



Member FINRA/SIPC

**PACB Annual Convention
The Homestead
Hot Springs, VA
September 21, 2024**

STATE OF THE INDUSTRY AND THE OUTLOOK FOR SHAREHOLDER VALUE

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Biography

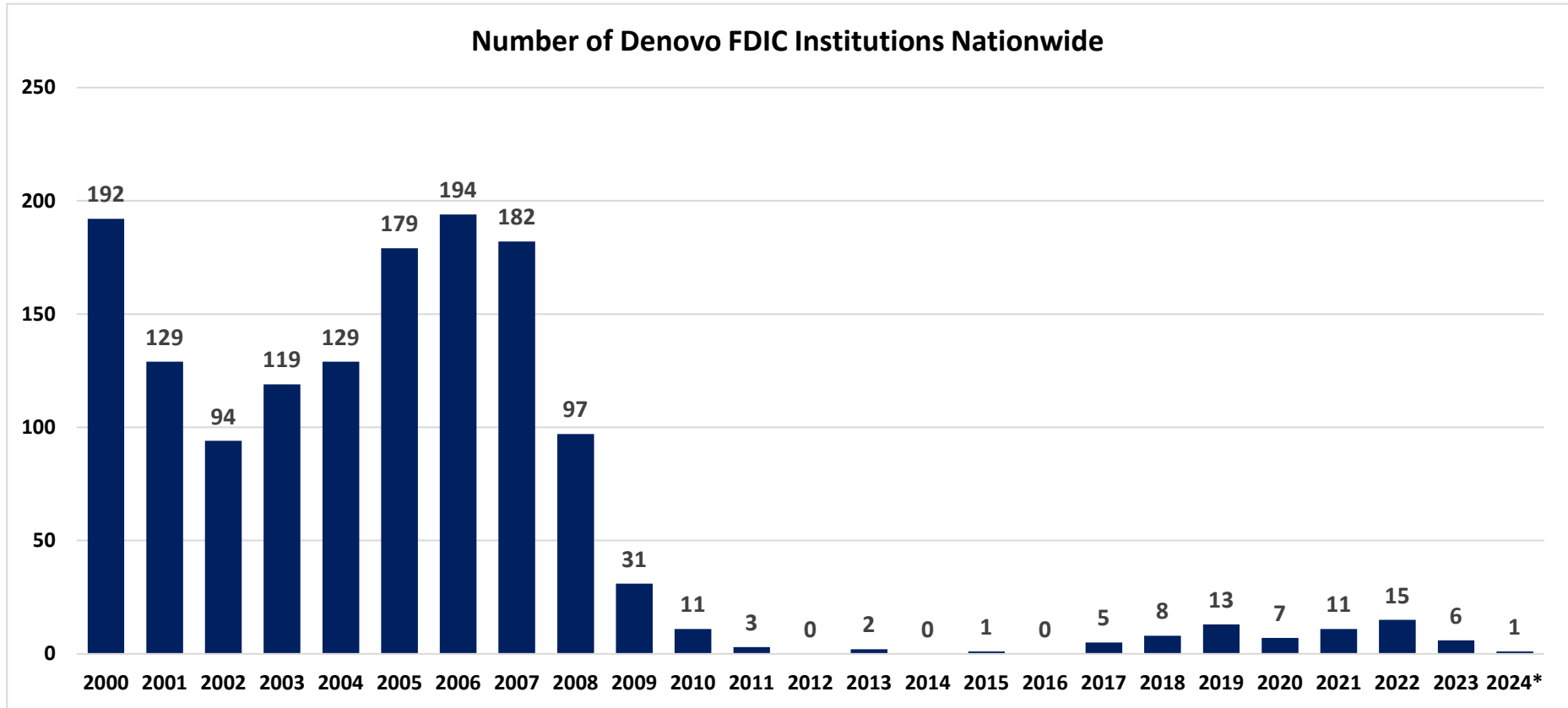


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John D. Putman joined Commonwealth Advisors in 2022 and has over 20 years of financial services experience. John has advised on more than 100 whole bank mergers and acquisitions, branch purchase and sale transactions, valuations of stock and new bank formations.

Prior to Commonwealth Advisors, John was Executive Vice President at Ategra Capital Management, Managing Director at Janney Montgomery Scott, Principal at FIG Partners and Managing Director at Ambassador Financial Group, where he was responsible for M&A advisory services, pro-forma financial projections, market analyses, bank stock valuations and business development. John started his career at Danielson Associates for 13 years, where he worked with bank clients on strategic planning, capital planning, M&A advisory, and valuation services. John earned a Bachelor of Science degree in Finance from George Mason University and an MBA from George Washington University.

Number of New Charters of FDIC Insured Institutions Nationwide

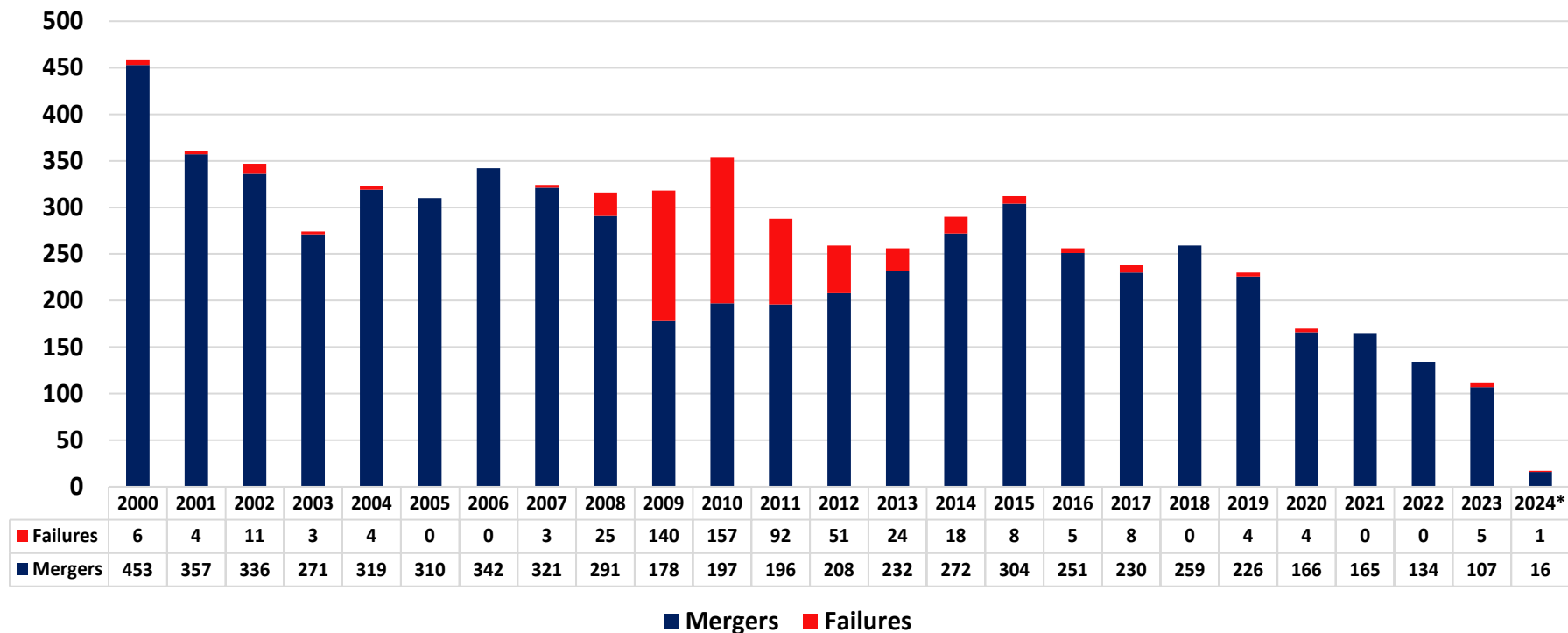


*March 31, 2024.

Source: FDIC.

Number of FDIC Charters that Merged or Failed Nationwide

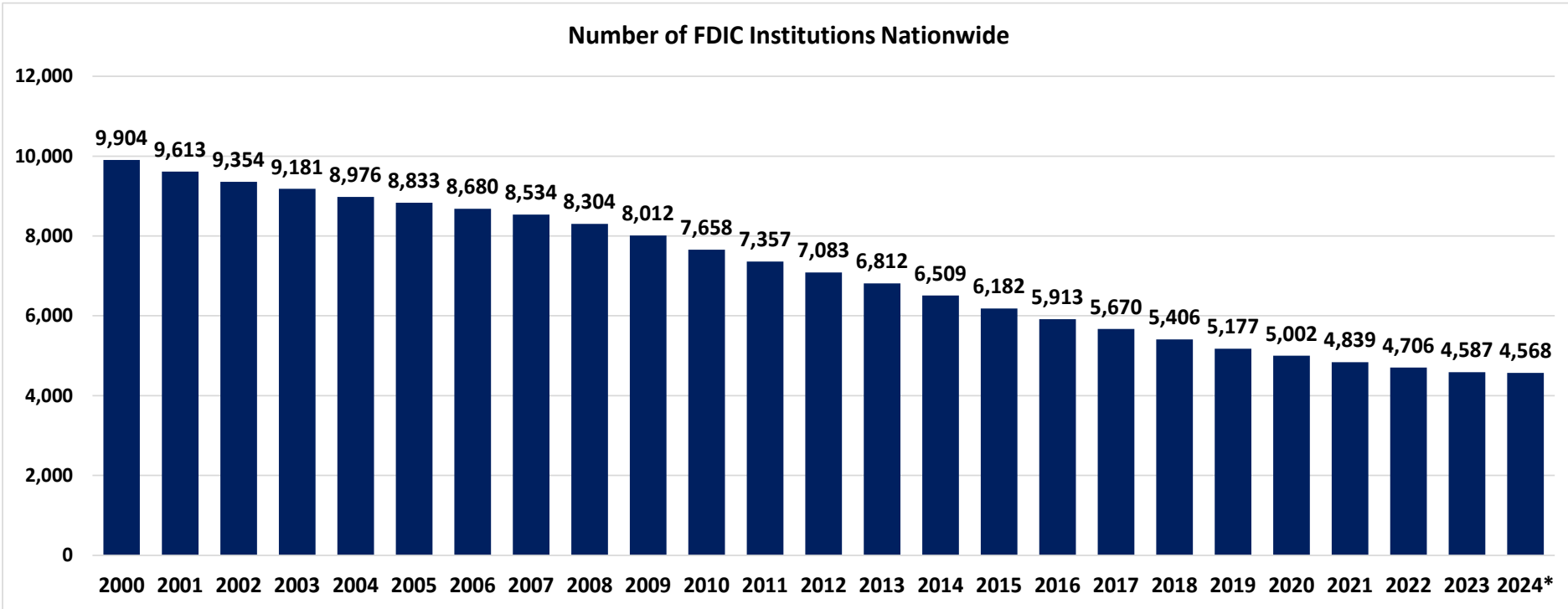
Number of FDIC Charters that Merged or Failed Nationwide



*March 31, 2024.

Source: FDIC.

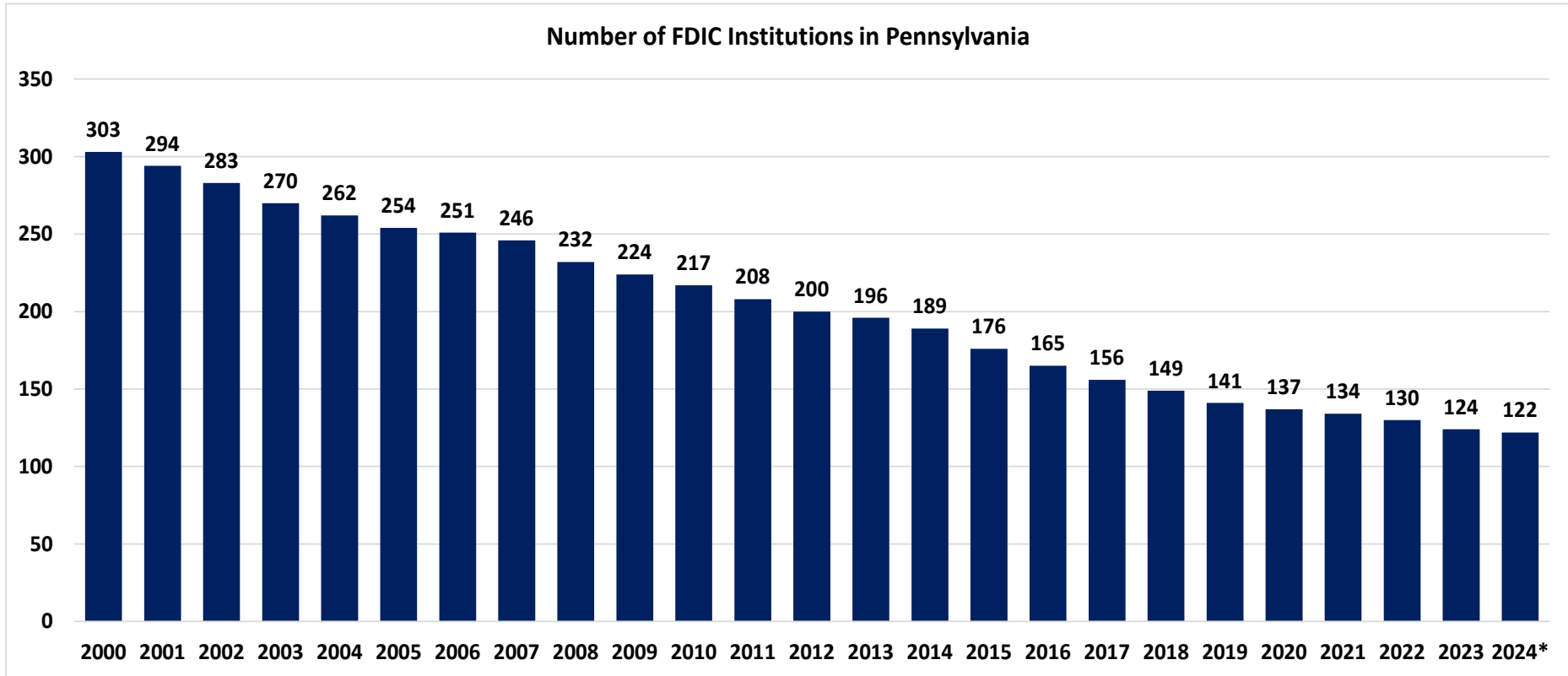
Number of FDIC Insured Institutions Nationwide



*March 31, 2024.

Source: FDIC.

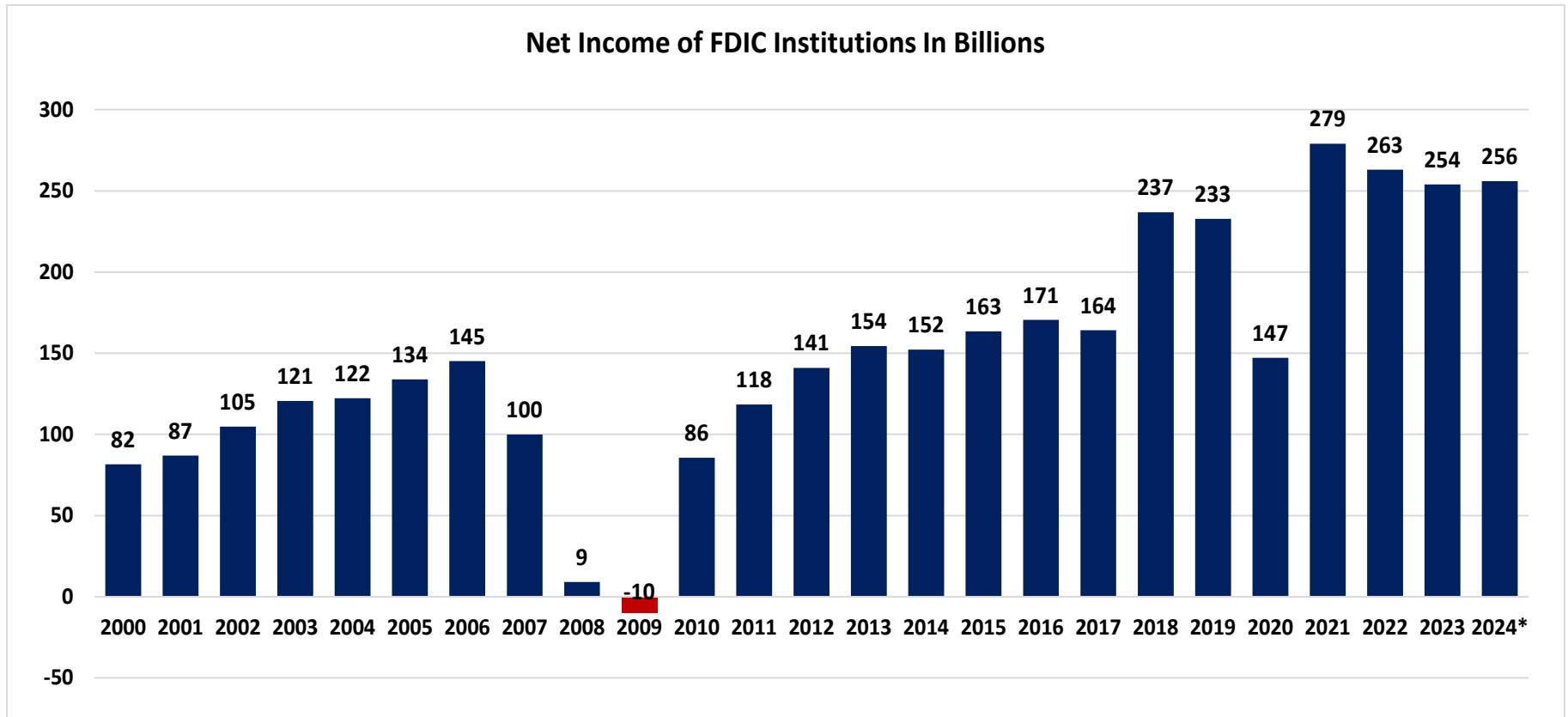
Number of FDIC Insured Institutions Headquartered in Pennsylvania



*March 31, 2024.

Source: FDIC.

Net Income of all FDIC Institutions

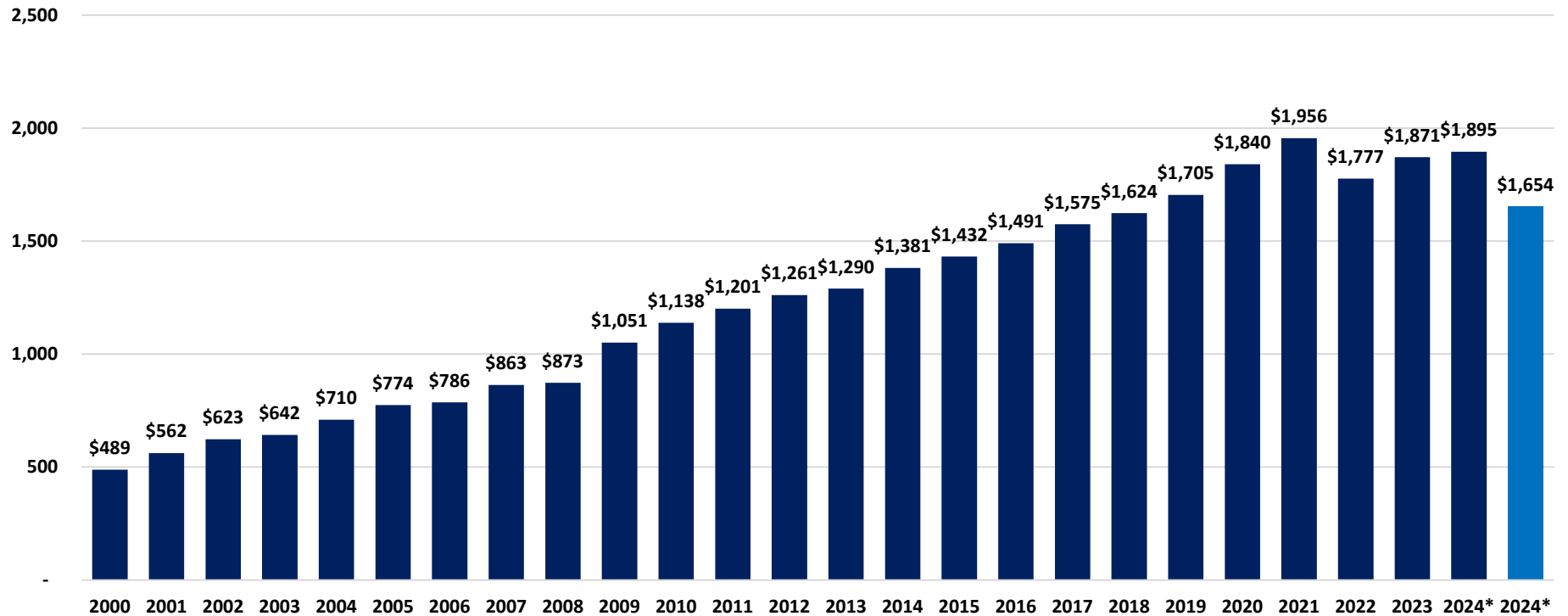


*Three months ended March 31, 2024 annualized.

Source: FDIC.

Tangible Equity of all FDIC Institutions

Tangible Equity of FDIC Institutions In Billions

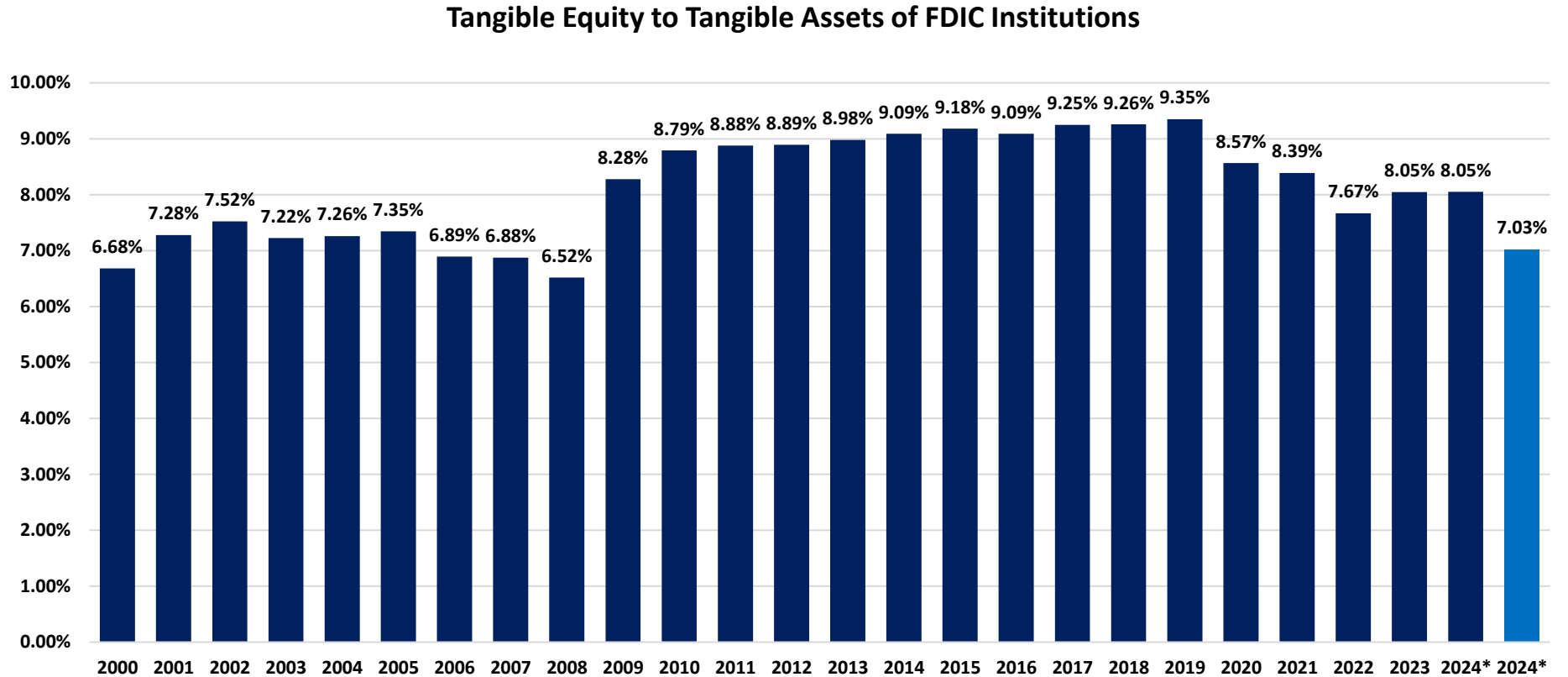


*March 31, 2024.

Source: FDIC.

Assumes HTM securities are adjusted to AFS securities and losses are reflected in tangible equity as of March 31, 2024.

Tangible Equity to Tangible Assets of all FDIC Institutions

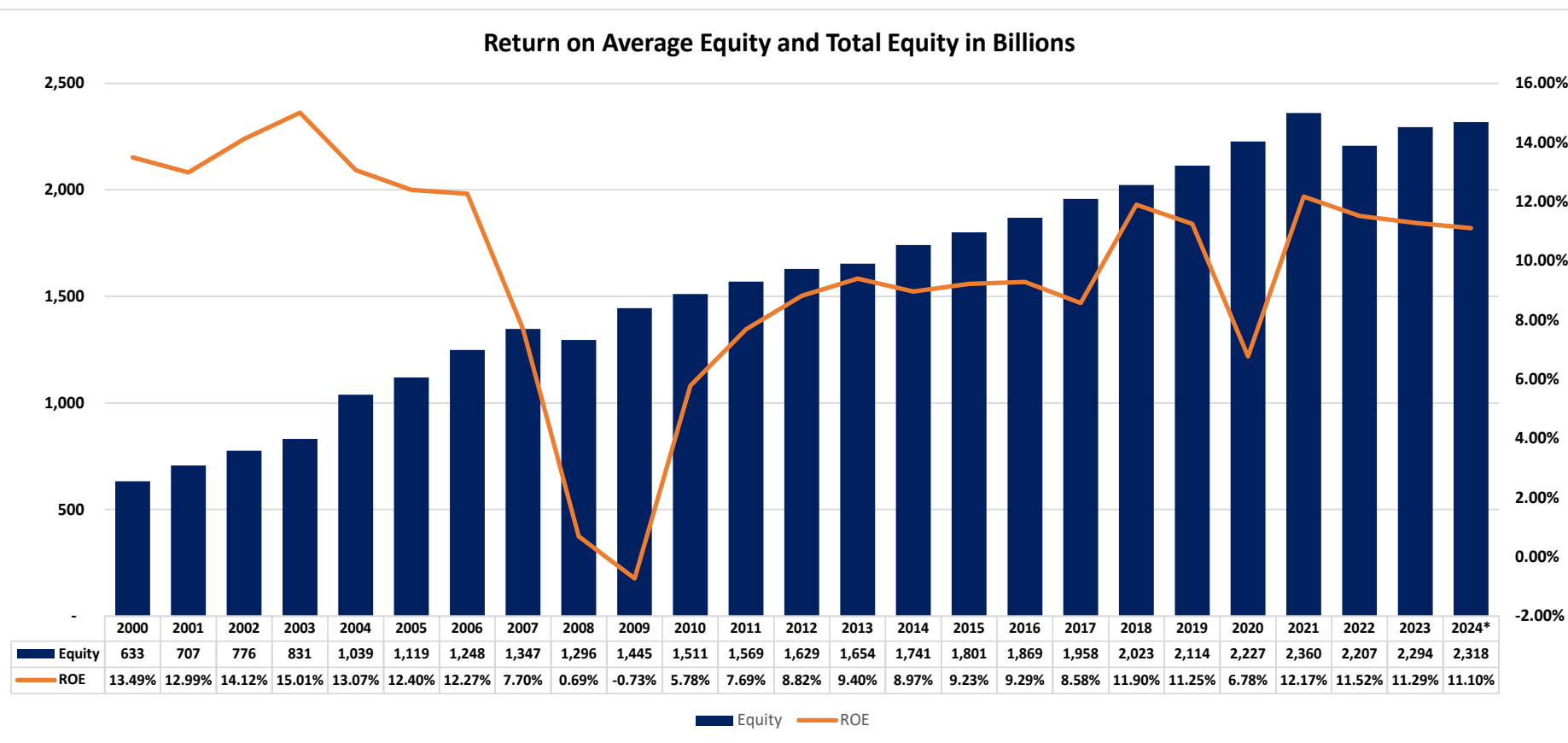


*March 31, 2024.

Source: FDIC.

Assumes HTM securities are adjusted to AFS securities and losses are reflected in tangible equity as of March 31, 2024.

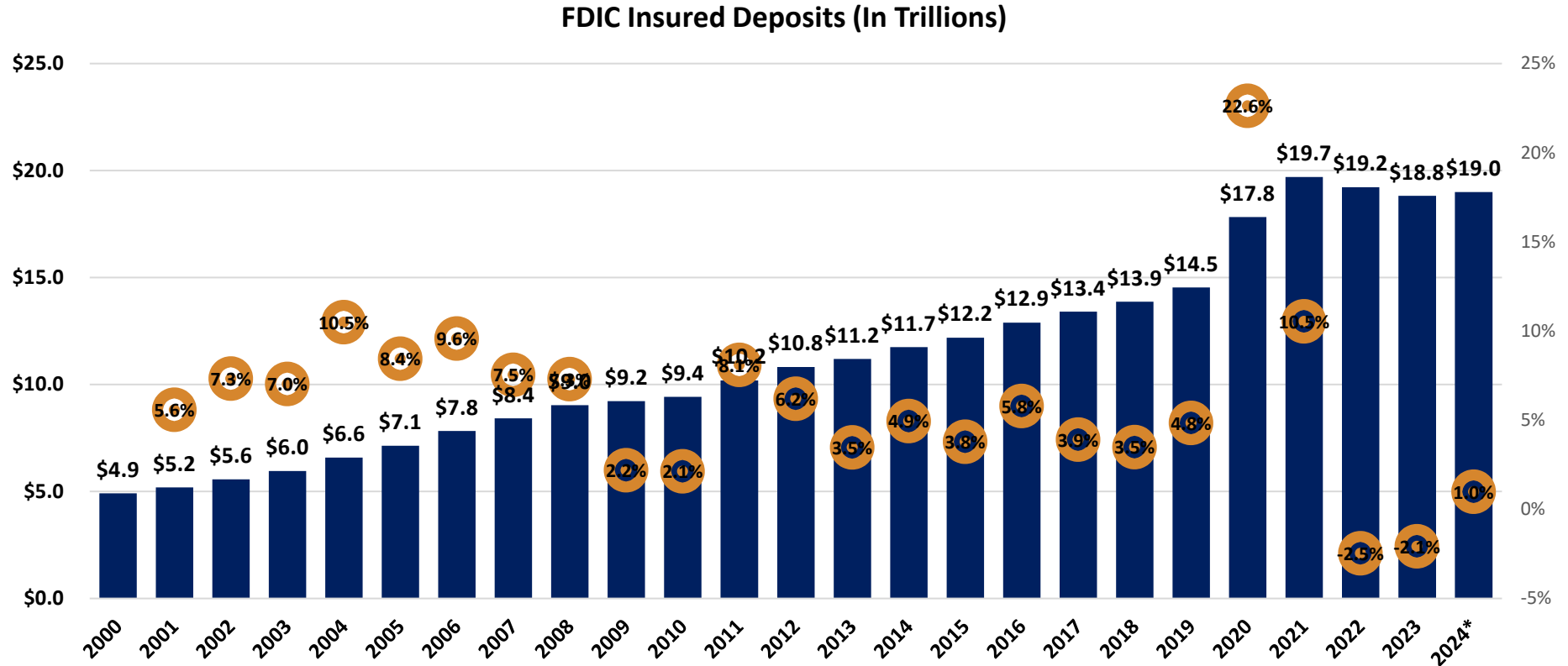
Return on Average Equity and Total Equity of all FDIC Institutions



*Three months ended March 31, 2024 annualized.

Source: FDIC.

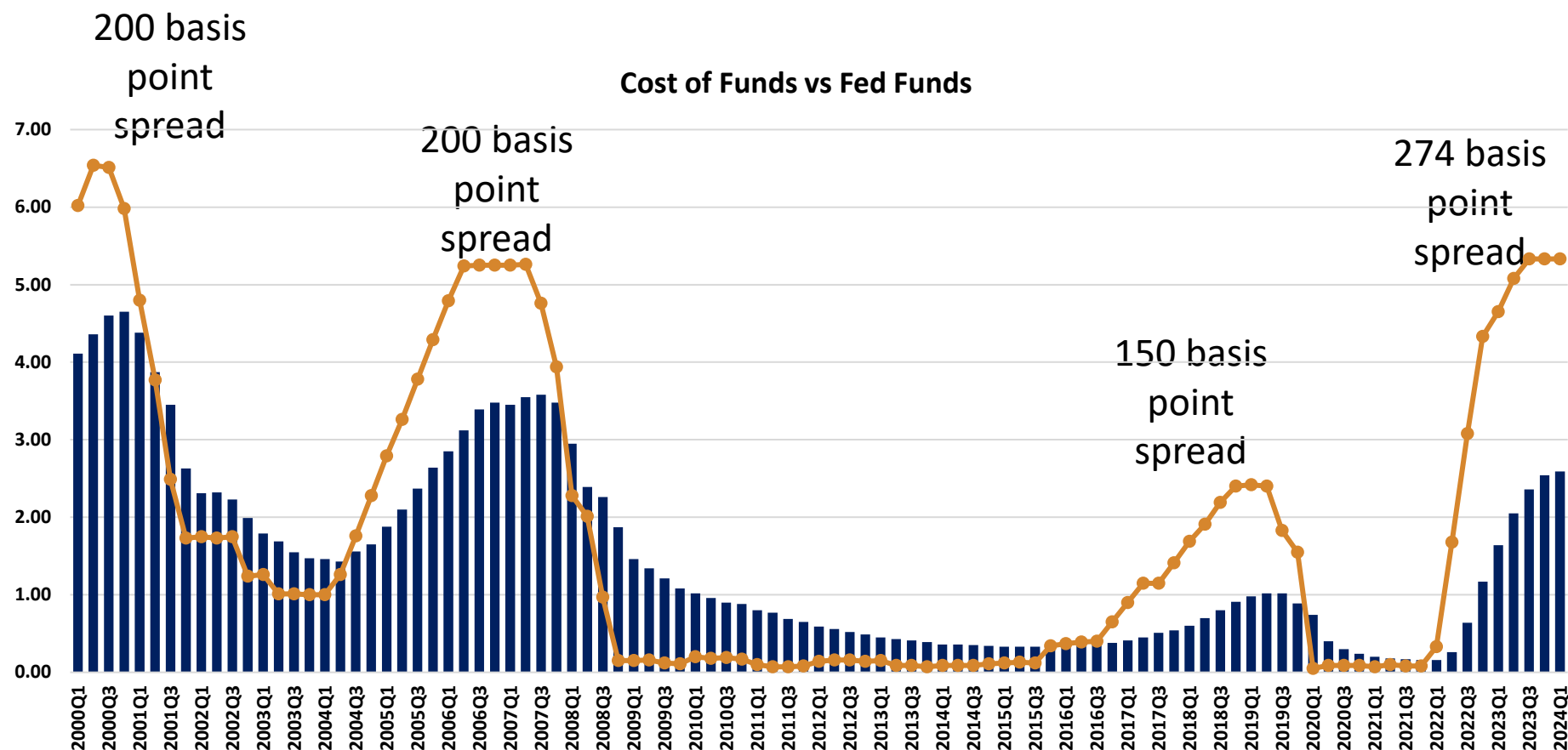
Total Deposits of all FDIC Institutions



*March 31, 2024.

Source: FDIC.

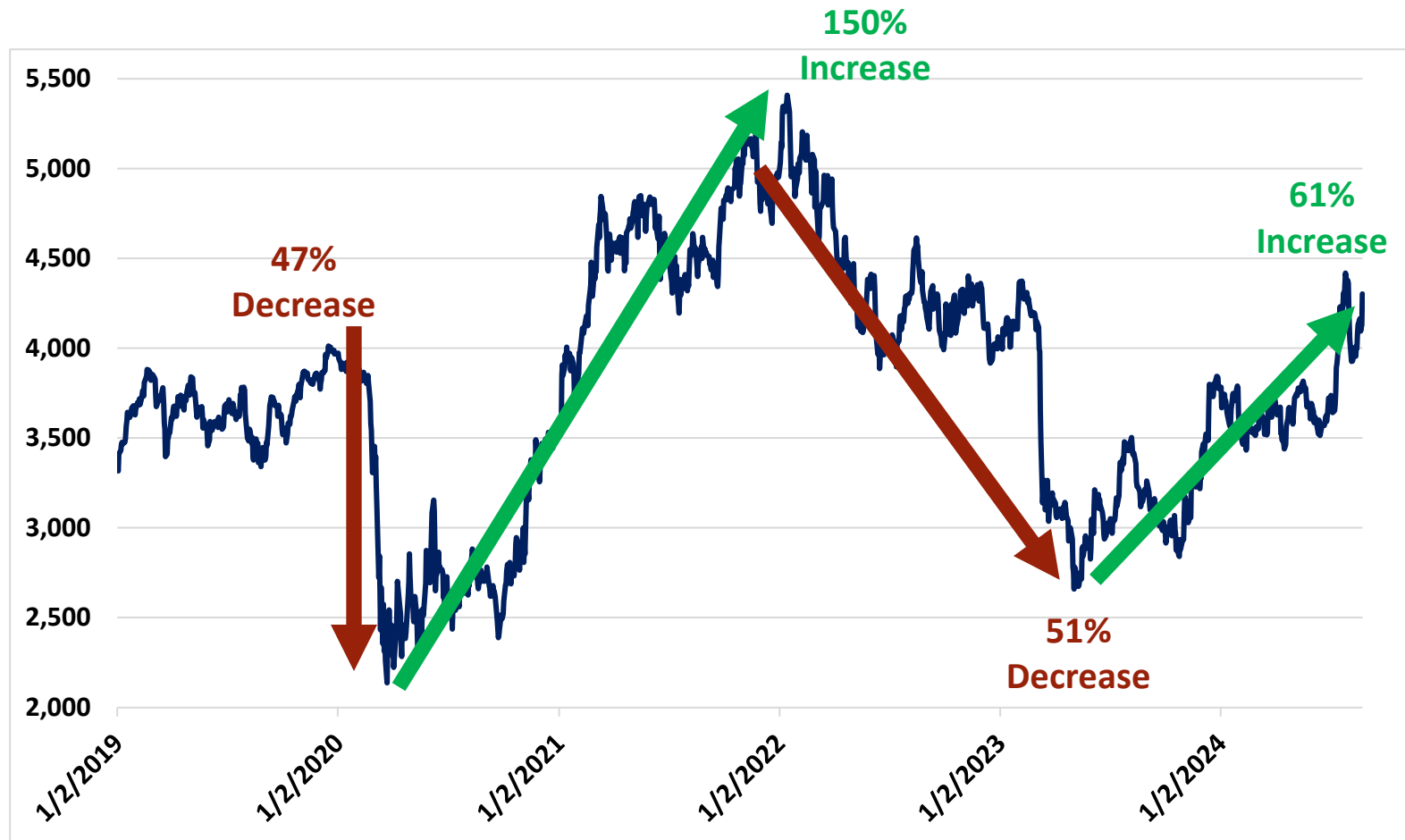
Cost of Funds of all FDIC Institutions vs Fed Funds 2000 to Current



Fed Funds rate of 5.33% as of August 23, 2024.

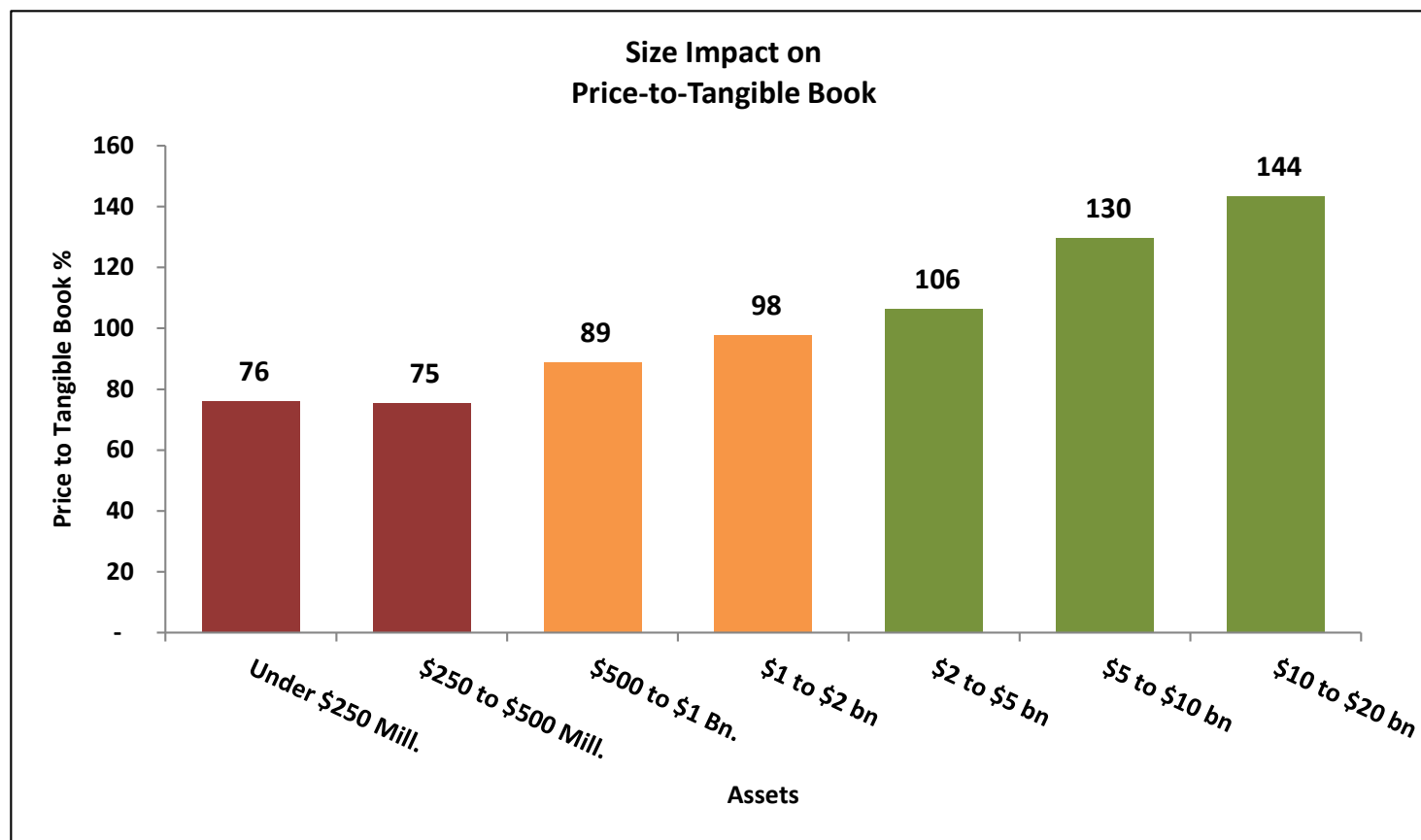
Source: FDIC and Board of Governors of the Federal Reserve System.

NASDAQ BANK INDEX: January 1, 2019 to August 23, 2024



Source: S&P Global Market Intelligence.

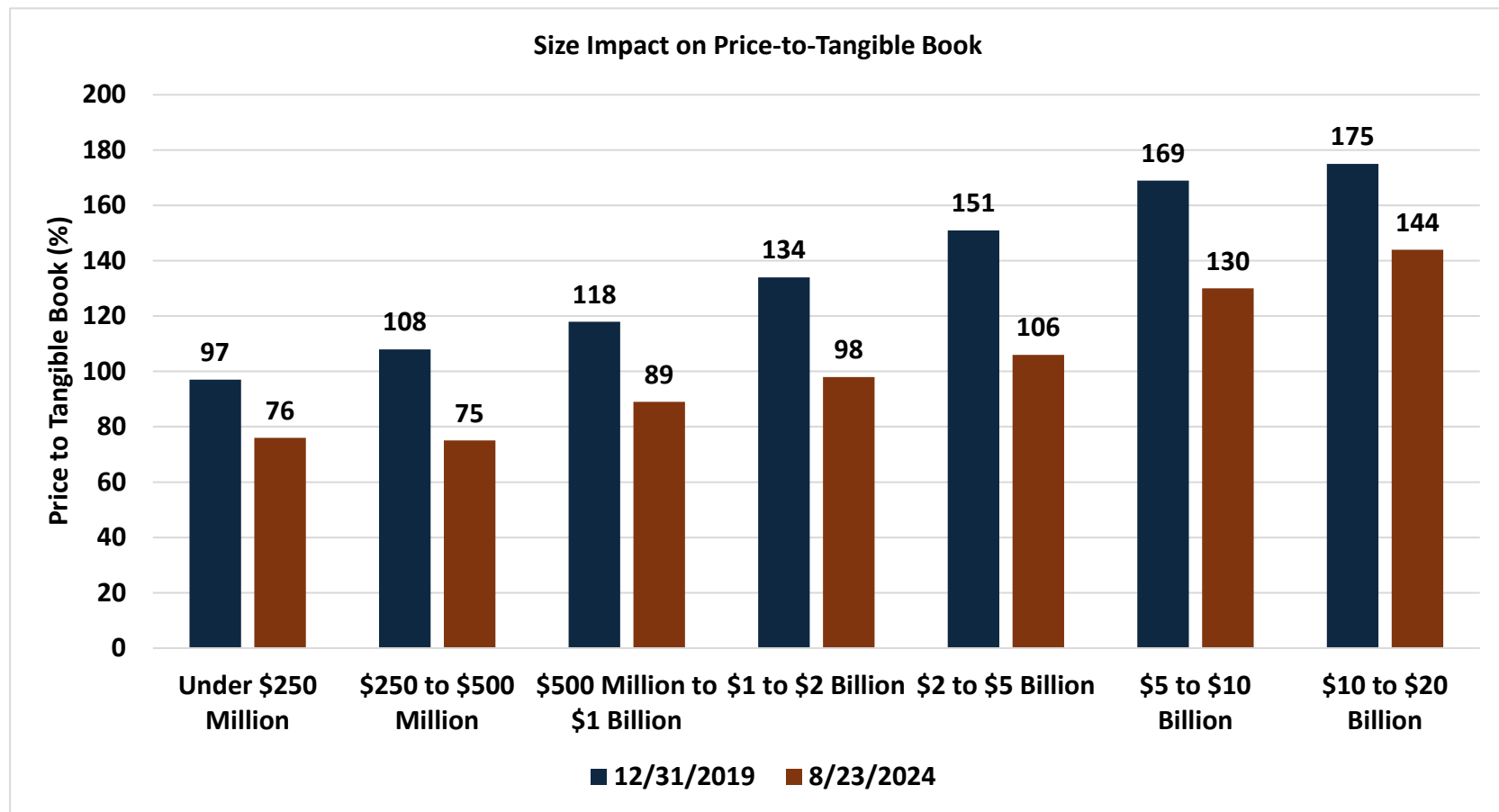
Nationwide Banks & Thrift Price to Tangible Book by Size*



*Data was derived from publicly traded banks with assets under \$20 billion for which data was available. Data is from 581 banks with stock prices as of August 23, 2024. Financial data is as of June 30, 2024, the twelve months ended June 30, 2024 or most recently reported.

Source: S&P Global Market Intelligence.

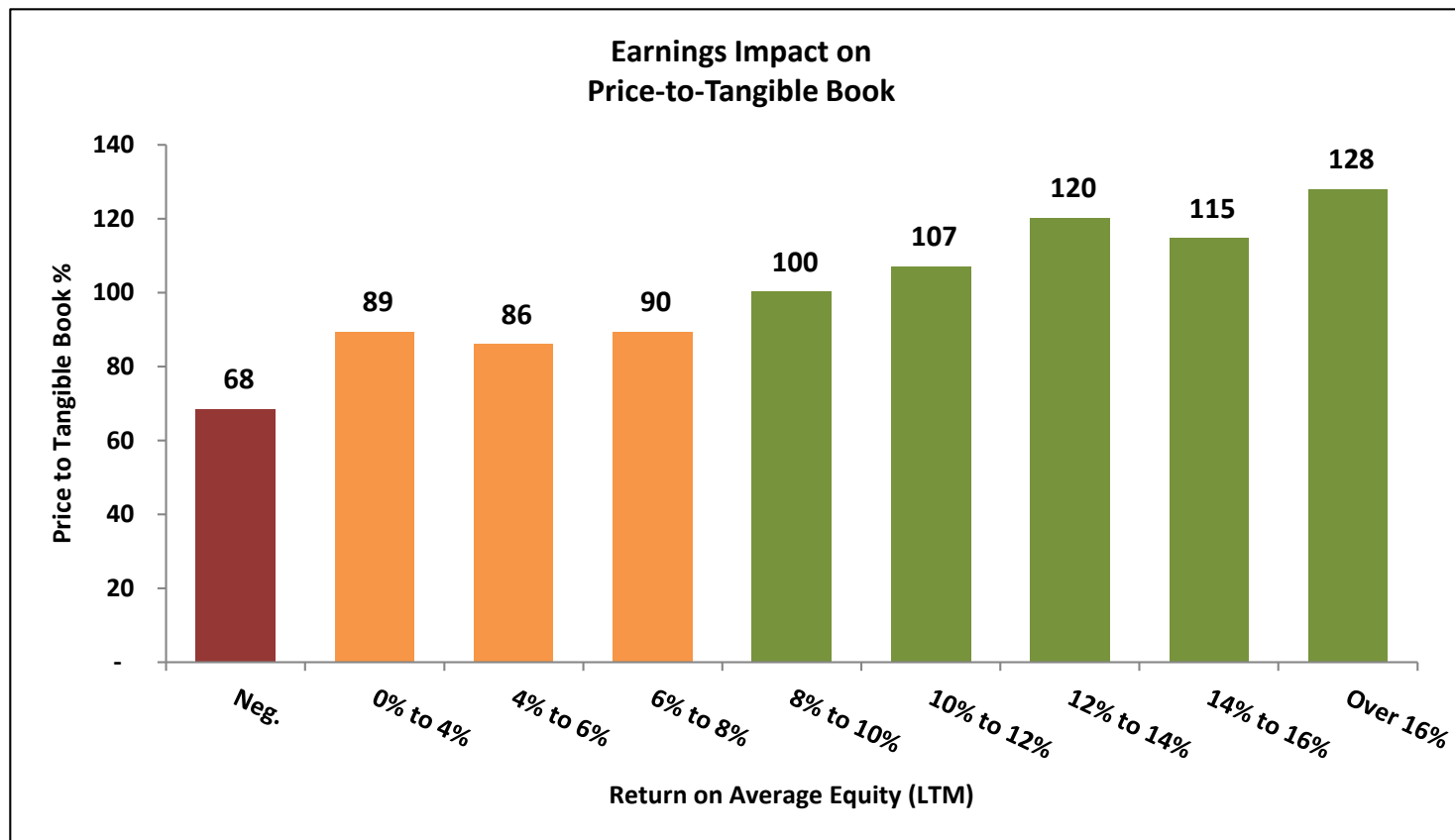
Nationwide Banks & Thrift Price to Tangible Book by Size 2024 vs. 2019*



*Data was derived from publicly traded banks with assets under \$20 billion for which data was available. Data is from 581 banks with stock prices as of August 23, 2024 and December 31, 2019. Financial data is as of June 30, 2024 and December 31, 2019, the twelve months ended June 30, 2024 and December 31, 2019.

Source: S&P Global Market Intelligence.

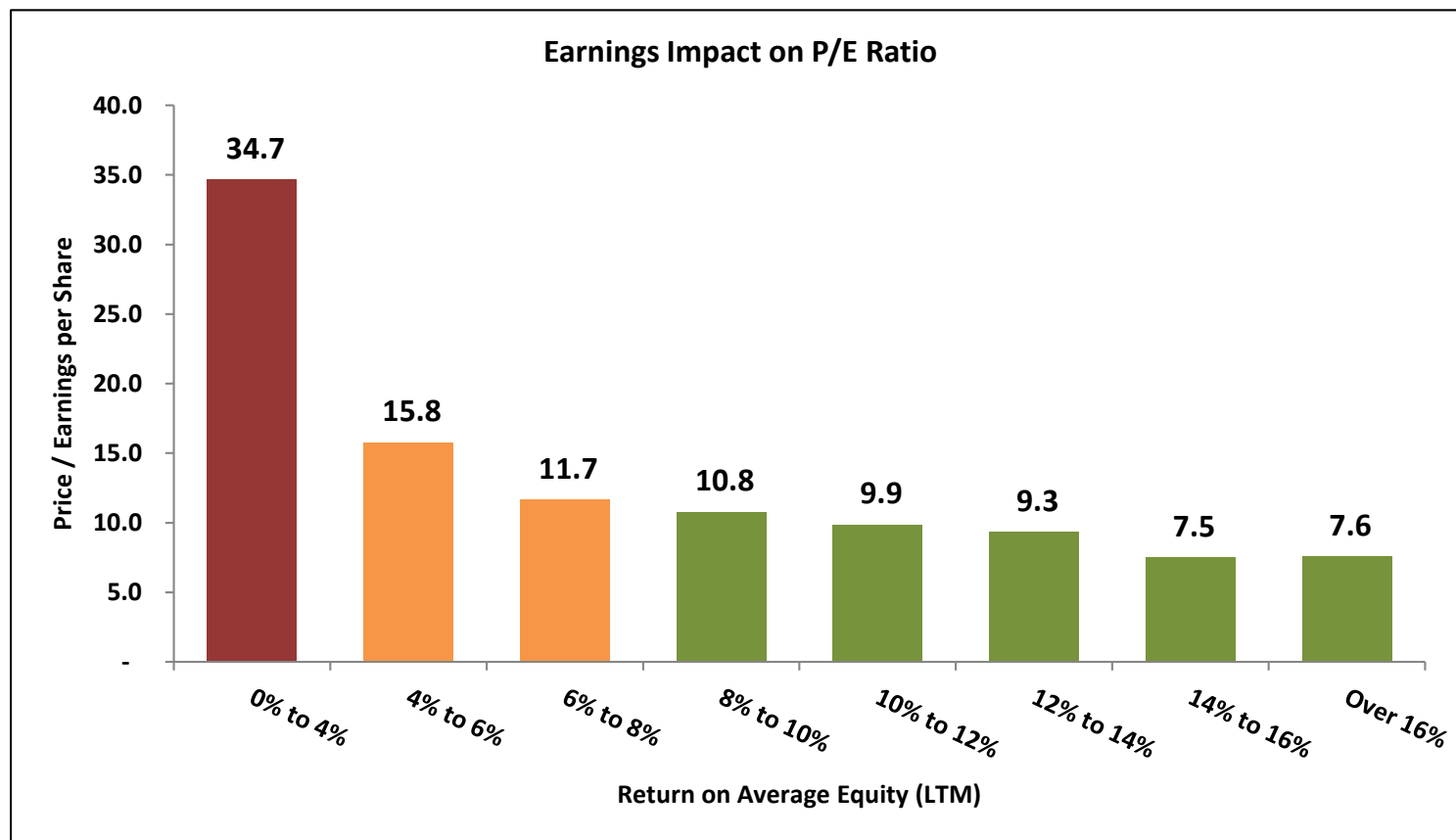
Nationwide Comparison*- Earnings Impact on Price to Tangible Book



*Data was derived from publicly traded banks with assets under \$20 billion for which data was available. Data is from 581 banks with stock prices as of August 23, 2024. Financial data is as of June 30, 2024, the twelve months ended June 30, 2024 or most recently reported.

Source: S&P Global Market Intelligence.

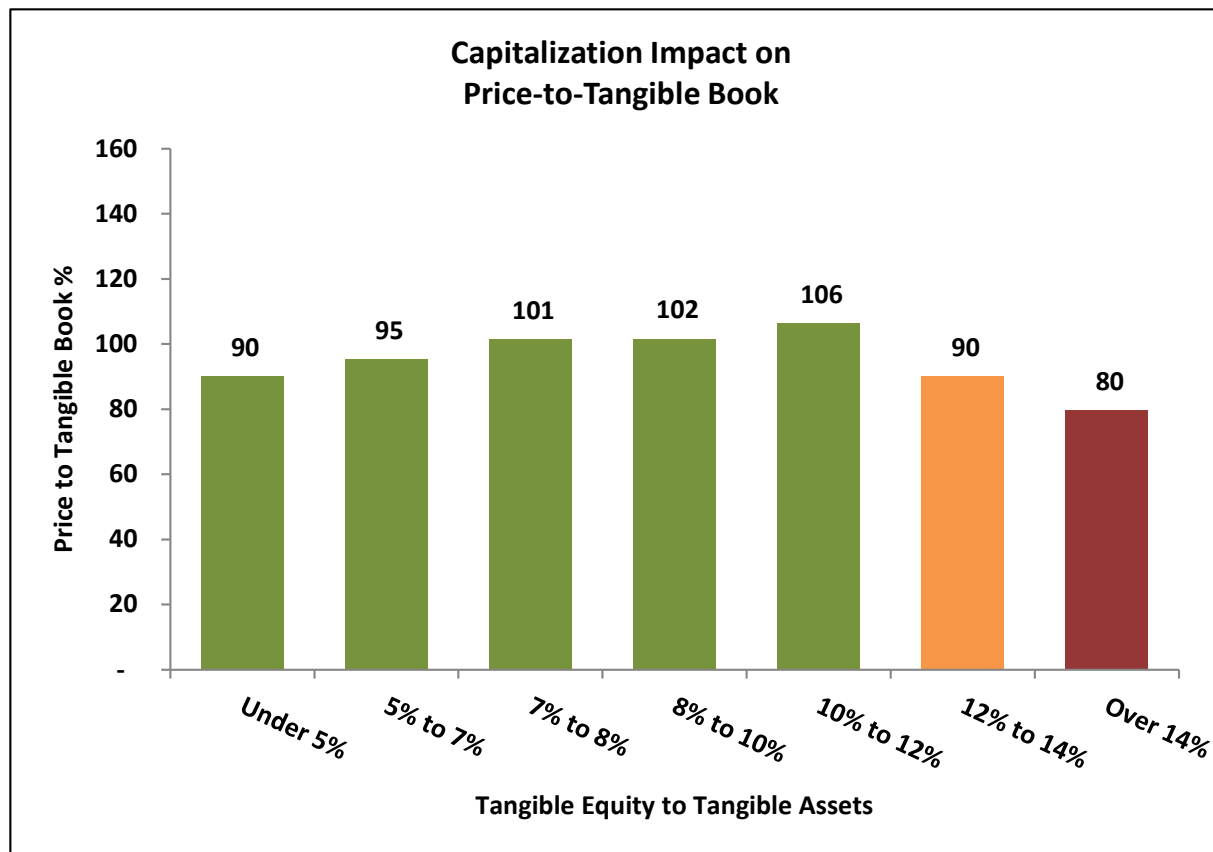
Nationwide Comparison* - Earnings Impact on P/E Ratio



*Data was derived from publicly traded banks with assets under \$20 billion for which data was available. Data is from 581 banks with stock prices as of August 23, 2024. Financial data is as of June 30, 2024, the twelve months ended June 30, 2024 or most recently reported.

Source: S&P Global Market Intelligence.

Nationwide Comparison* - Capital Impact on Price to Tangible Book



*Data was derived from publicly traded banks with assets under \$20 billion for which data was available. Data is from 581 banks with stock prices as of August 23, 2024. Financial data is as of June 30, 2024, the twelve months ended June 30, 2024 or most recently reported.

Source: S&P Global Market Intelligence.

Summary – Bank Stock Pricing

- **Bank stock pricing is historically low because:**
 - **Low capital in industry because of unrealized security losses and deposit growth**
 - **Deposit runoff and increased deposits costs**
 - **Threat of recession**
 - **Commercial Real Estate – Unknown outcome**
 - **Uncertainty in the industry which is clearing up**

M&A - Undercurrents

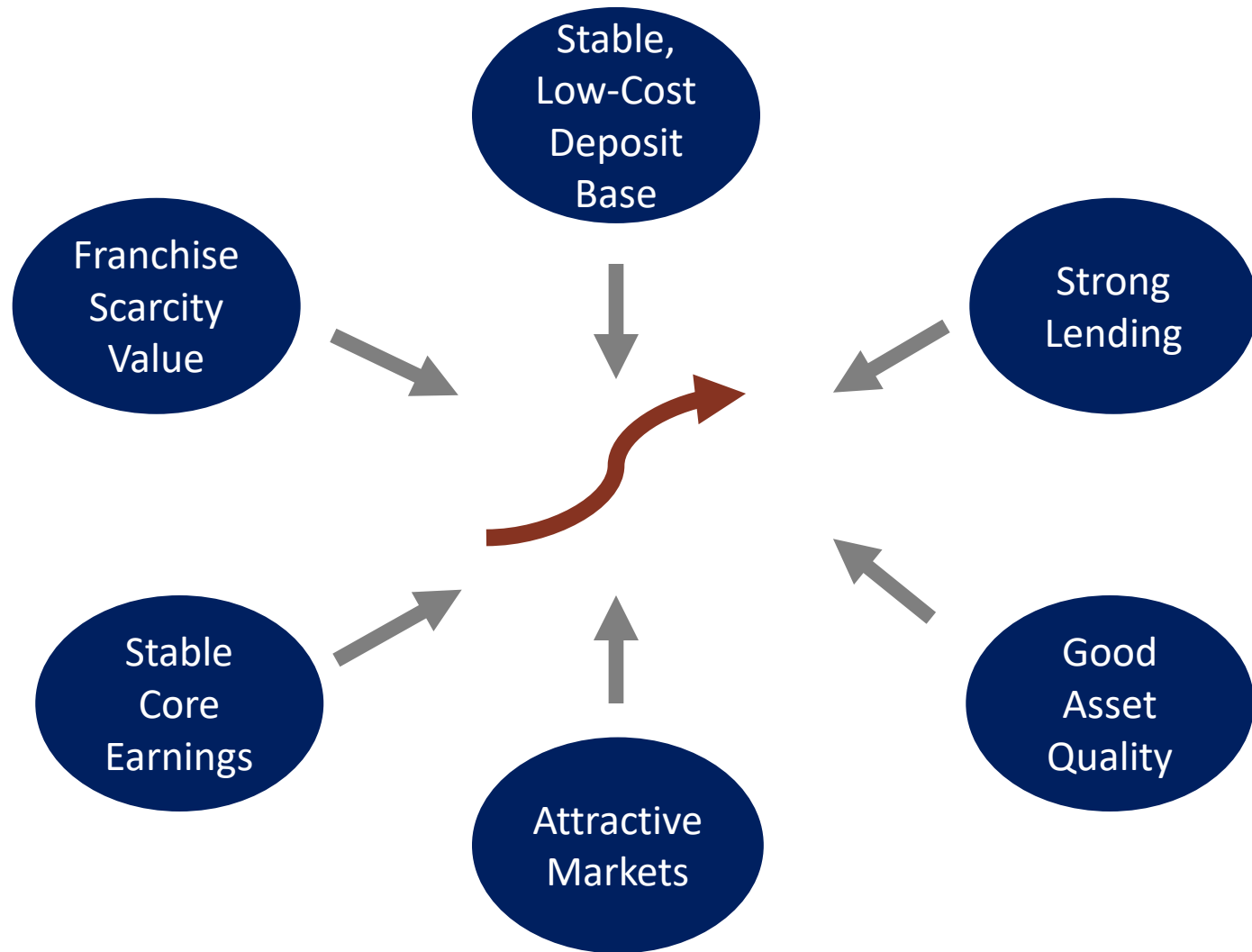
■ Buy-Side

- Currencies are weak
- Ideal target may become available, so pass on others
- Mark to market accounting makes deals more difficult with the higher rates

■ Sell-side

- Remorse on having missed the peak (2018-2019)
- Need to focus on number of shares received and percentage of the combined company. Likely to get more shares as M&A pricing falls less than stock prices.
- Need to focus on the acquirer's currency, what will produce a good return in the future assuming stock consideration.

What Creates a Premium Valuation



Pennsylvania Deals 2022-2024*

Buyer/Seller	Deal Value In Mil.	Price/ Tangible		Assets In Mil.	ROE (%)	Seller		Buyer Assets In Mil.
		Earnings (X)	Book (%)			NPAS/ Assets (%)	Tang. Equity/ Tang. Assets (%)	
2024								
ACNB/Traditions	87	16.6	128	859	8.34	0.51	7.75	2,458
2023								
Orrstown/Codorus Valley (MOE)	208	7.6	113	2,191	15.09	0.36	8.26	3,054
Peoples Financial/FNCB	128	8.1	102	1,862	12.97	0.29	6.66	3,682
CCFNB/Muncy (MOE)	60	10.5	122	651	12.02	0.23	7.53	944
NexTier/Mars	32	20.3	128	521	6.29	0.01	4.78	2,132
Median		9.3	118	1,256	12.49	0.26	7.10	2,593
2022								
First Bank/Malvern	150	21.6	102	1,044	4.79	0.57	14.02	2,638
Fulton Financial/Prudential	138	17.8	107	1,084	5.93	1.21	11.81	25,796
First Commonwealth/Centric	138	15.5	131	1,036	9.26	1.21	9.63	9,526
Farmers National (OH)/Emclaire	107	10.5	142	1,060	10.90	0.25	7.37	4,143
Citizens Financial/HV Bancorp	68	24.9	155	571	6.55	0.49	7.22	2,350
Bank of Princeton/Noah	25	9.2	81	256	9.10	3.87	12.31	1,603
Median		16.6	119	1,040	7.82	0.89	10.72	3,390

*Through August 23, 2024

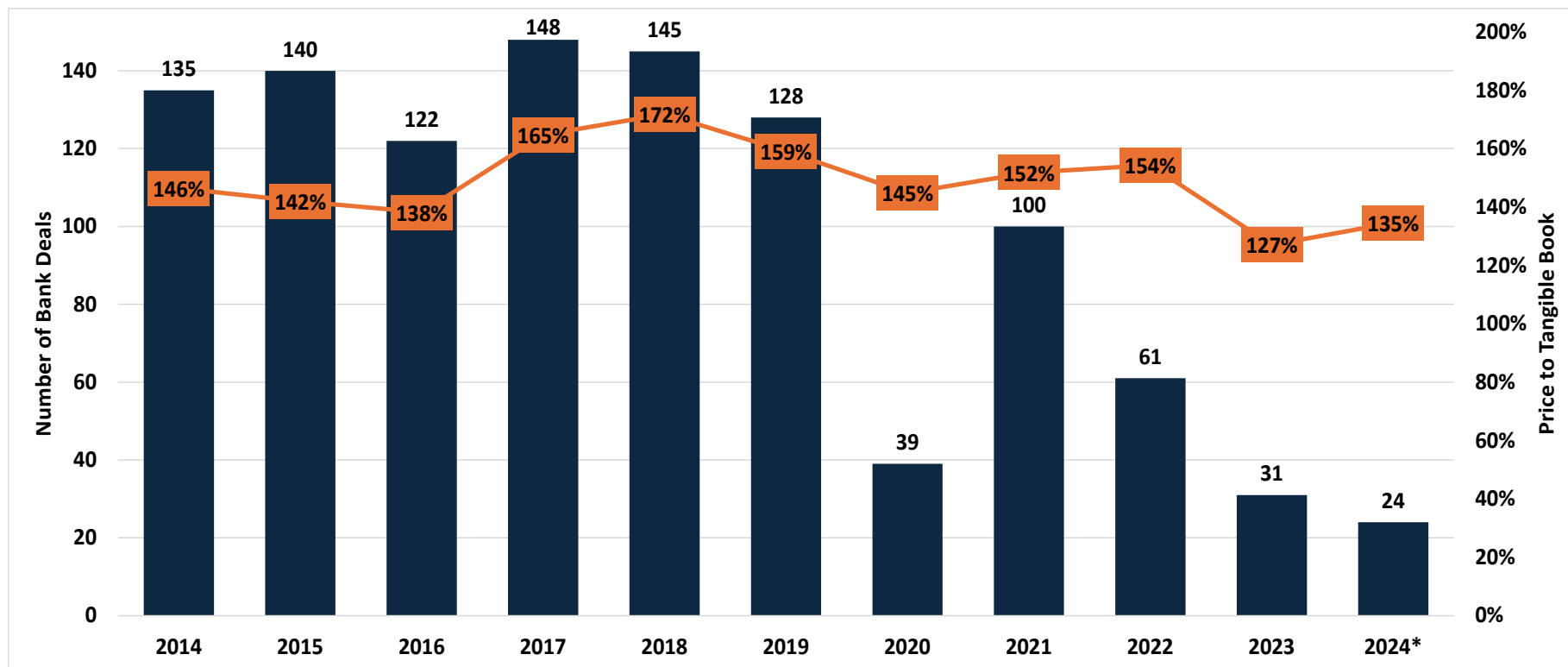
Source: S&P Global Market Intelligence

Pennsylvania Deals 2019-2021

Buyer/Seller	Deal	Price/		Seller				Buyer
	Value		Tangible	Assets		NPAS/	Tang. Equity/	Assets
	In Mil.	Earnings (X)	Book (%)	In Mil.	ROE (%)	Assets (%)	Tang. Assets (%)	In Mil.
2021								
Raymond James/TriState Capital	1,155	17.1	146	12,159	8.97	0.09	6.21	61,891
WSFS Financial/Bryn Mawr	990	30.5	229	5,432	5.32	0.23	8.08	14,334
Fidelity D & D/Landmark	44	32.7	121	354	3.85	0.40	10.23	1,700
Median		30.5	146	5,432	5.32	0.23	8.08	14,334
2020								
Dollar Mutual/Standard AVB	161	23.8	133	1,061	4.79	0.50	11.15	9,846
GNB Financial/LINKBANCORP (MOE)	63	-	-	369	(9.44)	0.11	9.23	437
Median		23.8	133	715	(2.32)	0.31	10.19	5,141
2019								
S&T/DNB Financial	206	19.3	206	1,167	9.76	0.96	8.61	7,229
Fidelity D & D/MNB	79	20.9	200	413	10.79	0.53	9.51	1,011
Citizens & Northern/Covenant	74	19.9	185	512	10.24	0.93	10.14	1,643
Somerset Trust/First Bank of Lilly	3	-	97	20	0.97	0.32	17.13	1,234
William Penn (MHC)/Fidelity S&L of Bucks	-	-	-	86	2.46	1.51	14.91	418
William Penn (MHC)/Washington Savings	-	-	-	159	(4.30)	0.11	8.50	418
Median		19.9	193	286	6.11	0.73	9.83	1,123

Source: S&P Global Market Intelligence

Number of Bank & Thrift Deals and Median Tang. Book Pricing*

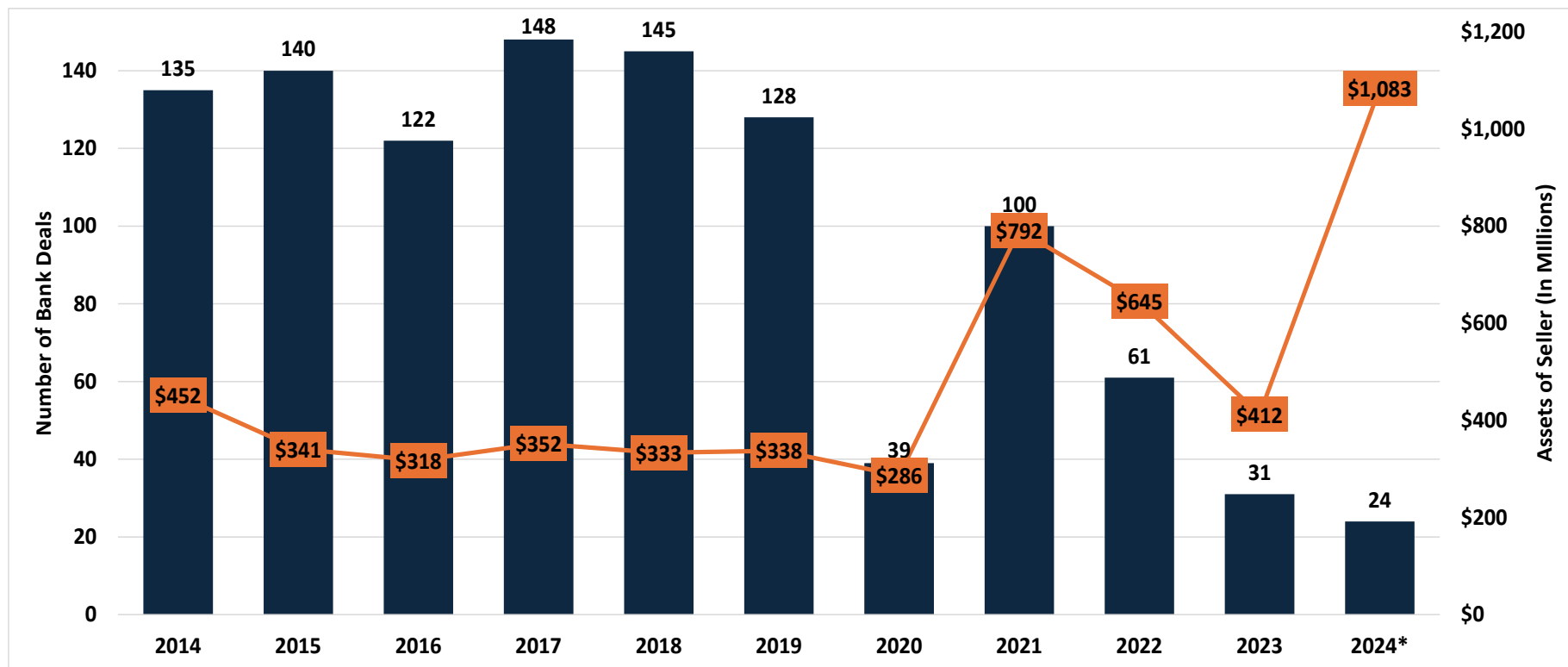


*Excludes deals with deal value below \$10 million and merger of equals.

**Through August 23, 2024.

Source: S&P Global Market Intelligence.

Number of Bank & Thrift Deals and Median Assets of Sellers*

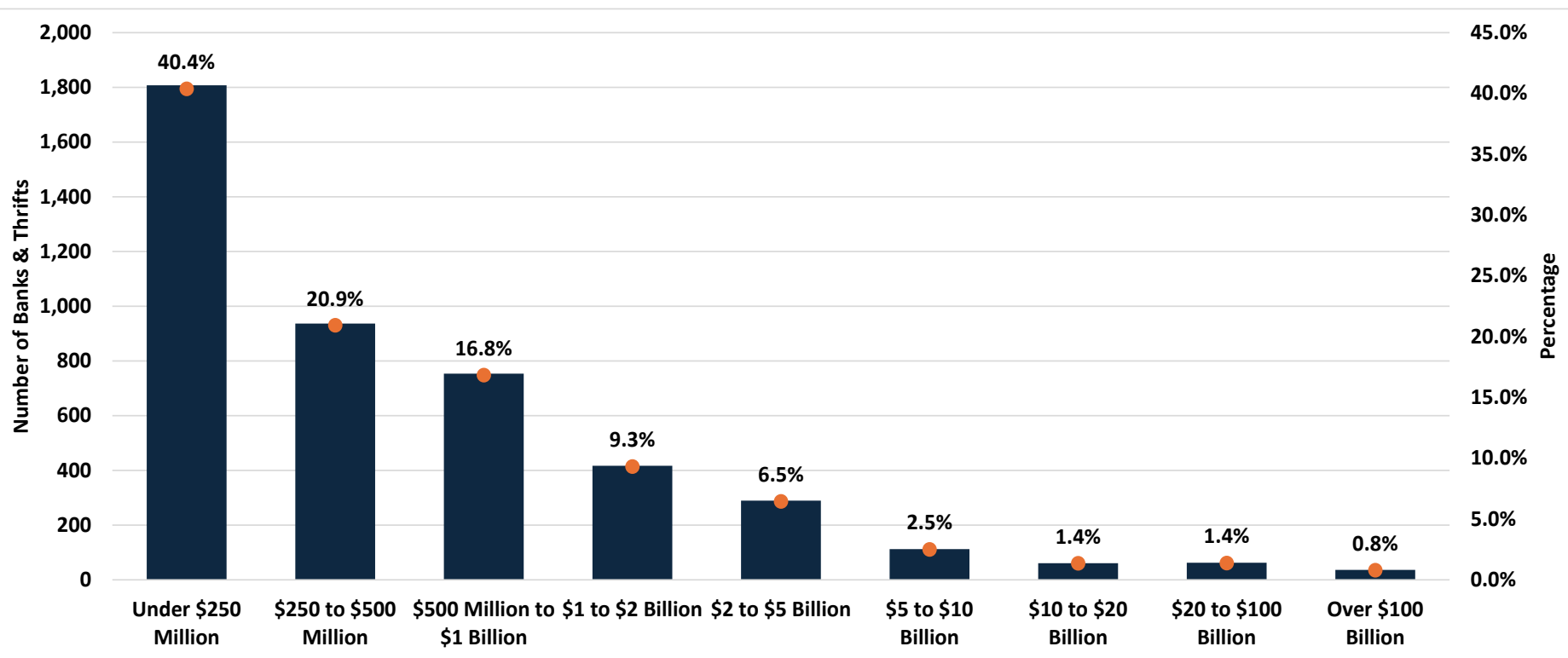


*Excludes deals with deal value below \$10 million and merger of equals.

**Through August 23, 2024.

Source: S&P Global Market Intelligence.

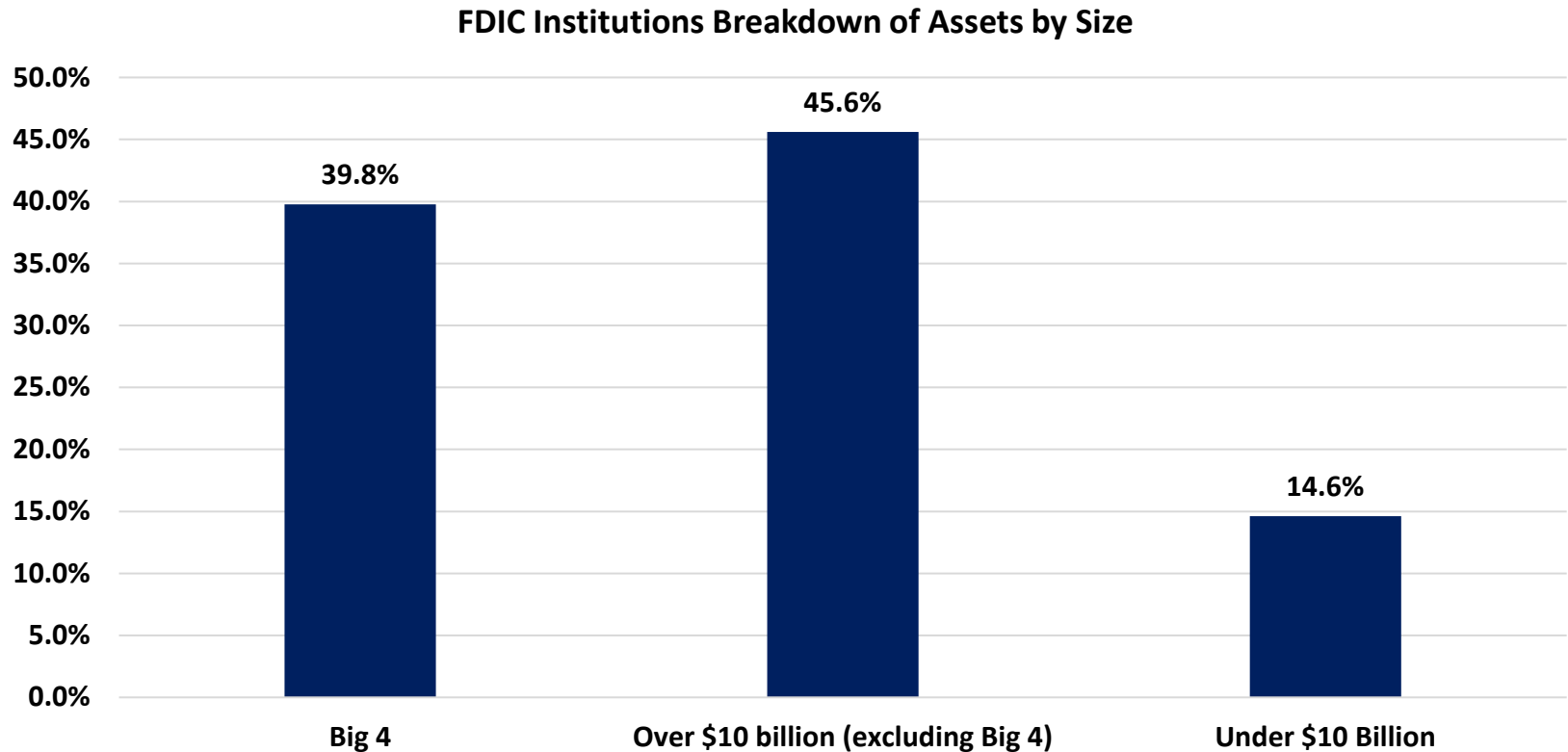
Number of Bank & Thrift by Assets*



*Consolidated to eliminate banks with multiple subsidiaries.

Source: S&P Global Market Intelligence.

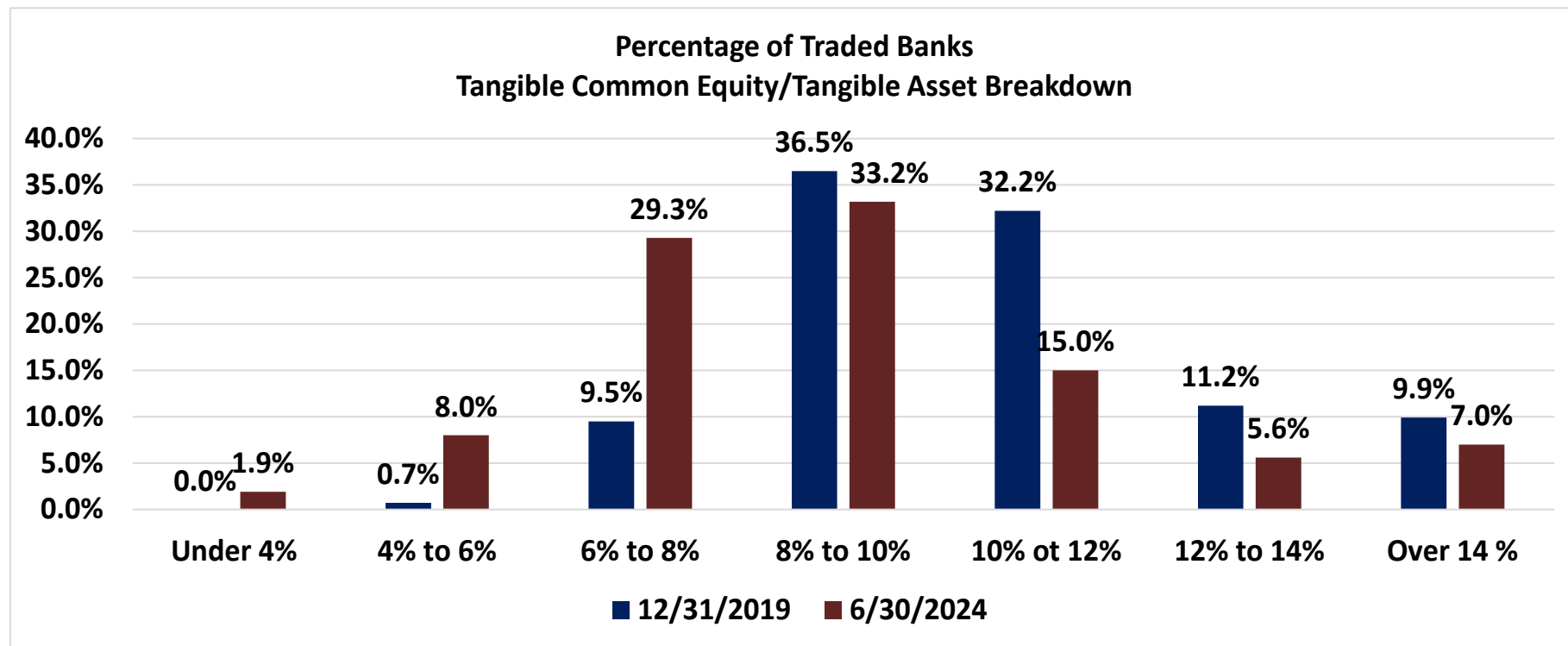
Asset Breakdown of FDIC Institutions



**June 30, 2024..*

Source: FDIC and S&P Global Market Intelligence.

Nationwide Banks & Thrift Capital – Is Light Compared to Pre-Covid



*Data was derived from publicly traded banks with assets under \$20 billion for which data was available. Data is from 581 banks. Financial data is as of June 30, 2024 and December 31, 2019.

Source: S&P Global Market Intelligence.

Why has Deal Volume Slowed?

- Low exit pricing
 - Median 2024 deals are 135% of tangible book
- Smaller Banks are not selling
- Buyers and Sellers have less equity
- Low trading multiples for the industry
- What is all encompassing reason?

Example: Why a Small Bank should not sell now!

	As Reported 2019	As Reported 2023	Estimated 2026
(In thousands)			
Cash	25,000	17,000	20,000
Securities AFS	123,000	152,000	170,000
Net Loans	110,000	155,000	170,000
Assets	275,000	350,000	375,000
Deposits	230,000	320,000	360,000
Common Equity	27,300	34,000	41,000
AOCI	<u>300</u>	<u>(14,000)</u>	<u>(4,000)</u>
Total Equity	27,000	20,000	37,000
Tang. Equity/Tang. Assets	9.82%	5.71%	9.87%
ROA	0.95%	1.31%	0.93%
ROE	10.15%	26.23%	9.46%
Exit Value 100% to Tangible Book	36.00	26.67	49.33
Exit Value 125% to Tangible Book	45.00	33.33	61.67

Growth – Organic vs Inorganic

Organic

- Loan growth
- Deposit growth
- Specialty niche

Inorganic

- Acquisition of:
 - Banks
 - Asset Managers
 - Insurance Brokers
 - Mortgage Originators
 - Specialty Lending
 - Lending Teams

Pros and Cons of Organic Growth

Pros

- Economies of scale
- Loans are available since a lot of banks have cut back on lending
- Rewarding, if successful

Cons

- Deposits and funding are hard to come by
- Personnel and succession
- Higher costs
 - Technology
- Technology continues to change the business

Pros and Cons of Inorganic Growth

Pros

- Great time to acquire if you have the capital and currency
- Economies of scale
- Adds new talent

Cons

- Low capital in the industry
- Low pricing multiples make currencies weak
- Mark to market accounting
- If the culture does not fit

Contact Information

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