



BANK PERFORMANCE NEWSLETTER – Q2 2021

RPCA OPPORTUNISTIC FINANCIAL VENTURES LP (“FUND 2”)

Important Note: Since the end of Q3, ^BANK (the NASDAQ Bank Stock Index) has increased by 8.5% (as of 11/12/2021)! Our Funds have produced similar results. Exciting – eh? We held our [10th Anniversary Annual Investor Meeting and Banking Industry Update](#) virtually on Monday October 25th. The above link will allow you to watch the replay – if you wish.

While the massive gains of this year are not likely to be repeated next year, we are bullish on our portfolio and believe we will continue to meet our target annual gains of low double digit returns over time. Please contact us if you wish to add to your investment with us before year-end.

Prologue: In short, we *expected* earnings to be strong again this quarter – and they exceeded our expectations. Our banks posted larger loan growth than the industry as a whole. Generally speaking, “reserve releases” i.e. zero or negative provision for loan loss expenses, continued to be more favorable than anticipated; net interest income *at our banks* bettered analyst’s forecasts; fee income remained stronger than expected; and operating expenses remained under control. That combination of factors all contributed to great financial results from our banks – which, over time, translates into higher stock prices.

3rd Quarter 2021 Headlines – Operating and Earnings Performance

- **Allegiance Bancorp Bought Out; M&A Activity Continues; 10 Banks Acquired Within Our Funds YTD**
- **Year-Over-Year Wtd. Ave. “Pre-Provision” EPS for Banks in Fund 1 Increased 12% while “Bottom line” EPS Jumped 42% YOY Reflecting Continued Strong EPS Recovery from Onset of Pandemic in Q1 ’20.**
- **Loan Growth Exceeds Expectations – Banks in *Our Portfolio* Grew Loans More than Banking Industry as a Whole (Wtd. Ave. +4.2% in Our Portfolio vs. 1.6% Banking Industry Avg. YTD)**
- **Key Operating Takeaways from Q3:**
 - **Provision Expenses Decrease Further Due to Continued Strong Asset Quality Metrics**
 - **Mortgage Loan Fees & Accretion of SBA PPP Loan Origination Fees into Income Contribute to Ongoing Strength of Non-Interest Income**
 - **Yield Curve Steepens and Rates Rise – Margins Stabilizing and Improving**
 - **Dividend Yield⁽¹⁾ for Fund 2 is 3.06%**

(1) Using the “cost basis” vs. “current market price”

Recap: This is our final “official” written communication with you for the year. What a difference a year makes! It appears things are on track for you to enjoy the best year in the history of our Funds. We are so pleased for all of you. Customarily, we write several paragraphs to expound on each of the headlines above. But candidly the quarterly information we would like to share is much better presented in our Annual Investor Meeting presentation (link above). So, with the holidays just ahead, we will spare you some time this quarter.

One of the quotes we shared during our Annual Meeting from the book we spoke to, *The Psychology of Money*, was:

“Progress happens too slowly to notice; but setbacks happen too quickly to ignore”.

For us, the key part of this quote is that PROGRESS is happening! Negative headlines sell. But markets adapt! We remain bullish that GDP will continue to grow as the economy re-opens, that workers will eventually return to the workforce, that interest rates will rise, and, most importantly, community banks will continue to flourish!

As always, if you have any questions or comments, we welcome your call to us at 574-243-6501. Or, email us at: john@rosenthalpartners.net or adam@rosenthalpartners.net.

With warmest personal regards,

Fund 2 Q3 2021 Recap

Quarterly Record	Pre-Prov. EPS?	Total Assets (\$bils)	Pre-Provision EPS (1)			Earnings Per Share			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
			3Q '21	2Q '21	3Q '20	3Q '21	2Q '21	3Q '20	3Q '21	4Q '20	3Q '21	4Q '20	3Q '21	4Q '20	3Q '21	4Q '20	3Q '21	4Q '20	Quarter	YTD	
			% Change from			% Change from															
A	Yes	\$8.0	\$1.24	7%	13%	\$1.29	8%	65%	10.5%	11.1%	3.37%	3.57%	29%	29%	0.58%	0.89%	2.48%	2.56%	-2.3%	-2.4%	1.11
B	Yes	\$6.3	\$0.51	6%	16%	\$0.48	-4%	20%	10.1%	9.2%	3.35%	3.59%	34%	31%	0.80%	1.07%	0.34%	0.36%	7.6%	18.3%	1.43
C	Yes	\$6.8	\$1.00	3%	22%	\$0.93	-17%	18%	8.6%	8.9%	3.93%	4.16%	3%	4%	0.61%	0.84%	1.18%	1.18%	-3.8%	-4.5%	1.16
D		\$3.2	\$0.68	-1%	-40%	\$0.74	12%	-25%	9.6%	9.3%	2.80%	3.25%	63%	63%	0.25%	0.28%	1.72%	1.63%	-1.9%	-9.0%	0.57
E	Yes	\$3.4	\$0.48	11%	33%	\$0.40	5%	60%	8.8%	9.0%	3.57%	3.63%	5%	4%	0.06%	0.04%	1.44%	1.50%	4.6%	16.6%	0.91
F		\$1.3	\$1.00	12%	17%	\$0.99	22%	83%	5.3%	5.1%	2.28%	3.51%	18%	33%	0.00%	0.00%	1.52%	1.58%	-7.2%	2.1%	0.14
G	Yes	\$7.9	\$0.87	7%	19%	\$0.80	-1%	29%	10.0%	9.5%	3.76%	3.52%	6%	5%	1.53%	1.30%	1.18%	1.27%	2.6%	5.5%	1.22
H		\$2.6	\$0.89	0%	3%	\$1.07	13%	114%	8.3%	7.6%	3.45%	3.69%	25%	23%	0.30%	1.04%	1.16%	1.32%	-0.9%	-1.1%	1.12
I	Yes	\$7.7	\$0.91	39%	16%	\$0.83	43%	20%	8.8%	8.8%	3.07%	3.19%	34%	18%	0.28%	0.35%	0.36%	0.46%	-3.7%	10.5%	1.24
J		\$88.5	\$0.42	-1%	-8%	\$0.41	-23%	-57%	6.8%	6.9%	2.42%	2.73%	37%	36%	0.61%	0.73%	1.30%	1.63%	-2.2%	-4.8%	1.46
K	Yes	\$6.0	\$1.19	22%	32%	\$1.01	49%	46%	8.2%	9.6%	3.42%	3.21%	26%	31%	0.55%	0.65%	1.37%	1.34%	4.0%	25.8%	1.08
L		\$2.0	\$0.39	7%	4%	\$0.32	-11%	14%	9.9%	10.0%	2.99%	3.30%	7%	5%	0.38%	0.53%	0.98%	1.02%	-0.4%	0.2%	1.21
M	Yes	\$35.3	\$1.17	20%	6%	\$1.46	46%	62%	7.9%	7.6%	2.96%	3.23%	27%	25%	0.23%	0.47%	1.77%	2.05%	-1.2%	-4.1%	1.50
N		\$7.5	\$0.47	7%	2%	\$0.52	4%	13%	7.1%	9.1%	3.09%	3.25%	22%	28%	0.43%	0.49%	1.55%	1.47%	4.0%	-5.4%	1.27
O		\$5.0	\$1.03	15%	28%	\$0.95	-15%	44%	8.2%	8.9%	2.74%	3.04%	33%	31%	0.47%	0.61%	1.11%	1.18%	2.0%	3.8%	1.13
P		\$6.7	\$0.90	-24%	66%	\$0.50	-59%	32%	8.3%	6.7%	4.39%	4.68%	41%	41%	0.89%	0.87%	1.86%	2.02%	3.2%	4.7%	1.25
Q		\$7.5	\$0.87	-7%	-12%	\$1.14	-3%	104%	9.1%	8.1%	3.04%	3.09%	20%	22%	0.46%	0.42%	1.32%	1.46%	-3.9%	-9.4%	0.89
R		\$21.0	\$0.82	13%	2%	\$0.95	-6%	36%	9.3%	9.4%	3.53%	3.63%	13%	10%	0.17%	0.15%	1.51%	2.02%	2.9%	5.6%	1.34
S	Yes	\$35.9	\$1.10	8%	10%	\$1.17	-23%	208%	7.8%	8.8%	3.35%	3.85%	15%	13%	0.26%	0.36%	0.99%	1.82%	5.2%	7.5%	1.42
T		\$156.2	\$0.54	9%	-1%	\$0.65	-16%	25%	7.7%	7.8%	2.79%	3.14%	40%	39%	0.71%	0.93%	1.70%	2.49%	-1.0%	-2.3%	1.44
U		\$13.0	\$1.13	-4%	1%	\$1.20	1%	28%	9.1%	8.6%	3.55%	3.40%	19%	24%	0.60%	0.91%	1.11%	1.58%	-3.7%	-6.5%	1.10
V		\$191.0	\$5.40	-3%	1%	\$6.24	-31%	-26%	6.2%	6.7%	1.96%	2.41%	36%	44%	0.08%	0.10%	0.65%	0.99%	21.1%	36.1%	1.49
W		\$15.8	\$0.69	7%	-8%	\$0.69	-10%	44%	9.0%	9.0%	2.80%	3.00%	41%	41%	0.15%	0.21%	1.10%	1.18%	-1.3%	-3.4%	1.13
X		\$9.6	\$0.65	6%	4%	\$0.73	24%	59%	9.4%	9.2%	3.28%	3.31%	14%	12%	0.83%	1.06%	1.27%	1.54%	3.4%	8.6%	1.36
Y		\$47.8	\$1.85	19%	-9%	\$1.77	4%	6%	7.0%	6.8%	2.61%	2.55%	33%	38%	0.30%	0.42%	0.73%	0.96%	1.1%	3.7%	1.34
Z		\$15.4	\$0.89	-6%	-19%	\$1.14	-43%	13%	9.2%	9.0%	3.07%	3.94%	29%	26%	0.39%	0.54%	1.29%	2.48%	-3.0%	-11.1%	1.25
AA		\$88.3	\$1.35	7%	10%	\$1.45	-30%	44%	7.2%	7.8%	2.70%	2.96%	23%	22%	0.63%	0.71%	0.97%	1.45%	-1.4%	-5.2%	1.06
Wtg. Avg.		\$29.6		6%	12%		-2%	42%	8.3%	8.2%	3.17%	3.42%	27%	28%	0.49%	0.60%	1.27%	1.48%	1.3%	4.2%	1.17

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.