ROSENTHAL | HENRY

CAPITAL ADVISORS

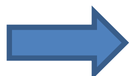
2nd Quarter 2023 Letter to Investors:

Important Notes to Readers: Earlier today, you should have received an email with a link to your July statement(s). You can also access your investor statement(s) here: *Investor Statements*. Those of you who receive your statement(s) by email directly from us will have a separate email from Deb Jessup soon – with your statement(s) attached. As always, if you have any issues retrieving your monthly investor statement(s), please let us know and we will send them ASAP.

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

Summary Results Table: The table below presents our performance for July, by quarter, and YTD as of 7/31/2023; as well as the last 4 years. We have outperformed our benchmarks year-to-date.

Results Table



	Fund 1[1]	Fund 2[1]	^BANK[2]	KRE[2]	Russell 2000[3]
July '23	10.1%	12.4%	15.6%	19.3%	6.1%
Q2 '23	-6.2%	-2.9%	-5.0%	-6.9%	4.8%
Q1 '23	-17.2	-12.9%	-21.9%	-25.3%	2.3%
YTD '23[4]	-14.1%	-4.7%	-14.3%	-17.1%	13.7%
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. Year to date performance as of July 31, 2023

Headlines:

- **The "Bleeding" has Stopped – and the "Rebound" has Begun!**
- **Bank Stocks Turned Positive in June Increasing by ~5%**
- **Gains Continued in July with Double-Digit Increases of ~11%**
- **August Month-To-Date Gains as of 8/11 are ~1%**

2nd Quarter 2023 Review: On June 13th we held our 2023 Annual Investor Meeting. During that meeting we "called the bottom" for bank stock prices. So far, (and the jury will remain out for several more months) this forecast appears to be spot on. We have repeatedly indicated that the failure of 3 specialty/niche banks earlier this year did not indicate the beginning of another "financial crisis". Rather, we have preached that the broad-based decline in bank stock prices during the Spring amounted to what we and others have referred to as "sentiment contagion" (the baby was thrown out with the bath water). The fear that gripped the markets was exacerbated by "short selling" from profiteers who fed into the scare of sensationalist headlines and commentary – sometimes creating or manufacturing them. Through it all, and as always, we maintained that the *truth* would prevail, and stock prices would be sorted out (increase) when the FACTS were digested.

To be sure, there have been, are, and will always be, "challenges" facing *all* businesses, including banks. We are not oblivious to them and will discuss them throughout this letter. But we will also put forth hard data which, in part, supports the reasons for the current rebound in bank stock prices. And as much as anything else, what has driven the current recovery seems to be the diminishment of abject fear in the market. To an extent, it seems that FOMO (fear of missing out) is now replacing panic.

Please keep reading. It is in Sections 2 and 3 where we flesh out this overview.

Section 2 – General Commentary on the Community Banking Industry and its Prospects:

Recent News: On August 7th, Moody's, a global integrated risk assessment firm, downgraded 10 U.S. *regional* banks (not community banks) and put the credit rating of six others on review for possible downgrade. All of Moody's cuts were by a single notch, and all the banks referenced remain "investment grade" quality. Nevertheless, the move highlights the continued volatility in the sector. Big picture: we believe that U.S. banks are still very strong! The second quarter financial results that we've digested show that the sector remains sound. As expected, and on the whole, second quarter earnings exceeded analysts' expectations but were slightly muted vs. prior periods (due in large part to Fed rate hikes and related margin pressures for banks), and the Moody's downgrades reflected those data points. For the most part, the market has already digested these facts. Immediately after this news was announced, bank stock prices reacted negatively. But by the end of the day – bank stock prices finished basically flat from the previous day.

The 3 Big "Worries" About Banks Today: Before we share more positive news later in this letter, let's start with some potential threats facing the banking industry. In short, there are 3 main concerns facing banks in today's environment: 1) Margin compression; 2) Deposit Outflows; and 3) Credit Quality. Let's look at each of them closely.

Margin Compression: This is the # 1 issue facing banks today. The pace at which deposit rates are increasing is now occurring faster than the speed at which loan rates are rising. This is the reverse of what happened in 2022. As the Fed began raising rates in 2022 to fight inflation, and while banks were still awash in cash from the PPP loan program, banks repriced loans faster than deposits. This year, as PPP loan monies were drawn down and used up for all manner of normal business needs, deposit rates have risen faster than loan yields.

What does this mean for banks' profitability? First of all, let's remember that this phenomenon of higher rates created a great windfall of increased profits in 2022. Now, that benefit is less. As we shared in a slide at the 2023 Annual Investor meeting, margins in the banking sector went from approximately 3.0% in 2021 before the Fed started raising rates, to 4.0% in 2022, and now are on their way back down to more historic levels of approx. 3.5%. Yes, margins are declining somewhat, as evidenced by the info in the charts in Section 3. (Fund 1 margins went from 4.08% to 3.92% and margins in Fund 2 went from 4.20% to 3.96%.) So no, the "sky is NOT falling". Banks didn't collapse when margins were 3% in 2021. They won't experience *dire* profit declines in 2023. Maybe somewhat less net interest income – due to lower margins – but even *that* depends on loan growth. In any case, this is certainly not a catastrophe by any means. And don't forget, NIM is only one source of revenue for banks among several. We definitely have banks in the portfolio which have unique fee income producing lines of business. These banks are doing very well.

As you undoubtedly know, the rate of inflation is coming down. Thank goodness. Yet, the jobs market and the overall economy remain strong (which is very good for loan quality – and we will discuss this below). But this "strength" has many folks predicting this will translate into "higher rates for longer". Time will tell. Similarly, the long-predicted recession is now in question to a greater extent than it was in the recent past. Is a "soft-landing" really possible? Hard to imagine – given the shape of the yield curve and the length of time it has been inverted. But things may indeed be different this time. Covid and the stimulus programs that followed are incomparable in modern times. Comparing past cycles to this one is, therefore, much more difficult. Again, we'll see what happens.

The bottom line: as inflation cools, the Fed will likely be able to "pause", "skip", or maybe even begin to reduce the target Fed Funds rate. Gradually, (as history shows) the yield curve has always returned to its normal, positive, upward sloping shape – and short-term rates will be lower than long term rates – as they should be. Good things will happen for banks when this occurs. Margins will once again expand with loan rates popping and deposit rates shrinking. So, with the passage of time and a return to something closer to regular, banks should benefit from these outcomes. In the meantime, as we highlighted at our Annual Meeting, they will tighten their belts on expenses, raise fees on a host of products and services, and preserve capital.

Advancing to the next part of the cycle is underway, and market participants are beginning to see the deeply discounted valuations for banks as a great opportunity to "get back into" the sector. **We believe this is one of the reasons bank stock prices have bounced back.**

Deposit Outflows (actually, "inflows"): Here are the facts: data released by the Federal Reserve on Friday, July 19th, for the week ending July 12, indicated that total deposit balances were down 0.7% for the nation's 25 largest domestically chartered banks and remained flat for the nation's small banks from the previous week. Then, the following week, July 28th for the week ending July 21st, total deposit balances were up 0.3% for the nation's 25 largest domestically chartered banks and were up 0.3% for the nation's small banks from the previous week. Quarter-to-date, the 0.5% increase at the *small banks* outperformed the 0.2% decrease at the *large banks*. However, deposit balances contracted 2.4% for the large banks and 4.7% for the small banks in Q1.

What does this mean? To us, it shows that deposits at small banks have "stabilized" and are increasing slightly. This is a good thing and appears to demonstrate that clients have renewed faith and confidence in their local community banks!

But the absolute "level" of deposits at banks is NOT the only thing that matters to us. The "mix" of deposits between non-interest-bearing accounts (NIB's) and interest bearing accounts is also crucial. The higher the level of NIB's at banks, the more protection those banks have for their margin. There is no question that as rates rise, clients are more interested in earning returns on their deposits – and therefore a "mix shift" away from NIB's to interest-bearing accounts has accelerated this year. However, NIB's have also recently stabilized, and we anticipate that "mix shifts" away from NIB's could continue tapering off in the coming months.

The bottom line: *relationship-based clients* who use community banks for their personalized service and customized solutions to their banking needs, have and will always support their banks with deposit accounts. But due to what happened earlier this year at SVB, Signature, and First Republic, all management teams at every bank have a renewed focus on "liquidity". As we talk to our banks, we've learned that very specific, new, updated, actionable plans have been created to address funding needs across the board. The goal of every bank is to be able to fund the asset side of the balance sheet as cost effectively and soundly as possible. The "runs on the banks" which occurred earlier this year have put "liquidity" *front and center* for boards of directors and management teams everywhere. While it is still possible that a run on a bank can occur, given steps taken by the Fed, as well as this renewed laser focus on liquidity by bankers, it is less likely such an occurrence will repeat itself. **We believe this is another reason bank stock prices have bounced back.**

Credit Quality: As you will see in Section 3, credit quality metrics remain very solid. To some, surprisingly so. To us, not so much. The underwriting standards of our banks and the industry as a whole, have improved and remained strong since the near-death-experience of the Great Recession. With appropriate lending criteria, one would expect good outcomes. This is most definitely not to suggest that the level of non-performing loans and charge-offs won't increase at all. They will. But it is becoming clear that Armageddon is NOT on the horizon – as some pundits have touted.

Office buildings remain the loan asset class that is of greatest concern. And there will be some "rationalization" in this category of loans. But as people return to work (even if the "hybrid" model of some work from home remains), coupled with the overall strength of the economy – vacancy rates, rental rates, and corresponding declines in the value of office buildings may, quite possibly, be less than what has been anticipated. Retail shopping centers are another asset type we are watching very closely. Necessity is the mother of invention. We've seen retail space be converted into a variety of other uses. Entertainment, medical, restaurants, etc. We suspect that the owners and managers of office space will be similarly creative as they reimagine and re-engineer utilization of their space. The underwriting standards which we referred to above, were most definitely applied for loans to developers of office buildings. More upfront cash equity into projects was often required to fund these deals. Strong borrowers with other sources of revenue besides the project being financed – and other sources of wealth to support their borrowing, have also been the main recipients of new project financing.

Bottom line: the sky is most definitely NOT falling on loan quality. The longer the economy and jobs market remain strong, the greater the likelihood that we will not endure a "credit cycle" that is very damaging or out of the ordinary. **We believe this is another reason bank stock prices have bounced back.**

Other Metrics and Information Worth Knowing About:

Mergers & Acquisitions Are Back on the Table: My how quickly attitudes can change in D.C. In the last year and a half, merger deals have received unusually tight scrutiny and were generally met with disfavor by the regulators. That has changed rapidly. In the days and months after the collapse of "those banks", and the subsequent integration (takeover) of the failed institutions by

"the big guys", merger mania is back in favor. PacWest, one of the "vulnerable" banks in California recently announced that it was being acquired by Banc of California without any government assistance or intervention by the Feds. We expect swift approval of this deal.

What's changed? Regulators have quickly learned that "scale" will be even more important (and in fact necessary) to compete in the fast-changing world of banking and finance. Concurrently, the Basel III capital framework for banks, originally introduced way back in 2017 (yes, over 6 years ago), has now finally been approved by the Fed, Office of the Comptroller of the Currency (regulator of the national banks) and the FDIC. Each of these "powers that be" did <u>not</u> receive unanimous approval from their boards regarding these new standards. And we are now entering the "comment" period of the process. Therefore, further refinement and tweaking of these rules will undoubtedly occur. We anticipate that the adoption of new capital standards will not be approved until 2025. Then, there is customarily a "phase in" period after approval. That can range from 3 to 5 years.

<u>OF UTMOST IMPORTANCE</u>, these new rules will <u>not</u> apply to smaller banks. They will only apply to banks over $100 billion in assets (instead of banks over $250 billion in assets – the previous threshold). This is NOT the "community bank" sector in which we invest. Our banks are typically $5 to $20 billion in size. Nonetheless, given these newly proposed capital standards, it is clearer than ever that, in order to have the scale to "play", banks will need to get bigger.

Bottom line: we believe these new capital standards will kick off and accelerate a new wave of mergers and acquisitions in the banking space. We further believe that our fantastic banks located in attractive growth markets will likely be among the most sought-after acquisition candidates in the industry. **We believe this is another reason bank stock prices have bounced back**.

<u>Loan Growth Holding Up Fine:</u> Let's hit you with more data. (Boring! But this is how we perform our analysis). As of July 28th, loan balances rose 0.2% from the prior week at the large banks and rose 0.1% at the small banks. At the large banks, the 0.2% increase in total loans reflected a 0.4% increase in consumer real estate loans, a 0.2% increase in commercial and industrial (C&I) loans, and a 0.2% increase in consumer loans, partially offset by a 0.2% decrease in commercial real estate (CRE) loans, and a 0.1% decrease in other loans. *Turning to the small banks*, the 0.1% increase in total loans reflected a 0.4% increase in consumer real estate loans, a 0.2% increase in consumer loans, a 0.1% increase in CRE loans, and the 0.1% increase in other loans, partially offset by the 0.3% decrease in C&I loans.

What's this mean? It means that borrowers are still borrowing, and lenders are still lending. It means that the economy has not "shut down". While only a single data point in time, the above stats are reflective of what has been occurring all year. (See Section 3.) Loans are the straw that stirs the drink at banks. They are the largest source of revenue based on the interest and fees earned from this activity. So, continued loan growth is very important and has been good.

Bottom line: as long as loan growth continues, margins will not "collapse" catastrophically even in the face of higher deposit costs. These "new loans" are generally being originated at spreads that will maintain or enhance margins. **We believe this is another reason bank stock prices have bounced back.**

<u>Interest Rates and the Shape of the Yield Curve:</u> We have naturally integrated a discussion of interest rates and the shape of the yield curve in the paragraphs above. But this is such a fundamentally important part of how banks perform that it deserves its own paragraph in our Newsletter.

Beyond the 3 Big Worries we've highlighted already, this must be an omnipresent factor in the outlook for banks. As you know, rising rates decrease the value of a fixed rate bond. As rates have gone up, the value of many banks' bond portfolios has decreased. If those bonds are held to maturity, given the safety of U.S Treasuries and high-quality government backed securities within those portfolios, the ultimate "principal" repayment is <u>not</u> in jeopardy or question. But if the need were to arise for bonds to be sold *prior* to their maturity, that would need to be done at a price below which the bond was originally purchased. Thus, the sale of the bond may have a loss due to the low coupon on the bond – not the uncertainty of repayment of the bond at maturity.

We've discussed how bonds which have "unrealized" losses in them impact a bank's capital account. Briefly, if the bond is designated as "held-to-maturity" no marks or deductions against capital are required. Alternatively, if the bond is

designated as "available-for-sale", the "unrealized" loss in the bond must be deducted from the capital account of a bank. The current situation for many banks is that there is some reduction in the level of their reported capital due to marks against their bond portfolios. As time marches on and the bonds get closer to maturity, the value of the unrealized loss decreases and therefore capital is rebuilt. It can be accretive to capital. Accounting!!!

If rates are going to be "higher for longer", the impact on banks' capital accounts will also last longer. If rates come down, so too will the unrealized losses on the bonds held by banks, thereby improving capital.

What does this mean? If rates remain higher for longer banks may need to raise capital. This can occur in a variety of ways. Most likely, it would mean that the existing dividend payout rate will NOT increase; but rather, stay the same – in order to preserve capital. Also, stock buyback programs may be constrained. This too would preserve capital. Worse, dividends could be reduced, or stock buybacks eliminated. More likely, we will see a spate of new capital issuances from banks. OR, as mentioned earlier, this too is likely to fuel a new wave of mergers and acquisitions.

Bottom line: capital management will be equally important as liquidity and credit quality. Banks who manage their capital well will be rewarded. Banks who don't, won't. **This is not a reason for bank stock prices to be rebounding.**

What are WE Doing in Response to Current Conditions: We hope you can tell that we continue to carefully watch all that is going on with our banks, the financial services industry, the economy, etc. Based on our view that the "bottom is in" we have deployed some of the cash we have built up since the end of last year and have begun to buy stocks once again. Our cash position, which was in the high teens in May, is now back to roughly 5% of the overall portfolios.

In keeping with our long-standing practice of transparency, we are excited to share with you that we have invested $4 million (cumulatively amongst all the Funds) in a unique opportunity. We're still investing in banks. Don't worry about that. We know banks. Banks r' us!

During the so-called "crisis" that occurred earlier this year, an anomaly transpired, and we took advantage of it. Some banks issue "preferred stock" to supplement their common stock. This preferred stock has a par value and a "dividend" associated with it. The par value of many banks preferred stock dropped. Some, significantly. Thus, the "dividend yield" went up, a lot – into the low double-digit range. While the stock is "perpetual" preferred, the dividend yield resets at specific dates in the future. In many respects, this instrument has certain characteristics of a bond. So, buying the preferred stock at a discount to par provided an extraordinary "yield to call".

We diversified the $4 million we invested in these preferred stocks into 7 different, very strong banks. Banks we know/follow. We would be comfortable owning their common stock. Given the current and anticipated interest rate outlook, combined with the relatively short time between now and the next rate reset date for these preferred stocks, we fully expect that the issuing banks will redeem these instruments and we will be paid out in full at par. They will very likely reissue new perpetual preferred stock with different terms which would be much more favorable to them than what the cost would be when the rate resets.

Bottom line: we pay attention to all that is going on and had the liquidity to deploy a modest amount of our excess cash into an incredibly attractive instrument without taking undue risk. These are the activities in which we engage to deliver alpha to all our investors over time. If you have any questions about this activity, please contact us and we will be happy to discuss it with you further.

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

Fund 1 Headlines

- **66% of our Banks in Fund 1 Exceeded Analyst's EPS Expectations this Quarter.**
- **Year-Over-Year Wtd. Ave. "Pre-Provision" EPS for Banks in Fund 1 Increased 21%, and "Bottom line" EPS Increased 13% YOY.**
- **Loan Growth Exceeds Expectations – Banks in *Our Portfolio* Grew Loans More than Banking Industry as a Whole (Wtd. Ave. +1.9% in Our Portfolio vs. 1.7% Banking Industry Avg. Q/Q)**
- **Margins Compressed Slightly with Wtd. Ave. NIM at 3.92% in Q2 '23 vs. 4.08% in Q4 '22**

Fund 2 Headlines

- **67% of our Banks in Fund 2 Exceeded Analyst's EPS Expectations this Quarter.**
- **Year-Over-Year Wtd. Ave. "Pre-Provision" EPS for Banks in Fund 2 Increased 22%, and "Bottom line" EPS Increased 20% YOY.**
- **Loan Growth Exceeds Expectations – Banks in *Our Portfolio* Grew Loans More than Banking Industry as a Whole (Wtd. Ave. +2.1% in Our Portfolio vs. 1.7% Banking Industry Avg. Q/Q)**
- **Margins Compressed Slightly with Wtd. Ave. NIM at 3.96% in Q2 '23 vs. 4.20% in Q4 '22**

"Current" Earnings and Operating Metrics: As you can see from the headlines above and the other information in Appendix B, key performance indicators from our banks remain very strong.

We will continue to watch capital levels as the Fed lays out its new standards for Basel III. While Basel III regulations will target banks with $100 billion in assets and above, the whole sector will undoubtedly be affected, and we expect to see management teams implement more stringent capital requirements across the board. These new regulations come at a time when capital levels have ticked slightly lower in 2Q '23. This continues to be a product of the marks against banks' bond portfolios. But we must remember that while the unrealized losses are being dinged against capital in this part of the interest rate cycle, as these bonds get closer to maturity, the "marks" against capital will reverse and capital ratios will be helped by the all-important passage of time.

Looking at credit, though uncertainty remains, and the market waits for the proverbial "shoe-to-drop", credit metrics have remained benign thus far. While nonperforming assets bumped marginally higher for the banking sector year to date, the metric remained unchanged for Fund 2 (0.33%) and ticked lower for Fund 1 (0.37% 2Q '23 vs. 0.39% 4Q '22). We want to reinforce to you that the banks in which we have chosen to invest have performed far better than their peers and the industry as a whole when it comes to managing through previous difficult "credit cycles". While their past performance is no guarantee that they will outperform again, our confidence is remarkably high that they will, due to their longstanding, conservative credit cultures and underwriting standards.

Earnings Review/Predictions: In our 1Q '23 Newsletter, we highlighted the importance of future bank performance metrics in the second quarter. The emphasis on bank performance stemmed from the "crisis of confidence" following the failure of 3 niche banks. Against that backdrop, we are pleased to report that in large part, 2Q '23 results beat consensus estimates as fee income rebounded, and credit trends remained benign.

Nevertheless, results have been highlighted by continued revenue pressures as net interest margin contraction continues to pressure net interest income results. Specifically, the net interest margin is being pressured by the cost of funds as banks "pay up" for deposits. We can see this specifically in the data that shows consumers continue to shift away from noninterest-bearing accounts into CDs and money market accounts. Even though the deposit outflows have stabilized, the continued deposit mix shifts continue to weigh on future net interest income expectations.

Despite these challenges, community banks have continued to serve as the backbone for the American economy and continue to grow – even against the odds placed on this by some so-called experts. As we look back at our letter to you last quarter, we reiterate that banks continue to "win". Banks are not meme stocks or a fad, and they continue to prove their stability and resilience through various economic cycles. While the robustness of the current economic environment remains uncertain, the data points we have so far show continued growth. Go "community banks"!!!

Section 4 – Conclusion

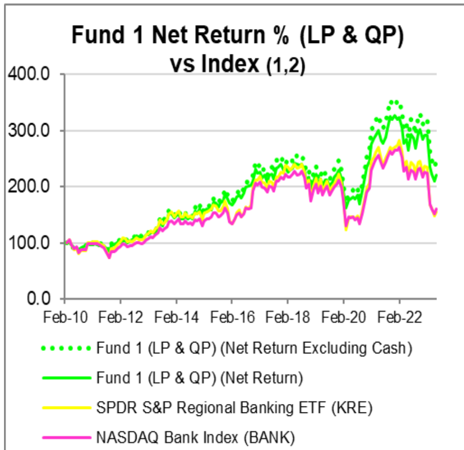
Simply put, we remain bullish for the long term and, like Buffet, believe that one should never bet against America.

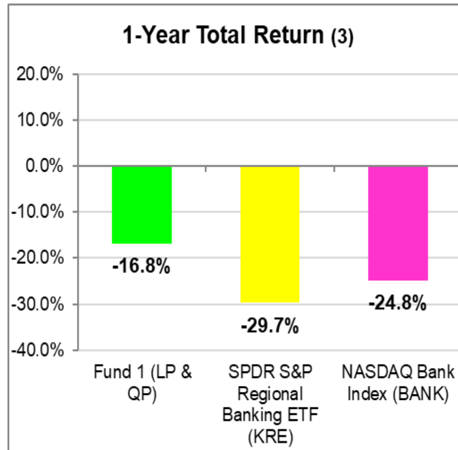
As always, you may reach us by calling the office at 574-243-6502, John's cell at 574-276-1128, or Adam's cell at 440-667-5974. Or by email: john@rosenthalpartners.net or adam@rosenthalpartners.net

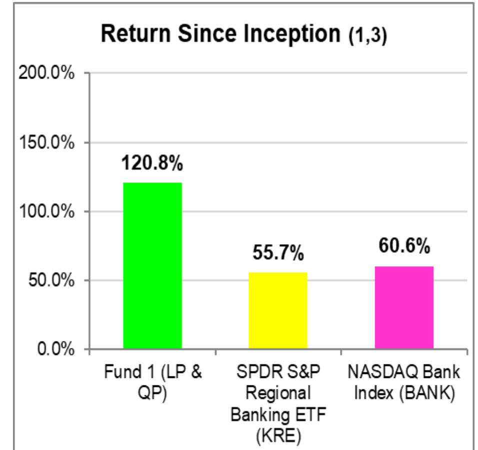
With warmest personal regards,

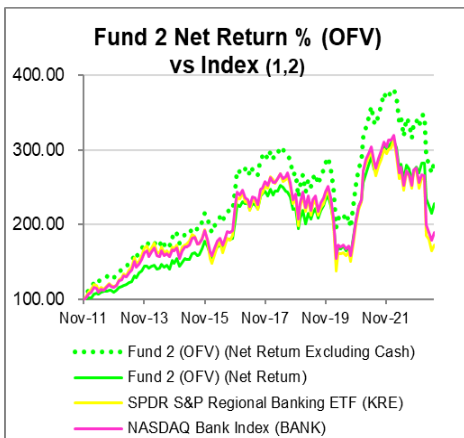
John and Adam

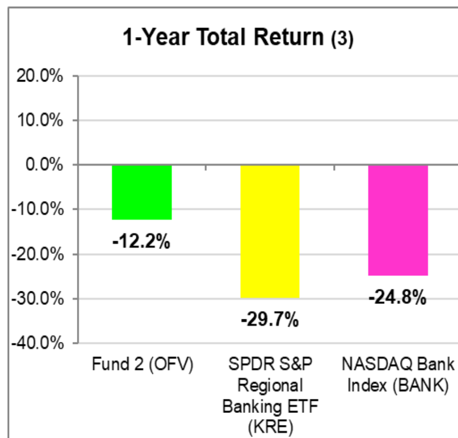
APPENDIX A

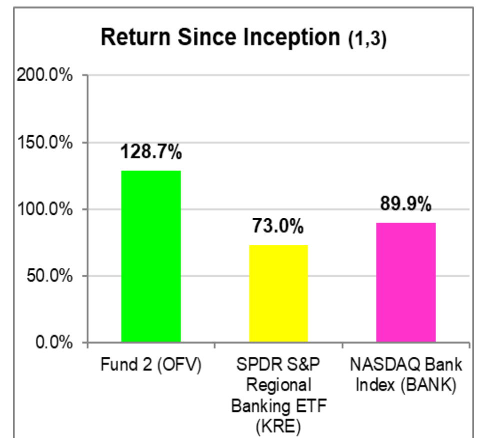












(1) For comparison purposes, inception date
for Fund 1 uses March 2010 Fund 2 uses November 2011 monthly statement from LICCAR.
CAGR = Compound Annual Growth Rate
(2) Net return (excluding cash) for Fund 1 = Fund 1 Total Return divided by prior month end market value of bank/security investments.
(3)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

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 B

Fund 1 Q1 2023 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
			2Q '23	1Q '23	2Q '22	2Q '23	1Q '23	2Q '22	2Q '23	4Q '22	2Q '23	4Q '22	2Q '23	4Q '22	2Q '23	4Q '22	2Q '23	4Q '22	Quarter	YTD	
A		$12.0	$1.71	-6%	37%	$1.64	-5%	22%	9.6%	8.6%	3.86%	3.86%	31%	30%	0.51%	0.46%	1.33%	1.33%	2.9%	5.5%	0.67
B	Yes	$7.5	$0.96	1%	70%	$0.89	1%	68%	9.9%	8.8%	4.83%	4.21%	25%	25%	0.47%	0.55%	0.41%	0.37%	-1.6%	-4.0%	1.40
C		$15.6	$1.38	-20%	4%	$1.15	-29%	-17%	7.6%	7.0%	3.99%	4.27%	8%	10%	0.18%	0.17%	1.37%	1.39%	3.1%	3.2%	0.92
D		$4.6	$0.32	-23%	-38%	$0.31	-16%	-24%	7.4%	7.5%	2.39%	3.18%	5%	5%	0.23%	0.02%	1.36%	1.35%	1.4%	4.7%	0.69
E	Yes	$3.5	$4.01	17%	149%	$0.95	4%	25%	7.7%	7.7%	7.56%	7.02%	48%	44%	0.95%	1.06%	3.64%	2.82%	6.0%	14.5%	0.96
F		$5.1	$0.38	-12%	-20%	$0.40	111%	-15%	3.6%	4.8%	2.92%	2.99%	21%	22%	0.39%	0.50%	1.11%	1.12%	0.1%	31.2%	0.65
G		$12.2	$0.56	-14%	0%	$0.52	-20%	-2%	7.1%	6.5%	2.85%	3.26%	28%	24%	0.13%	0.16%	1.17%	1.19%	0.3%	1.0%	0.78
H		$18.0	$0.97	-5%	5%	$1.02	-5%	62%	8.0%	7.3%	3.39%	3.72%	17%	14%	0.43%	0.28%	1.80%	1.86%	0.2%	2.2%	0.81
I		$6.1	$0.73	3%	-7%	$0.75	6%	-7%	7.1%	6.2%	3.62%	3.80%	24%	21%	0.21%	0.23%	1.15%	1.16%	1.5%	1.1%	0.63
J		$10.9	$0.37	-7%	-26%	$0.34	13%	-23%	8.0%	7.9%	2.82%	3.31%	9%	8%	0.15%	0.19%	0.91%	0.89%	1.9%	3.0%	0.79
K		$6.5	$1.09	10%	13%	$0.57	-39%	-43%	9.0%	8.8%	3.27%	3.92%	19%	16%	0.28%	0.27%	1.48%	1.54%	2.3%	3.2%	0.56
L		$13.5	$0.49	-21%	-21%	$0.45	-2%	-4%	8.1%	8.0%	2.99%	3.65%	9%	9%	0.22%	0.24%	0.61%	0.57%	0.4%	1.7%	0.82
M		$7.5	$1.55	-50%	66%	$1.68	-16%	121%	4.9%	5.1%	6.16%	5.67%	41%	40%	0.53%	0.62%	1.97%	1.49%	9.3%	16.0%	1.15
N		$20.7	$0.66	-11%	-17%	$0.60	-9%	-18%	9.6%	8.9%	3.32%	3.64%	11%	10%	0.17%	0.14%	1.41%	1.33%	-4.0%	-7.3%	1.11
O		$155.7	$0.68	-8%	7%	$0.59	-5%	0%	6.0%	5.6%	4.03%	4.03%	29%	28%	0.41%	0.76%	1.52%	1.50%	1.2%	2.2%	1.12
P		$15.0	$0.53	-17%	-9%	$0.37	147%	-30%	NA	9.1%	3.85%	4.39%	15%	13%	0.38%	0.30%	1.58%	1.40%	-0.2%	24.2%	0.96
Q		$7.7	$1.02	-5%	11%	$0.94	-5%	3%	7.9%	7.4%	3.41%	3.67%	27%	25%	0.24%	0.21%	1.43%	1.41%	3.3%	4.1%	0.64
S		$9.9	$1.03	-18%	-8%	$0.75	-30%	-19%	8.1%	7.5%	3.94%	4.38%	15%	14%	0.51%	0.34%	1.80%	1.64%	1.5%	1.1%	0.74
T		$54.3	$2.94	-10%	42%	$2.38	-15%	60%	7.4%	7.1%	3.65%	3.76%	20%	18%	0.22%	0.28%	0.73%	0.68%	3.7%	4.7%	1.03
U		$87.2	$1.31	-23%	-14%	$1.11	-17%	-14%	4.4%	3.8%	2.92%	3.56%	23%	18%	0.20%	0.40%	1.14%	1.03%	1.0%	2.3%	1.27
Wtg. Avg.		**$22.5**		**-8%**	**21%**		**2%**	**13%**	**7.5%**	**7.5%**	**3.92%**	**4.08%**	**23%**	**21%**	**0.37%**	**0.39%**	**1.36%**	**1.28%**	**1.9%**	**5.2%**	**0.89**

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 2023 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
			2Q '23	1Q '23	2Q '22	2Q '23	1Q '23	2Q '22	2Q '23	4Q '22	2Q '23	4Q '22	2Q '23	4Q '22	2Q '23	4Q '22	2Q '23	4Q '22	Quarter	YTD	
A		$8.4	$1.33	-1%	3%	$1.30	4%	10%	10.0%	9.5%	3.47%	3.72%	25%	23%	0.25%	0.32%	2.31%	2.32%	1.6%	3.4%	0.69
B	Yes	$7.5	$0.96	1%	70%	$0.89	1%	68%	9.9%	8.8%	4.83%	4.21%	25%	25%	0.47%	0.55%	0.41%	0.37%	-1.6%	-4.0%	1.40
C		$13.8	$0.75	-22%	-30%	$0.66	-28%	-30%	6.8%	6.8%	2.49%	3.18%	12%	9%	0.20%	0.36%	0.70%	0.79%	1.3%	2.9%	0.98
D		$4.6	$0.32	-23%	-38%	$0.31	-16%	-24%	7.4%	7.5%	2.39%	3.18%	5%	5%	0.23%	0.02%	1.36%	1.35%	1.4%	4.7%	0.69
E		$7.6	$0.67	0%	10%	$0.53	-12%	-17%	6.3%	6.1%	2.96%	3.18%	17%	17%	0.22%	0.13%	1.16%	1.15%	-0.7%	-0.6%	0.89
F		$1.2	$1.43	-5%	2%	$1.27	-7%	6%	6.0%	4.6%	3.78%	3.77%	14%	14%	0.27%	0.04%	1.48%	1.37%	-2.4%	-5.9%	0.07
G		$7.1	$0.40	-5%	10%	$0.33	0%	6%	8.7%	8.8%	3.27%	3.64%	10%	7%	0.19%	0.25%	1.17%	1.15%	2.6%	7.9%	0.69
H		$3.3	$1.23	-1%	24%	$0.98	-7%	-24%	7.7%	8.0%	3.81%	4.15%	21%	18%	0.48%	0.13%	1.05%	0.99%	5.3%	9.5%	0.57
I		$36.2	$1.40	-6%	8%	$1.35	-7%	-2%	7.5%	7.1%	3.29%	3.70%	23%	21%	0.24%	0.14%	1.32%	1.33%	1.6%	2.9%	1.14
J		$188.5	$0.39	-6%	2%	$0.35	-10%	0%	5.8%	5.5%	3.10%	3.55%	27%	25%	0.51%	0.68%	1.79%	1.77%	0.0%	1.4%	1.06
K		$15.9	$1.47	16%	13%	$1.31	22%	18%	6.6%	7.5%	2.96%	3.16%	22%	19%	0.43%	0.24%	0.49%	0.42%	15.0%	32.7%	0.87
L		$5.1	$1.35	1%	81%	$1.27	-3%	72%	8.4%	8.1%	4.03%	4.34%	14%	13%	0.05%	0.27%	1.10%	1.08%	2.2%	3.5%	0.75
M		$7.5	$1.55	-50%	66%	$1.68	-16%	121%	4.9%	5.1%	6.16%	5.67%	41%	40%	0.53%	0.62%	1.97%	1.49%	9.3%	16.0%	1.15
N	Yes	$1.6	$0.85	1%	121%	$0.75	-3%	114%	16.7%	18.4%	6.60%	6.64%	3%	3%	0.36%	0.16%	0.32%	0.45%	5.8%	14.3%	0.22
O		$10.2	$0.80	-15%	-21%	$0.70	-11%	-22%	8.3%	8.1%	3.15%	3.84%	17%	14%	0.53%	0.19%	1.24%	1.22%	3.3%	7.5%	0.74
P		$155.7	$0.68	-8%	7%	$0.59	-5%	0%	6.0%	5.6%	4.03%	4.03%	29%	28%	0.41%	0.76%	1.52%	1.50%	1.2%	2.2%	1.12
Q		$14.0	$0.66	-19%	-37%	$0.55	-52%	-55%	8.5%	8.2%	2.73%	3.28%	15%	12%	0.36%	0.28%	1.06%	1.19%	-0.2%	-0.2%	0.87
S		$10.8	$0.70	-17%	9%	$0.66	-6%	18%	8.2%	7.2%	4.48%	4.75%	5%	5%	0.51%	0.70%	1.24%	1.20%	2.3%	4.0%	0.64
T		$17.2	$0.51	-27%	-18%	$0.56	8%	-13%	8.7%	8.9%	3.00%	3.56%	34%	27%	0.06%	0.11%	1.08%	1.02%	0.3%	3.8%	0.78
U		$5.7	$0.39	-17%	-60%	$0.29	-33%	-83%	9.8%	11.4%	7.55%	8.28%	11%	11%	0.65%	1.07%	0.81%	1.04%	0.3%	5.0%	1.33
V	Yes	$3.7	$0.40	6%	118%	$0.38	13%	124%	8.8%	9.9%	2.75%	2.87%	8%	7%	NA	NA	0.07%	0.06%	5.7%	14.3%	0.26
W		$74.0	$1.65	-3%	19%	$1.32	6%	32%	7.2%	7.4%	3.43%	3.85%	13%	15%	0.43%	0.45%	1.22%	1.20%	1.4%	3.7%	1.16
X		$54.3	$2.94	-10%	42%	$2.38	-15%	60%	7.4%	7.1%	3.65%	3.76%	20%	18%	0.22%	0.28%	0.73%	0.68%	3.7%	4.7%	1.03
Wtg. Avg.		**$27.2**		**-8%**	**22%**		**-7%**	**20%**	**8.2%**	**8.1%**	**3.96%**	**4.20%**	**18%**	**17%**	**0.33%**	**0.33%**	**1.06%**	**1.04%**	**2.1%**	**4.8%**	**0.82**

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.

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