" returns this year fell short of our target, the "alpha" delivered in Fund 2 is quite remarkable and an accomplishment about which we are proud.

In our letter last year, we highlighted how we deliver alpha. While we will not repeat that explanation, the following is a link, which, if you wish, will allow you to review this detailed description of how we manage the portfolio in our ongoing quest to beat the market. *How We Deliver Alpha* (from last year's *2023 Annual Letter to Investors*)

## Section 2 – General Commentary on the Community Banking Industry; Including our 2024 Forecast for Banks:

**Revisiting the Importance of "Culture" at our Banks:** As part of this next section of our letter this year, and in celebration of our 15th anniversary, we want to turn a very bright spotlight on what we believe is the single most important driver of our investment success. That is, the CULTURE of the banks in which we invest. You've heard this drumbeat from us before. Given its primary role in our specific selection of banks for the portfolio, we are delighted to re-emphasize this crucial tenet of our investment philosophy and approach.

If we have said it once, we have said it a thousand times: "We ***screen*** on the financials, but we ***invest*** based on the CULTURE of the organization". Culture is the second of the 5 Pillars to our investment philosophy and approach. Obviously, the banks in which we invest must meet certain rigorous financial standards or screens (our 1st Pillar) which we've established from the beginning. Once we find a bank that "passes muster" from a financial point of view, then we begin a deeper, more *qualitative* study of the bank. We've stated that we are looking for leadership teams who foster what we refer to as a "balanced culture". To us, this means making sure that CEO's and upper management team members are focused on taking care of *all* their primary constituents; including employees, clients, vendors, regulators, the broader community, and, oh yes, of course, shareholders – in a deliberate and fair manner. As you know, we meet in person with the banks in which we are considering an investment. These meetings are the lifeblood of our existence.

They say, "it's lonely at the top". Part of the reason for this is the fact that it is *impossible* to "completely" please all these disparate and competing constituents at once. We are looking for leadership teams who can successfully balance between all the different priorities of these opponent constituencies. For example, depositors want the highest rates on their deposits; and borrowers want the lowest rates on their loans. Management has to sort this out in a way that achieves equilibrium. Character counts. Sometimes, having the strength of character to "just say no" is required.

Value propositions matter. Our banks tend to offer way more than "price" as part of their value proposition. Competing on price alone is a losing scheme. Service, especially timeliness and the ability to customize solutions – are absolute differentiators and key attributes of the banks in which we invest. Superior products and/or expertise in certain niche businesses would be an example of other ways the banks in our portfolio distinguish themselves from the ordinary. To highlight this whole notion of the importance of culture, we would like to share with you some recent examples of banks we discovered that are best-in-class from a culture standpoint.

At a pre-eminent banking conference which we recently attended – we were introduced to two such examples of community banks where "culture is king". Tone at the top matters so very much. Deciding upon, inculcating, fostering, driving, and just plain insisting on a balanced culture must emanate from the C-suite. Sustainable, differentiated cultures are not the stuff of "lip service". They are deeply embedded, perpetually reinforced, and non-negotiable attributes – which are required and engrained by the entire executive management teams of our banks.

We met two such veteran, experienced, leaders of banks with extraordinary and balanced cultures. Kudos to Curtis Griffith, Chairman & CEO of South Plains Financial Inc., and Scott Duesser, Chairman and CEO of First Financial Bankshares, Inc., for developing the quintessential relationship-based community banking models. There is nothing accidental about the culture of these banks. These gentlemen have keen insights into how to drive engagement of their various constituents to achieve the balanced culture we seek and, as a result, deliver strong operating and financial performance from this culture-focused approach. Coincidentally, both banking companies happen to be in strong Texas based communities. The banking landscape in Texas is extraordinarily competitive – given the state's formerly, historically-based environment as a "unit banking" state; meaning, banking charters were operated from a single location and banks had no branches. We believe this old-fashioned approach to banking helped foster the absolute need to develop and differentiate the culture of these two fine financial institutions.

Some might argue that culture is "soft stuff" and not as critical as the "science" of banking. By now, as we hope you can clearly tell, both top-rate financial acumen and the will to create and maintain a balanced culture are vital to induce us to make an investment in any banking company which we study.

**Numbers, Ratios, and the Science of Banking:** Most of our letters to you dedicate significant space to things like interest rates, margins, loan quality statistics, P/E ratios, and a host of other factors, which influence banks performance and their stock prices. These figures matter. But, given the large amount of time we dedicated to the notion and importance of culture in this section, we will streamline our commentary on these data points this year.

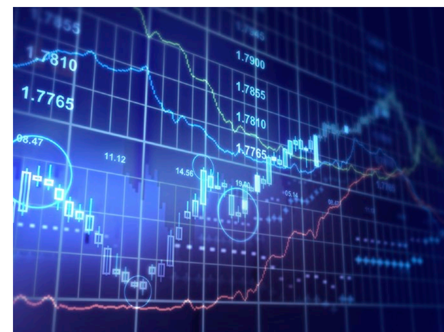
**P/E ratios:** P/E ratios for banks have historically ranged in the low to mid-teens. Today, they are in the high single-digits. We maintain our belief that P/E multiples will "revert to the mean" over time. To us, there is an inverse proportion of uncertainty to P/E's. That is to say, the greater the uncertainty, the lower the P/E's. We assume that you would agree with this somewhat obvious notion. Therefore, until some ambiguity is diminished around all the usual factors influencing stock price, P/E's might remain below normal. We believe that more clarity regarding inflation, growth, interest rates, loan quality, politics, and the global scene, will eventually become less cloudy or somewhat clearer. As this happens, we further expect P/E's to expand – and therefore, even without outsized growth in earnings, bank stock prices might increase nicely.

**Interest rates:** We cannot move to our 2024 Earnings Outlook without some discussion about interest rates and their effect on net interest income and margins. The Fed has paused their rate hikes and markets believe they will cut rates later this year – maybe even several times. Futures markets point to such action – even in light of the most recent FOMC meeting and comments from Chair Powell at it conclusion. Yet, the foolish notion that the Fed may cut rates as many as six times this year is no longer the consensus.

At this time during the current cycle, interest rates impact banks in two primary ways. First is their effect on banks' net interest margins – that is to say, the resulting outcome of what banks can charge on loans and what they must pay to maintain deposits. The current pause and the anticipated cuts have resulted in the yield on the 10-year UST declining from over 5% briefly a few months ago to the current level around 4.3%. Furthermore, the shape of the yield curve has changed. It remains inverted with shorter rates higher than long term rates. But the "steepness" of the yield curve inversion has declined. Specifically, the spread between the 10- and 2-year treasuries have decreased from negative 110 basis points at 6/25/2023 to negative 31 basis points today (2/14/2024). As a reminder, an inverted yield curve is not the best situation for banks. But the degree of inversion being <u>less</u> is a positive step in the right direction and provides some additional stability as it relates to margins at banks. We look forward to the day when short term rates are less than long term rates and the shape of the yield curve returns to a normal upward sloping direction. This will most definitely benefit banks' earnings and their stock prices.

The decline in the yield of the 10-year UST has also helped banks in another especially important way. The marks against long-term bonds have been reduced substantially. This, then, ripples across the marks against banks' tangible capital levels. In short, tangible capital levels have increased lately and some uncertainty or concern regarding the adequacy of bank capital levels has diminished markedly. Stabilizing margins (with the prospect of modestly increasing margins down the road), along with the improved capital adequacy levels due to decreasing marks against banks bond portfolios, both contributed to the very significant rally in bank stock prices during November and December. Great! Now what?

**2024 Earnings Outlook:** We now begin our overview of how we believe bank *earning*s will perform in 2024 to produce our overall forecast for the coming year. There are four main drivers of earnings at banks: net interest income, non-interest income, allowance for possible loan/lease losses, and operating expenses. Here's our summary of each:



***Net Interest Income ("NII"):*** This is a big part of the overall picture for EPS forecasts at banks. In past letters, we have spent many paragraphs explaining the component parts that go in to determining NII. They include spread, volume, and balance sheet mix. We will not repeat the long-winded details that impact each of these determinants of NII as we have in past letters. Rather, we will fast-forward to our guestimate that NII will be mostly flat for banks this year. Too many variables and too much uncertainty exists to lead us to forecast any substantial increase in NII in 2024. Margins will continue to stabilize and be at very acceptable (historic) levels, but loan growth (i.e., volume) and changes, both increases and decreases in various types of loans, and potential balance sheet restructurings amongst and between loans and investments (i.e., mix) preclude us from forecasting a pop in NII at banks in 2024.

**Non-Interest Income ("Non-II"):** The main drivers of Non-II are service charges/cash management fees on deposit accounts, mortgage loan origination income, and trust and investment management fees. Some banks have supplemental lines of business which further enhance Non-II. With moderating rates later this year, we may see an uptick in mortgage loan origination income. If the stock market remains strong, fees for trust and investment management activities should be up a bit. Service charges and fees charged by banks remain under the watchful eye of Congress and may impede significant increases in overall Non-II. Some of our banks have wonderful niche businesses to supplement their Non-II and we find these banks very attractive. They are an important part of how we construct the portfolio as a whole. Non-II as a percentage of total revenue for the industry has dropped after the windfall of the PPP loan program which existed during the pandemic. But we are still eager to find and invest in banks which generate roughly 20% or more of their total revenue from various sources of Non-II.

**Allowance for Possible Loan Losses**: At this writing, credit quality remains strong and problem loans have not materialized. The main concern is how loans for commercial office space will perform as rates reset higher and companies adapt to hybrid work situations of their employees. Our banks tend not to be involved in lending to developers of "skyscrapers", i.e., commercial office buildings. In fact, even the big banks manage their exposure to this segment. So much of this type of financing falls to long-term investors – like insurance companies. Given the strength of the overall economy – and especially the robust employment environment, we feel very good that 2024 will not be an unusual year for credit costs – including reserve builds and/or actual loan charge-offs. This is a major positive in our outlook for 2024!

**Operating Expenses:** As highlighted with a cartoon at our *2023 Annual Investor Meeting* last year, "belt-tightening" most definitely is the order of the day. Driving efficiency has always been a focus for the banking industry. Using technology, rationalizing delivery systems (branches), managing staffing levels, and tightly managing costs of vendor relationships, will be ongoing and productive in 2024. This too should be a positive to EPS at our banks.

**Other Macro Factors:** Banks do not operate in a vacuum. They are subject to other pressures – like all businesses. The lingering war in Ukraine (and its potential escalation), the ratcheting up of tensions in the Middle East, the perpetual concerns with China, election year political issues here at home, the environment for M&A (which we expect to improve only slightly in 2024), 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" (medical viruses, cyber-attacks, etc.) add to the usual risks of investing.

**2024 Forecast:** It's "crystal ball" time: the problem is, no one, including us, has a particularly *clear* crystal ball – especially now. Given all the above, we are forecasting only moderate gains in bank stock prices in 2024 – in the range of 5-10%. Who knows how accurate our forecast will be?

*What we fervently believe is that "community banks" will continue to play a vital role in the overall U.S. economy, especially for so-called small businesses which represent such a significant part of overall GDP, and that they will continue to provide attractive risk-adjusted returns over time. Therefore, we encourage you to maintain your investment in this sector as part of your overall investment portfolio.*

**We have maintained our investments in the portfolio and are delighted to "eat our own cooking".** Our collective investments in each of the Funds represent the largest ownership percentage in each of the respective Funds. Our vested interests have been and remain very much aligned with yours and you should expect that if our outlook changes, we will act accordingly.

**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 Decreased 11% while "Bottom Line" EPS Decreased 17% YOY.**
- **The Primary Contributor to the Decline in EPS' Noted Above was the Anticipated Decline in Margins; The Wtd. Ave. NIM for Our Banks was 3.84% in Q4 '23 vs. 4.11% in Q4 '22. (Historically, NIM's are ~ 3.5%.)**
- **The Decline in Margins Reflects Higher Costs of Deposits Across the Industry as a Whole Based on the Overall Increase in Interest Rates – Driven by Fed Rate Hikes.**
- **On a Positive Note, Tangible Capital at Our Banks Popped from 7.7% a year ago to 8.7% at 12/31/23.**
- **Similarly Constructive News Exists About the Asset Quality of our Banks. Non-Performing Loans Remain Near Historic Lows at 0.44% at year-end. (Anything Less than 1% is Considered Excellent.)**
- **Loan Growth Exceeds Expectations – Banks in Our Portfolio Grew Loans More than Banking Industry as a Whole (Wtd. Ave. up 1.6% in Our Portfolio vs. 0.5% Banking Industry Avg. Q/Q)**

### Fund 2 Headlines

- **Year-Over-Year Wtd. Ave. "Pre-Provision" EPS for Banks in Fund 2 Decreased a very modest 3% while "Bottom Line" EPS Actually Increased 21% YOY. (This is a Contributing Factor why Fund 2 Outperformed Fund 1 in '23.)**
- **The Primary Contributor to the Slight Decline in Pre-Provision EPS' Noted Above was the Anticipated Decline in Margins; The Wtd. Ave. NIM for Our Banks was 4.03% in Q4 '23 vs. 4.28% in Q4 '22. (Again, Historically, NIM's are ~ 3.5%.)**
- **The Decline in Margins Reflects Higher Costs of Deposits Across the Industry as a Whole Based on the Overall Increase in Interest Rates – Driven by Fed Rate Hikes.**
- **On a Positive Note, Tangible Capital at Our Banks Popped from 8.4% a year ago to 8.7% at 12/31/23.**
- **Similarly Constructive News Exists About the Asset Quality of our Banks. Non-Performing Loans Remain Low at 0.60% at year-end. (Anything Less than 1% is Considered Excellent! See Commentary Below for Further Evaluation.)**
- **Loan Growth Exceeds Expectations – Banks in Our Portfolio Grew Loans More than Banking Industry as a Whole (Wtd. Ave. up 1.1% in Our Portfolio vs. 0.5% Banking Industry Avg. Q/Q)**

While EPS were down this quarter, the reality is that the declines were less than expected. In Fund 1, 60% of our banks exceeded analysts' expectations. In Fund 2, 81% of our banks beat or met analysts' forecast. The much-ballyhooed declines in margins have occurred – but again, have been less than forecast.

**Context is very important here**. As the Fed began to raise rates in 2022, yields on loans expanded faster than costs on deposits. This temporary phenomenon generally allowed for NIM's to grow past the 4% mark in 2022 – an unusually big spread for banks. In '23, things have returned to a more normal state and margins have come back to the mid 3% range for the industry as a whole. Yet, our banks maintain their above-average margins compared to the broader industry.

While it is not fun to report that our banks had declines in YOY EPS, the truth is that these results were better than folks anticipated – and given this relative "outperformance" to expectations, bank stocks enjoyed the nice rebound during November and December as outlined earlier.

The other key factor causing the pop in bank stock prices during the last months of 2023 was the benign impact on loan quality – so far. The stronger overall economy has allowed borrowers to maintain their contractual repayment obligations. Thus, non-performing loans at our banks remain *very low* from a historical perspective. The overall increase in NPA's in Fund 2 was driven by the results of Bank S only. We are monitoring this "blip" very closely and do not have any long-term concerns about Bank S. It serves a niche industry, and the increase in NPA's was explainable, controlled and we believe, temporary and isolated.

The bottom line is that **even with** the backup in earnings in 2023 compared to the windfall of 2022's bloated margins, current EPS results, existing loan quality strength, higher capital levels, and actual margins – all tended to be better than expected – thus, the upward movement in bank stock prices during Q4 '23 – especially November and December.

## Section 4 – Conclusion

In the middle of last year, we embarked on a bit of a marketing campaign and invited folks to invest with us. We felt strongly that markets were inappropriately beaten down after the chain reaction over the failure of Silicon Valley Bank. Several of our existing partners added to their investments with us and we attracted numerous new investors in our venture as well. They were well rewarded by heeding our invitation with gains of approximately 14% in the 2nd half of 2023.

There has been another upsetting event with the recent earnings announcement of New York Community Bank ("NYCB"). January was "flat" for banks stock until the very final day of the month when news of the poor results of NYCB were announced. We do not and have never owned stock in NYCB. However, NYCB is a component of a much-followed banking index: KRE. As the stock of NYCB declined 35% in a single day, this had an impact on that index as a whole. Some slight downward "drift" has continued into the first days of February as analysts and investors are sorting this out. The following is a link to some detailed analysis on NYCB by Raymond James following a webinar with New York Community Bank's CEO, CFO and EVP: *NYCB Research Piece*

Frustratingly, we again seem to find ourselves defending "our banks" in light of the idiosyncratic situation of a single bank which, once again, "spooked the market". As always, the truth will prevail, and rational investors will understand that the "sins of one are NOT the transgressions of all." Our banks are fine!

Like most years, 2024 will be very interesting. We believe that inflammatory headlines, rapid news cycles, and crises-du-jour (real or imagined), will likely influence investor sentiment more than usual. If so, it suggests *significant volatility* will remain with us. It is in these times where **intellect, rationality, calm, balance, and outright stability of purpose and thinking, must prevail** – in order to deliver on our long-term goals/objectives/results with regards to investing wisely. Candidly, when we called the bottom last year and invited additional investments from folks, it was easier to do given our conviction based on prevailing circumstances. Is the event of NYCB's hiccup the same clear-cut opportunity for us to invite additional investments at this time? As always, that is a decision for you to make. How 2024 will unfold, overall, is less clear to us than our bullish forecast in the summer of 2023. YET, generally speaking, timing the markets is not an approach we espouse. We remain convinced that long-term value investing – in the community banking space – will produce solid risk-adjusted returns over time. The so-called Magnificent Seven are not the only stocks in which to invest. Their luster will ebb and flow. Change is constant.

As we began this letter, we will end it. We are honored to serve you, our clients. Thanks so much for the trust and confidence you have placed in us over the years.

Please be on the lookout for the Annual Audited Financial Statements of our Funds, our Annual Form ADV filing, and our Privacy Policy disclosure in an upcoming email from us. They and the link to your K-1's will be emailed to you in late February or early March.

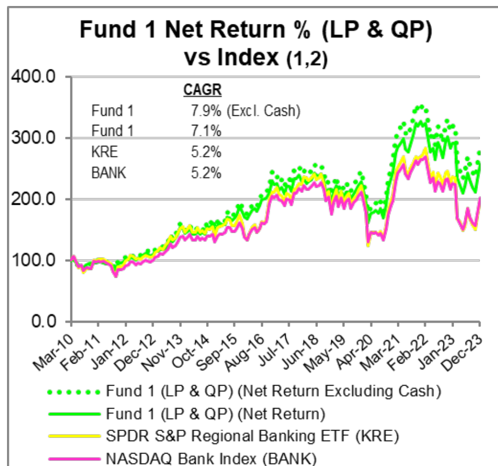
As always, you may reach us by calling the office at 574-243-6502, John's cell at 574-276-1128, or Adam's cell at 440-667-5974. Or by email: john@rosenthalpartners.net or adam@rosenthalpartners.net

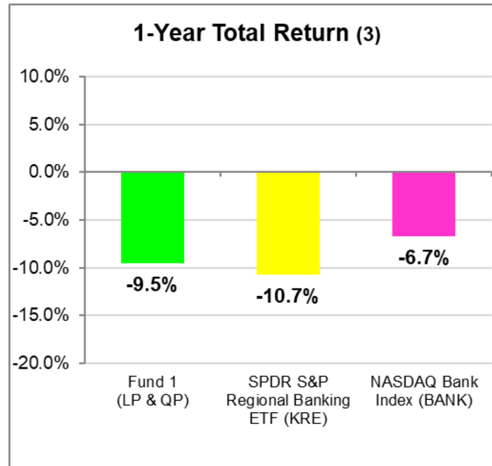
With warmest personal regards,

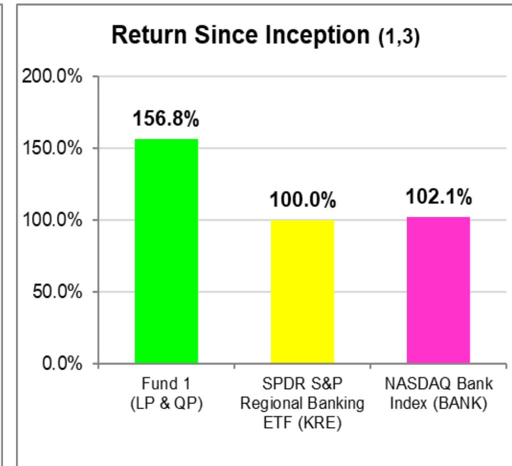
*John and Adam*

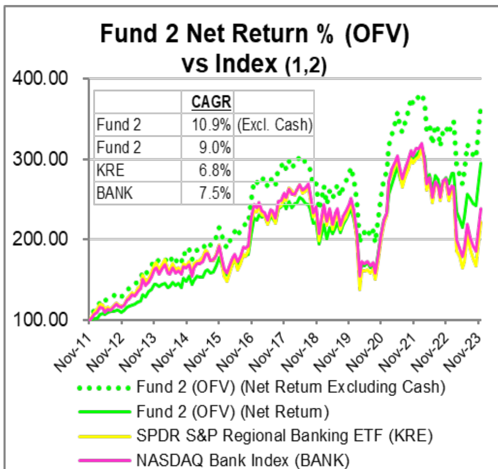
As always, past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable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

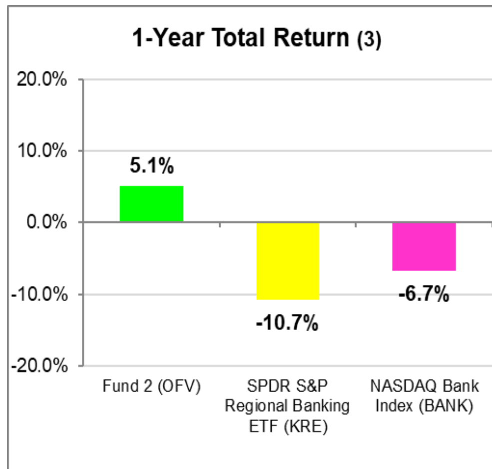
# APPENDIX A

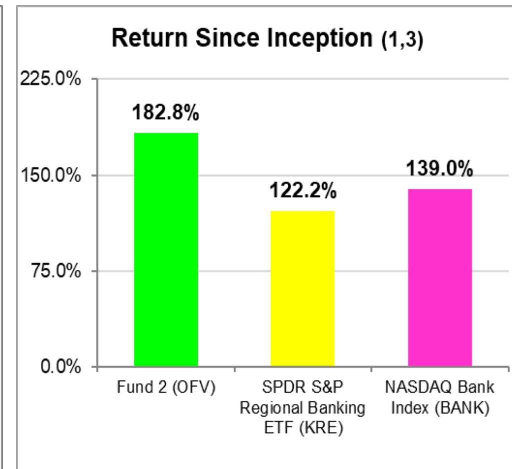



(1) For comparison purposes, inception date for Fund 1 uses March 2010 Fund 2 uses November 2011 monthly statement from LICCAR.
CAGR = Compound Annual Growth Rate
(2) Net return (excluding cash) for Fund 1 = Fund 1 Total Return divided by prior month end market value of bank/security investments.
(3) 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 Q1 2024 Recap

| Ticker | Quarterly Record Pre-Prov. EPS? | Total Assets ($bils) | Pre-Provision EPS (1) | % Change from | | Earnings Per Share | % Change from | | Tg. CE / Tg. Assets | | Net Interest Margin | | Non Int. Inc. / Revenue | | NPAs+90 PD/ Assets | | Reserves / Total Loans | | Loan Growth (Not Annualized) | | Beta vs. S&P 500 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 4Q '23 | 3Q '23 | 4Q '22 | 4Q '23 | 3Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | Quarter | YTD | |
| A | | $12.4 | $1.46 | -9% | -15% | $1.46 | -4% | -14% | 10.1% | 8.6% | 3.70% | 3.86% | 31% | 30% | 0.50% | 0.46% | 1.26% | 1.33% | 2.7% | 10.5% | 0.66 |
| B | Yes | $7.7 | $1.07 | 8% | 30% | $0.81 | -12% | 14% | 10.5% | 8.8% | 5.26% | 4.21% | 23% | 25% | 0.57% | 0.55% | 0.48% | 0.37% | 3.1% | -2.3% | 1.45 |
| C | | $15.7 | $1.39 | -1% | -22% | $1.24 | -7% | -22% | 8.3% | 7.0% | 3.86% | 4.27% | 12% | 10% | 0.19% | 0.17% | 1.38% | 1.39% | 1.9% | 6.5% | 0.89 |
| D | | $9.9 | $0.57 | -1% | -39% | $0.46 | -10% | -42% | 9.2% | 9.0% | 2.73% | 3.51% | 6% | 4% | 0.71% | 1.05% | 0.98% | 1.12% | 2.0% | 3.0% | 0.89 |
| E | Yes | $3.8 | $4.19 | 80% | 47% | $0.66 | -12% | -31% | 7.9% | 7.7% | 6.66% | 7.02% | 52% | 44% | 1.43% | 1.06% | 3.86% | 2.82% | 2.0% | 15.2% | 0.96 |
| F | | $5.1 | $0.39 | 4% | -2% | $0.39 | 8% | 0% | 4.4% | 4.8% | 2.78% | 2.99% | 27% | 22% | 0.37% | 0.50% | 1.08% | 1.12% | 0.9% | 33.0% | 0.64 |
| G | | $18.3 | $0.75 | -16% | -32% | $0.71 | -24% | -40% | 8.4% | 7.3% | 3.16% | 3.72% | 18% | 14% | 0.32% | 0.28% | 1.64% | 1.86% | 1.7% | 4.0% | 0.81 |
| H | | $5.2 | $0.24 | -16% | -37% | $0.22 | -15% | -35% | 9.9% | 9.1% | 3.44% | 4.14% | 4% | 5% | 0.15% | 0.05% | 1.43% | 1.44% | 2.0% | 1.6% | 0.85 |
| I | | $13.1 | $0.35 | -1% | -15% | $0.32 | -9% | -22% | 9.3% | 7.5% | 3.36% | 3.50% | 22% | 21% | 0.27% | 0.19% | 1.24% | 1.18% | 2.2% | 11.0% | 0.92 |
| J | | $6.2 | $0.68 | -6% | -16% | $0.73 | 0% | -12% | 8.0% | 6.2% | 3.44% | 3.80% | 25% | 21% | 0.15% | 0.23% | 1.10% | 1.16% | 2.1% | 4.9% | 0.64 |
| K | | $6.5 | $0.93 | 1% | -24% | $1.16 | 18% | 15% | 9.9% | 8.8% | 3.25% | 3.92% | 18% | 16% | 0.25% | 0.27% | 1.46% | 1.54% | 0.9% | 4.4% | 0.59 |
| L | | $9.7 | $0.62 | -23% | -43% | $0.43 | -46% | -55% | 9.3% | 8.1% | 3.19% | 3.84% | 14% | 14% | 0.40% | 0.19% | 1.26% | 1.22% | 1.2% | 8.1% | 0.75 |
| M | | $19.0 | $0.55 | 0% | -36% | ($1.44) | NM | NM | 10.7% | 8.9% | 3.31% | 3.64% | 12% | 10% | 0.08% | 0.14% | 1.45% | 1.33% | 0.1% | -9.5% | 1.15 |
| N | | $7.9 | $1.31 | 5% | 25% | $1.06 | -22% | 8% | 5.3% | 5.1% | 6.26% | 5.67% | 32% | 40% | 0.50% | 0.62% | 1.20% | 1.49% | 1.4% | 26.1% | 1.13 |
| O | | $152.2 | $0.60 | -1% | -21% | $0.39 | -20% | -44% | 6.7% | 5.6% | 3.63% | 4.03% | 32% | 28% | 0.65% | 0.76% | 1.60% | 1.50% | -0.6% | 1.4% | 1.13 |
| P | | $4.2 | $0.64 | -13% | -12% | $0.61 | -22% | -14% | 9.2% | 8.5% | 3.55% | 3.91% | 21% | 26% | 0.47% | 0.20% | 1.40% | 1.41% | 0.7% | 9.7% | 0.68 |
| Q | | $8.2 | $0.99 | -1% | -12% | $0.82 | -11% | -19% | 8.1% | 7.4% | 3.28% | 3.67% | 28% | 25% | 0.23% | 0.21% | 1.37% | 1.41% | 2.7% | 10.9% | 0.67 |
| R | | $9.9 | $1.00 | -9% | -24% | $0.78 | -15% | -28% | 8.8% | 7.5% | 3.85% | 4.38% | 16% | 14% | 0.47% | 0.34% | 1.79% | 1.64% | 1.3% | 5.3% | 0.75 |
| S | | $56.3 | $2.93 | -6% | -5% | $1.87 | -26% | -16% | 7.7% | 7.1% | 3.67% | 3.76% | 17% | 18% | 0.27% | 0.28% | 0.81% | 0.68% | 1.7% | 7.5% | 1.06 |
| **Wtg. Avg.** | | **$18.0** | | **0%** | **-11%** | | **-12%** | **-17%** | **8.7%** | **7.7%** | **3.84%** | **4.11%** | **22%** | **21%** | **0.44%** | **0.40%** | **1.42%** | **1.37%** | **1.6%** | **7.6%** | **0.86** |

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 Q1 2024 Recap

| Ticker | Quarterly Record Pre-Prov. EPS? | Total Assets ($bils) | Pre-Provision EPS (1) | % Change from | | Earnings Per Share | % Change from | | Tangible CE / Tangible | | Net Interest Margin | | Non Int. Inc. / Revenue | | NPAs+90 PD/ Assets | | Reserves / Total Loans | | Loan Growth (Not Annualized) | | Beta vs. S&P 500 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 4Q '23 | 3Q '23 | 4Q '22 | 4Q '23 | 3Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | 4Q '23 | 4Q '22 | Quarter | YTD | |
| A | | $8.7 | $1.32 | -6% | -12% | $1.15 | -13% | -8% | 10.5% | 9.5% | 3.54% | 3.72% | 24% | 25% | 0.28% | 0.32% | 2.26% | 2.32% | 2.6% | 8.4% | 0.67 |
| B | Yes | $7.7 | $1.07 | 8% | 30% | $0.81 | -12% | 14% | 10.5% | 8.8% | 5.26% | 4.21% | 23% | 25% | 0.57% | 0.55% | 0.48% | 0.37% | 3.1% | -2.3% | 1.45 |
| C | | $3.8 | $0.39 | 9% | -55% | $0.04 | -88% | -95% | 9.7% | 8.2% | 2.59% | 3.33% | 10% | 7% | 0.21% | 0.11% | 1.21% | 1.10% | -0.6% | -0.9% | 0.66 |
| D | Yes | $7.4 | $0.45 | 9% | 13% | $0.35 | 3% | 46% | 9.1% | 8.8% | 3.25% | 3.64% | 9% | 7% | 0.34% | 0.25% | 1.20% | 1.15% | 3.1% | 11.7% | 0.68 |
| E | | $1.3 | $1.24 | -11% | -19% | $1.12 | -30% | -15% | 5.8% | 4.6% | 3.91% | 3.77% | 14% | 14% | 0.32% | 0.04% | 1.59% | 1.37% | -1.3% | -8.8% | 0.08 |
| F | | $4.6 | $0.27 | -6% | -46% | $0.28 | -7% | -38% | 7.7% | 7.5% | 2.29% | 3.18% | 5% | 5% | 0.02% | 0.02% | 1.36% | 1.35% | 0.1% | 4.4% | 0.74 |
| G | Yes | $3.5 | $1.40 | 9% | 23% | $1.15 | -2% | -3% | 7.6% | 8.0% | 3.69% | 4.15% | 19% | 18% | 0.59% | 0.13% | 1.10% | 0.99% | 3.1% | 16.7% | 0.54 |
| H | | $189.4 | $0.31 | -24% | -33% | $0.15 | -57% | -64% | 6.1% | 5.5% | 3.10% | 3.55% | 24% | 25% | 0.70% | 0.68% | 1.84% | 1.77% | 0.9% | 2.1% | 1.09 |
| I | | $5.4 | $1.37 | -5% | -8% | $1.25 | -4% | -9% | 9.2% | 8.1% | 3.95% | 4.34% | 15% | 13% | 0.07% | 0.27% | 1.15% | 1.08% | 4.9% | 9.9% | 0.74 |
| J | | $17.0 | $1.73 | -5% | 35% | $1.58 | -6% | 41% | 7.0% | 7.5% | 3.07% | 3.16% | 22% | 19% | 0.52% | 0.24% | 0.54% | 0.42% | 2.2% | 36.5% | 0.88 |
| K | Yes | $1.8 | $0.90 | 0% | 34% | $0.82 | 2% | 52% | 15.8% | 18.4% | 6.06% | 6.64% | 3% | 3% | 0.33% | 0.16% | 0.32% | 0.45% | 5.2% | 30.3% | 0.25 |
| L | | $2.8 | $1.23 | -23% | -23% | $1.19 | -20% | -20% | 7.8% | 7.5% | 4.15% | 4.39% | 18% | 20% | 0.21% | 0.25% | 0.95% | 0.90% | 4.0% | 19.2% | 0.56 |
| M | | $7.9 | $1.31 | 5% | 25% | $1.06 | -22% | 8% | 5.3% | 5.1% | 6.26% | 5.67% | 32% | 40% | 0.50% | 0.62% | 1.20% | 1.49% | 1.4% | 26.1% | 1.13 |
| N | | $152.2 | $0.60 | -1% | -21% | $0.39 | -20% | -44% | 6.7% | 5.6% | 3.63% | 4.03% | 32% | 28% | 0.65% | 0.76% | 1.60% | 1.50% | -0.6% | 1.4% | 1.13 |
| O | | $14.0 | $0.55 | -18% | -46% | $0.58 | 26% | -24% | 8.8% | 8.2% | 2.46% | 3.28% | 17% | 12% | 0.65% | 0.28% | 1.06% | 1.19% | 0.6% | -0.3% | 0.89 |
| P | | $10.6 | $0.60 | -9% | -28% | $0.51 | -12% | 1175% | 9.0% | 7.2% | 4.43% | 4.75% | 6% | 5% | 0.37% | 0.70% | 1.16% | 1.20% | -1.0% | 2.2% | 0.69 |
| Q | | $4.4 | $0.61 | 37% | 13% | $0.57 | 78% | 30% | 7.5% | 7.9% | 3.64% | 3.78% | 5% | 5% | 0.39% | 0.32% | 1.02% | 0.98% | 2.2% | 17.1% | NA |
| R | | $16.8 | $0.42 | -28% | -40% | $0.39 | -35% | -39% | 9.3% | 8.9% | 2.89% | 3.56% | 31% | 27% | 0.05% | 0.11% | 1.10% | 1.02% | 1.4% | 5.0% | 0.79 |
| S | | $5.3 | $0.59 | 0% | -25% | $0.37 | -27% | -45% | 11.0% | 11.4% | 7.62% | 8.28% | 13% | 11% | 3.66% | 1.07% | 0.85% | 1.04% | -4.8% | 1.0% | 1.41 |
| T | | $2.6 | $1.11 | 5% | 0% | $0.96 | -1% | 3% | 10.1% | 9.7% | 4.09% | 4.50% | 8% | 6% | 0.86% | 0.43% | 1.19% | 1.20% | 0.0% | 3.6% | 0.46 |
| U | Yes | $4.2 | $0.48 | 20% | 71% | $0.47 | 25% | 109% | 8.5% | 10.1% | 2.60% | 2.87% | 10% | 7% | NA | NA | 0.07% | 0.06% | NA | NA | 0.28 |
| V | | $74.9 | $1.59 | -6% | -13% | $1.05 | -18% | -24% | 7.7% | 7.4% | 3.54% | 3.85% | 12% | 15% | 0.29% | 0.45% | 1.25% | 1.20% | 1.3% | 1.9% | 1.19 |
| W | | $56.3 | $2.93 | -6% | -5% | $1.87 | -26% | -16% | 7.7% | 7.1% | 3.67% | 3.76% | 17% | 18% | 0.27% | 0.28% | 0.81% | 0.68% | 1.7% | 7.5% | 1.06 |
| **Wtg. Avg.** | | **$26.9** | | **-3%** | **-3%** | | **-13%** | **21%** | **8.7%** | **8.4%** | **4.03%** | **4.28%** | **16%** | **16%** | **0.60%** | **0.35%** | **1.06%** | **1.03%** | **1.1%** | **6.9%** | **0.77** |

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

**Legend:** 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.