

New York Bankers Association Presentation

November 1, 2022

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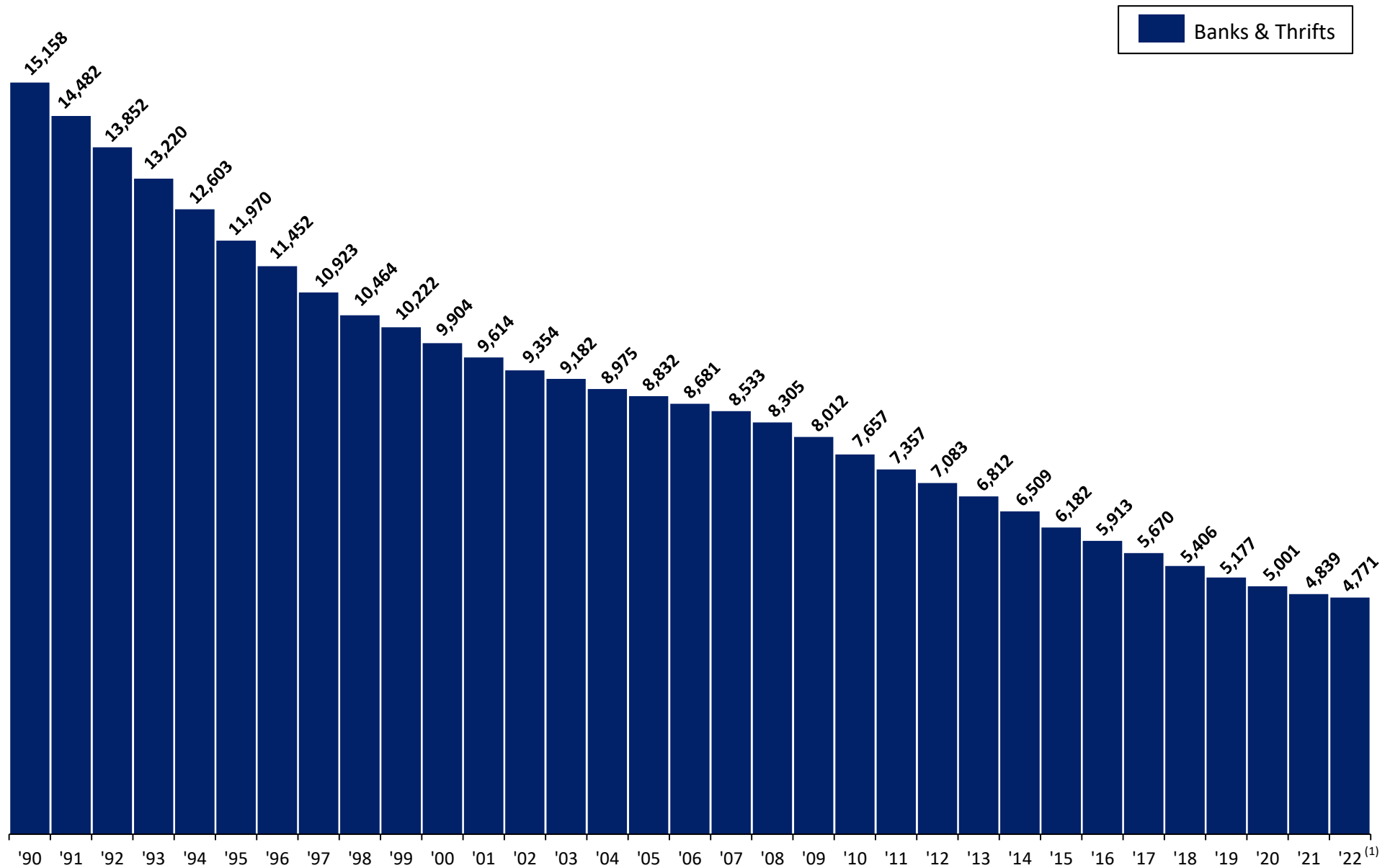
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Bank consolidation is a long term trend that has years to continue



Source: FDIC.

Note: Includes all insured depositories (does not distinguish between subsidiaries owned by a common holding company).

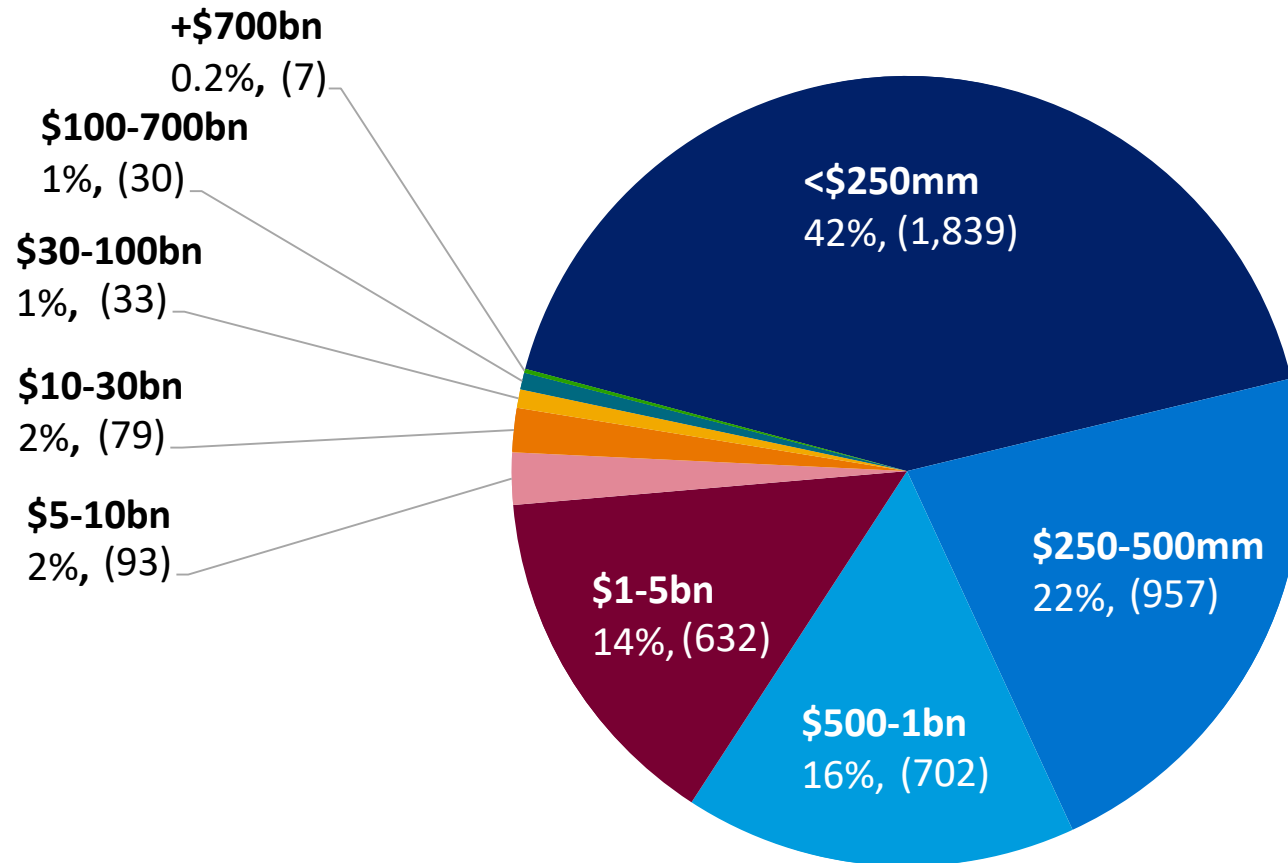
(1) As of June 2022.

The banks that remain skew towards the smaller end



U.S. Banks & Thrifts by Asset Size

%, (# of institutions)

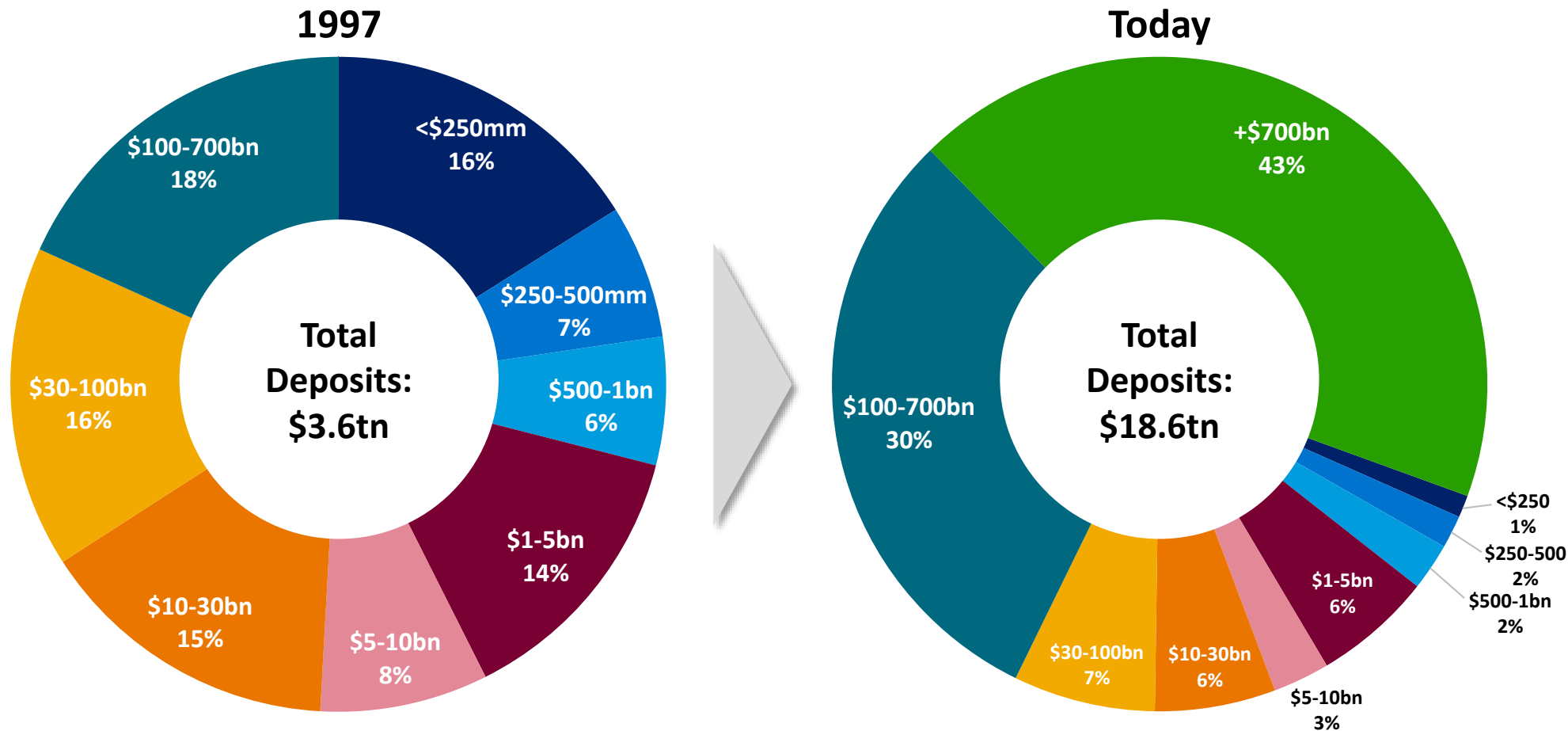


94% of U.S. banks & thrifts are below \$5 billion in assets

The national deposit market has gone far towards consolidation



U.S. Banks & Thrifts Deposit Market Share

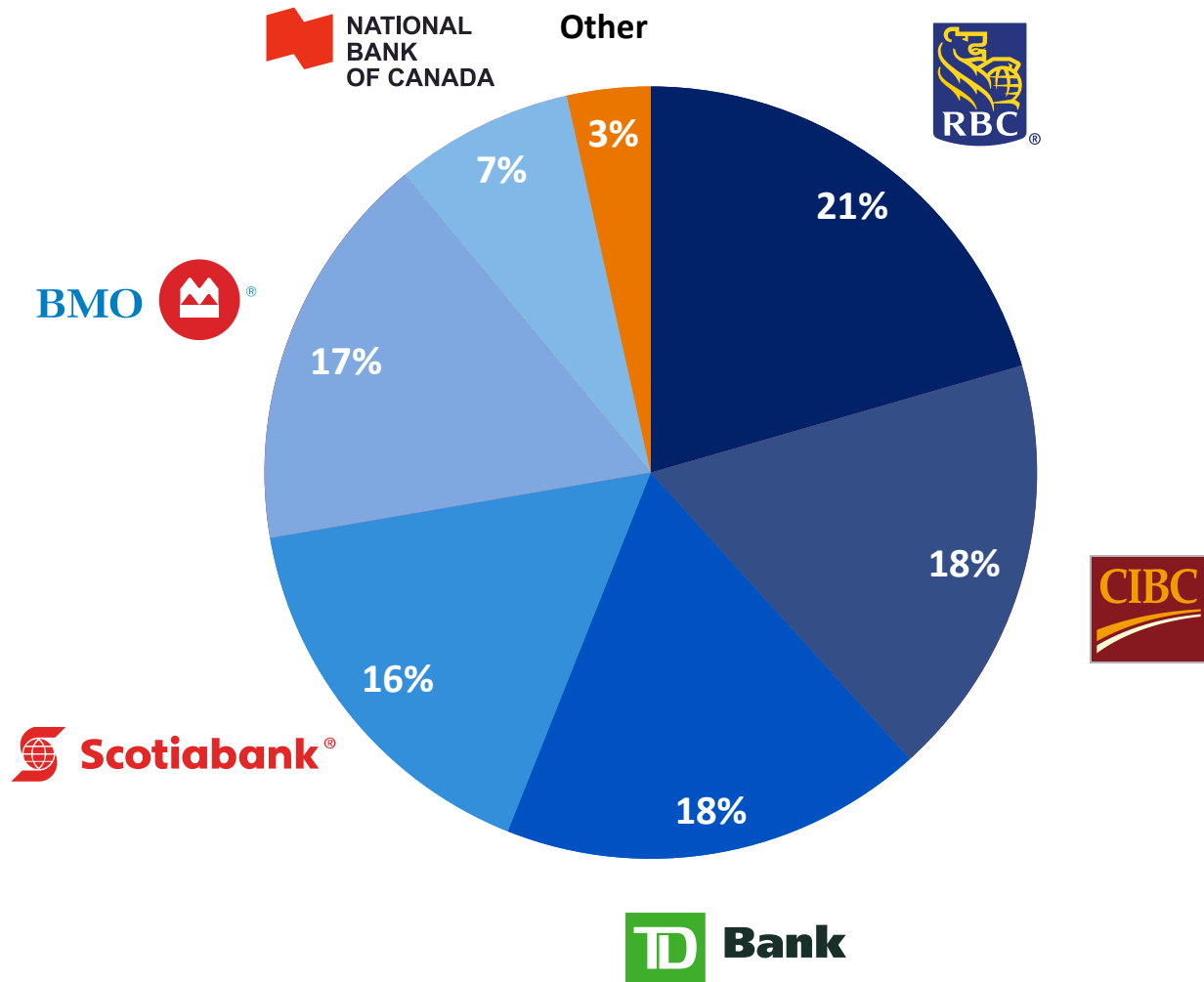


0.8% of the banks control 73% of the market, while sub-\$5bn banks & thrifts control only 11%

Other countries demonstrate that banking is a scale business that lends itself to oligopoly



Canadian Market Share by Branches



U.S. Deposit Market Share

(\$ in billions)



Company	Total Assets	Total U.S. Deposits	U.S. Market Share
JPMorgan Chase & Co.	\$3,774	\$2,128	13.4%
Bank of America Corporation	3,073	1,964	12.4
Wells Fargo & Company	1,878	1,458	9.2
Citigroup Inc.	2,381	764	4.8
U.S. Bancorp	601	547	3.4
The PNC Financial Services Group, Inc.	559	447	2.8
Truist Financial Corporation	548	435	2.7
The Toronto-Dominion Bank	1,841	428	2.7
Capital One Financial Corporation	440	399	2.5
The Bank of New York Mellon Corporation	428	240	1.5
Bank of Montreal	1,068	212	1.3
Citizens Financial Group, Inc.	225	182	1.1
SVB Financial Group	214	175	1.1
M&T Bank Corporation	198	173	1.1
Fifth Third Bancorp	207	167	1.0

Large cap M&A will determine which scale players prevail



National Deposit Cap Banks (+10%)

J.P.Morgan
13.5%

BANK OF AMERICA 
12.4%

Other Established National Franchises

WELLS FARGO
9.2%

citi
4.8%

Super Regional Banks

usbancorp
2.9%

PNC
2.8%

TRUIST 
2.8%

Citizens
1.2%

FIFTH THIRD BANK  **M&T Bank**
1.1%

1.1%

Niche Focus

Capital One
2.0%

BNY MELLON
1.5%

FIRST REPUBLIC BANK
It's a privilege to serve you™
1.1%

svb 
Silicon Valley Bank
1.1%

Foreign Players

TD Bank
2.3%

BMO 
0.8%

RBC 
0.5%

Santander
0.5%

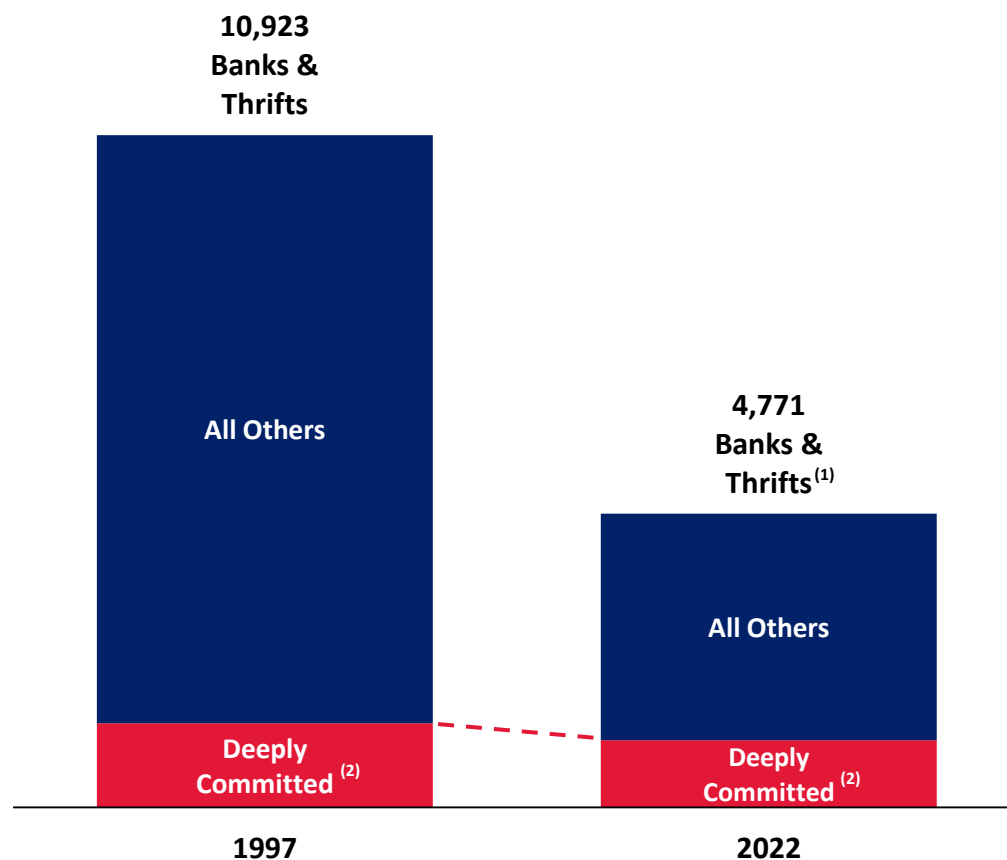
x.x% = Indicates U.S. deposit market share

Companies deeply committed to independence endure, and represent a higher percentage of what remains



“Deeply committed” banks are those most likely to be opposed to a sale

- What once comprised a much smaller percentage of banks & thrifts now constitutes a much larger share of those that remain
- Banks with deeply rooted independence:
 - Mutual institutions
 - Family-owned
 - Small town / rural banks

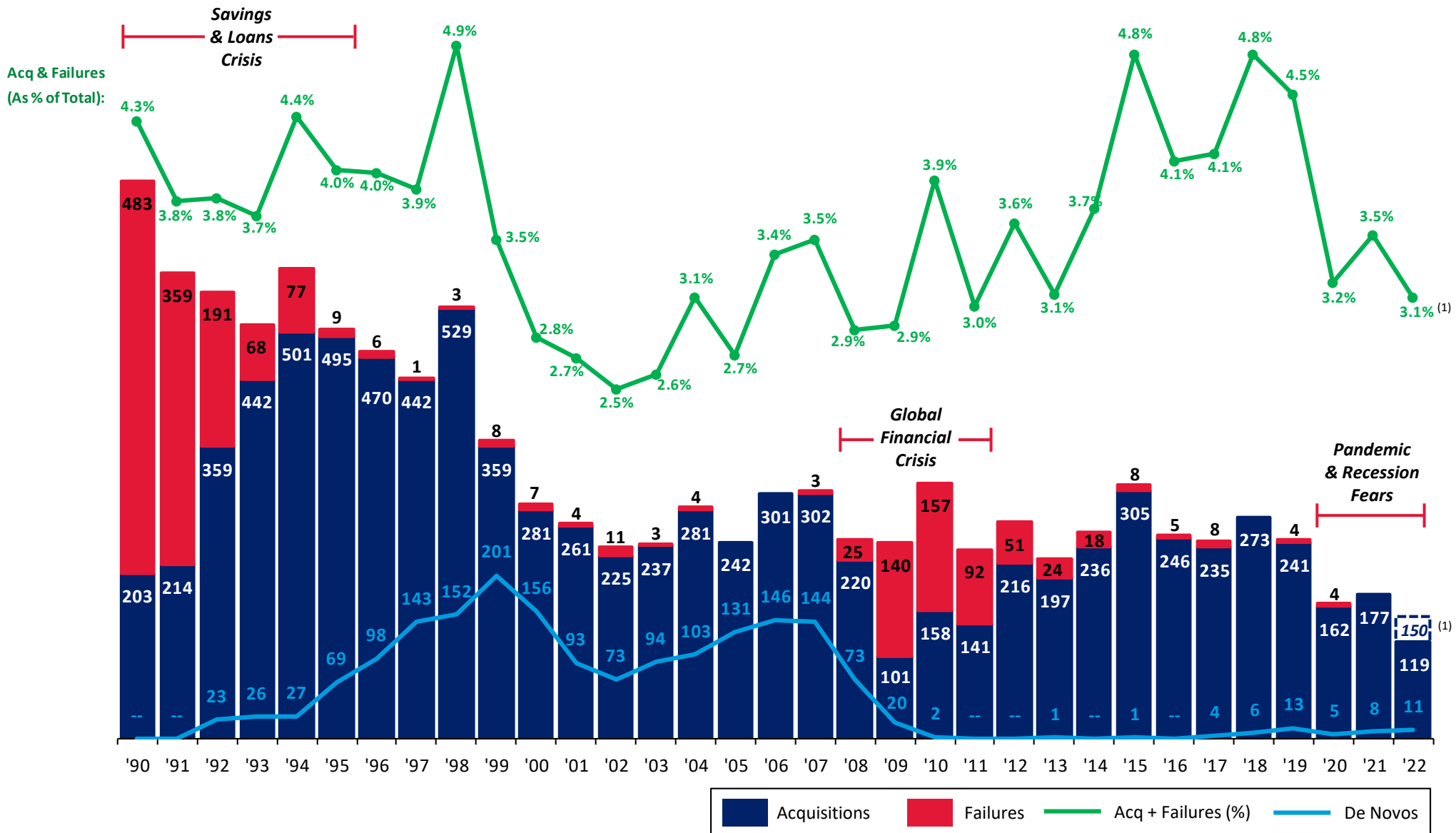


Source: FDIC.

(1) As of June 30, 2022.

(2) For illustrative purposes only.

Long term average pace of activity typically holds

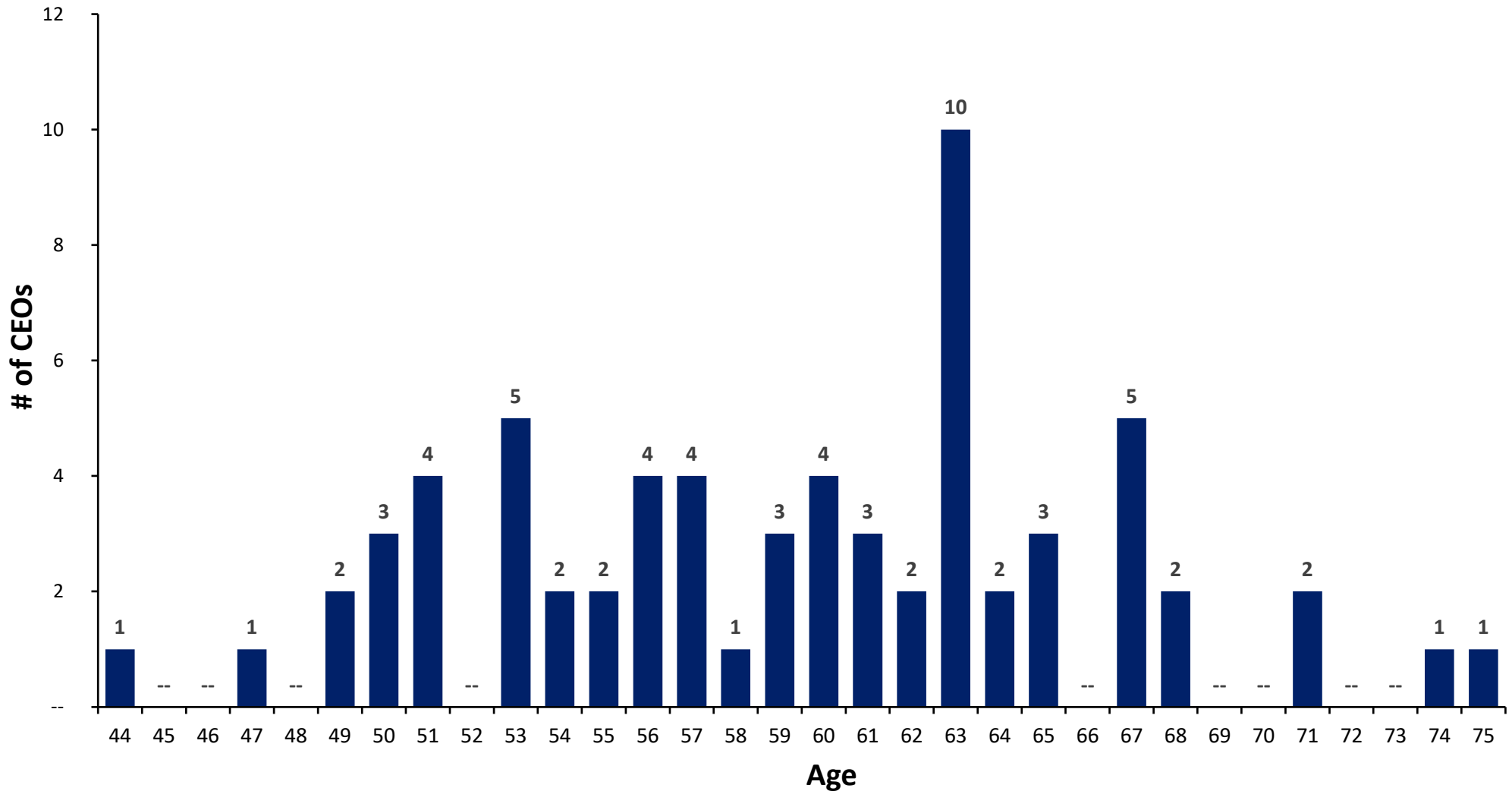


Over the past ~32 years, on average 3.6% of banks are consolidated each year

Banks tend to sell when CEO nears retirement



Age of CEO of 25th to 100th Largest banks



Factors driving 2022 slowdown



Volatile rates / recessionary fears

**Depressed buyer valuations /
ability to pay**

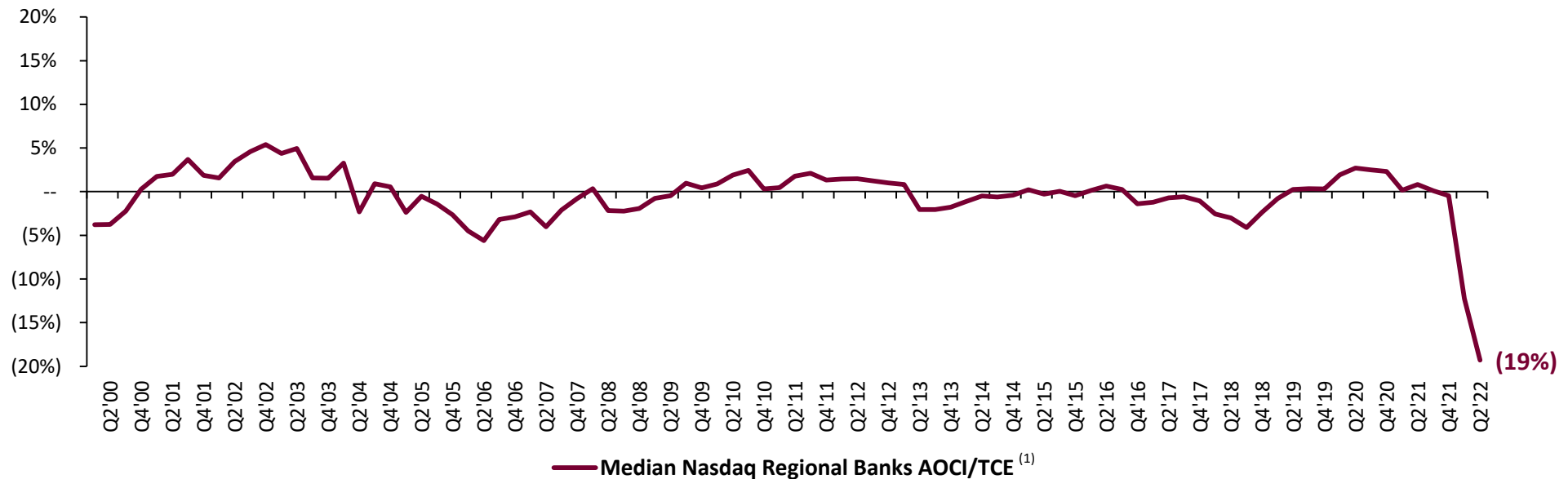
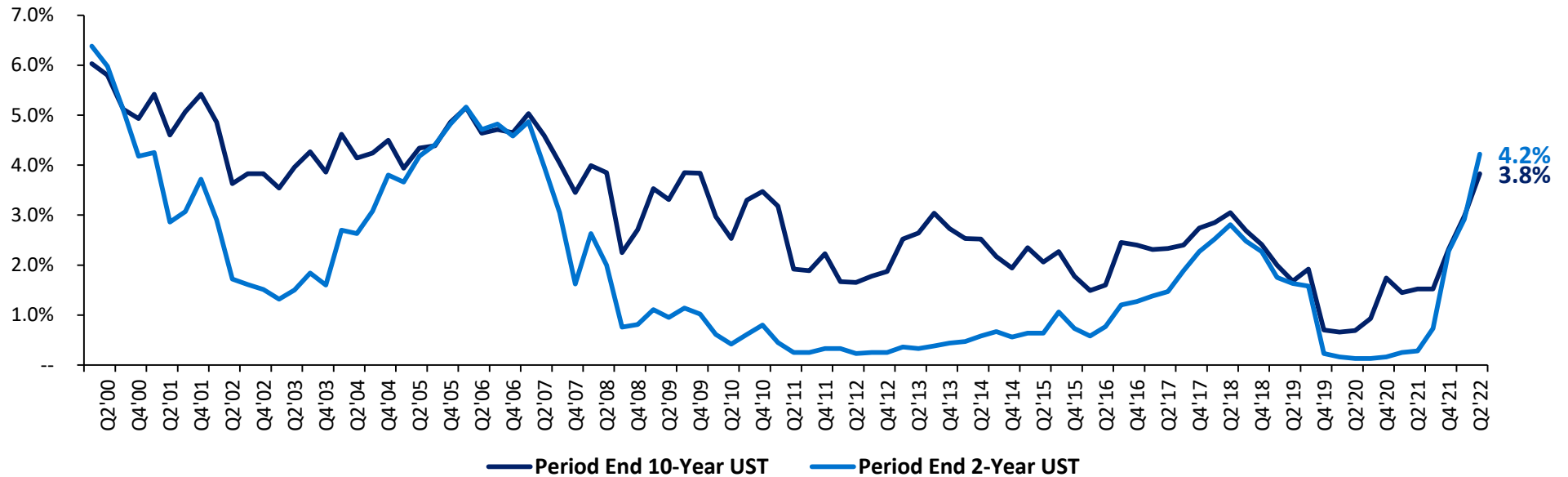


Caution towards regulatory process

**Lack of positively received transactions to
serve as examples**



AOCI increasingly an issue in rising rate environment



Massive fair value adjustments are confusing the market

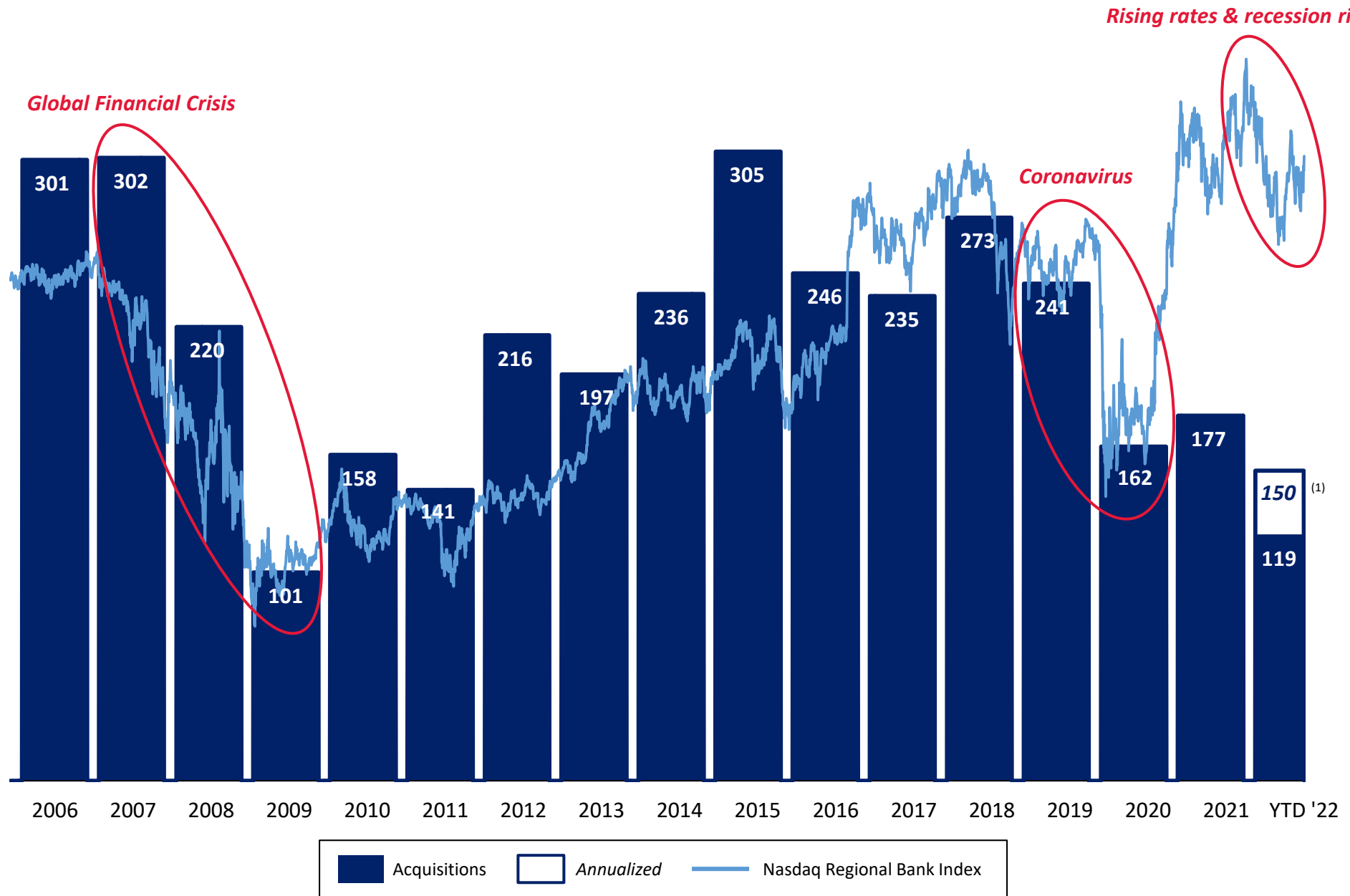


	With Fair Value Marks	Without Fair Value Marks
2023 EPS Accretion / (Dilution)	24.1%	9.4%
TBVPS Accretion / (Dilution)	(17.3%)	(3.6%)
TBV Earnback Period (Crossover Method)	3.60 Yrs	1.65 Yrs

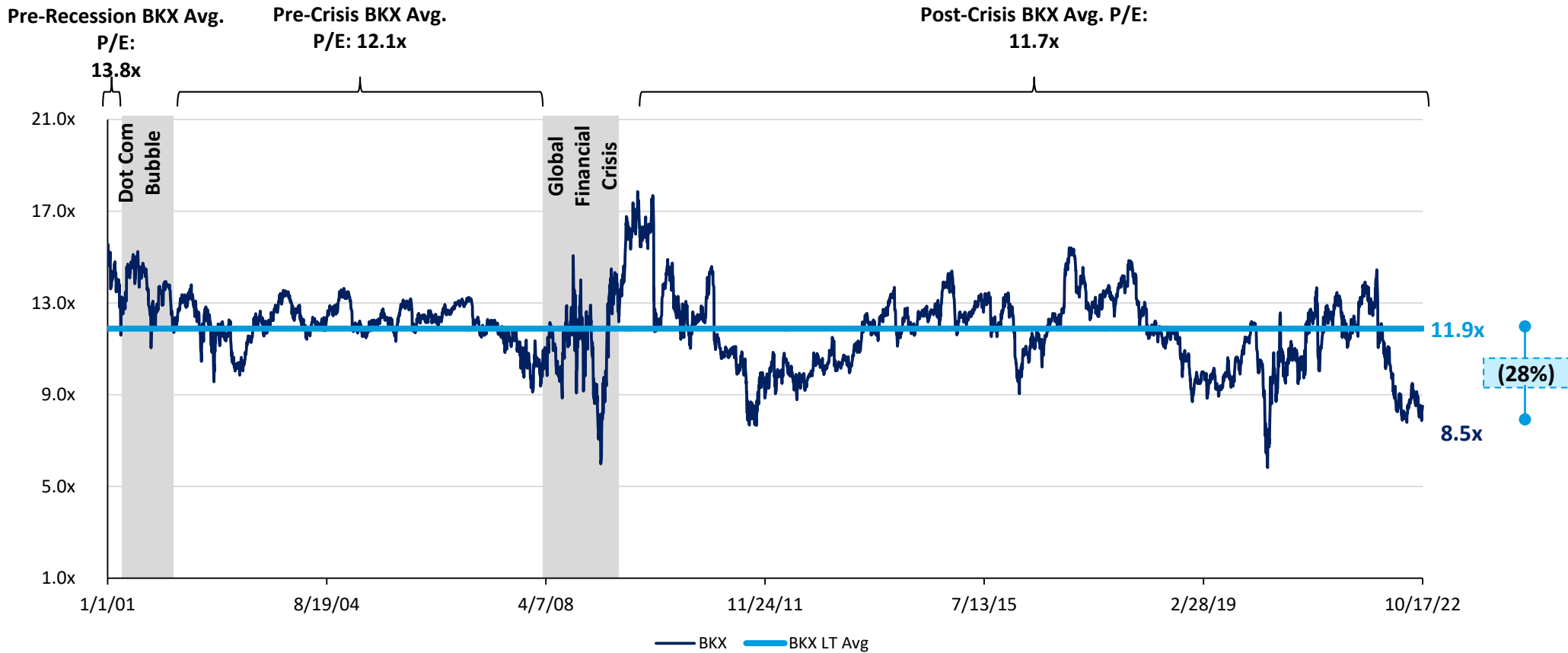
Market Reaction (Relative to KRX):

- 1-day: **(10.9%)**
- To date (as of 10/17/22): **(17.1%)**

Markets with rapidly declining bank valuations lead to reduction in activity



Decline in bank valuations implies investors expect bank earnings to fall 28%



What Changes in Forward EPS Estimates Would Support the Long-term Average? ⁽¹⁾

1

NIM

BKX Consensus:
2.97%

To hit LT Avg:
2.12% (-84bps)

2

Provision

BKX Consensus:
0.39% of avg loans ⁽²⁾

To hit LT Avg:
1.00% (+61bps)

3

Opex / Avg assets

BKX Consensus:
2.33%

To hit LT Avg:
2.99% (+66bps)

¹⁴ Source: S&P Capital IQ. Chart represents Price to Fiscal Year + 2 Estimated Earnings for constituents of the KBW Bank Index (BKX). Market data as of 10/17/22.

⁽¹⁾ Adjustments based on median metrics of the BKX and BAC, respectively.

⁽²⁾ Represents average of 2022E and 2023E period end loans.

Deals are taking longer to close...



Pending Deals (>\$100mm in deal value, >150 days pending)

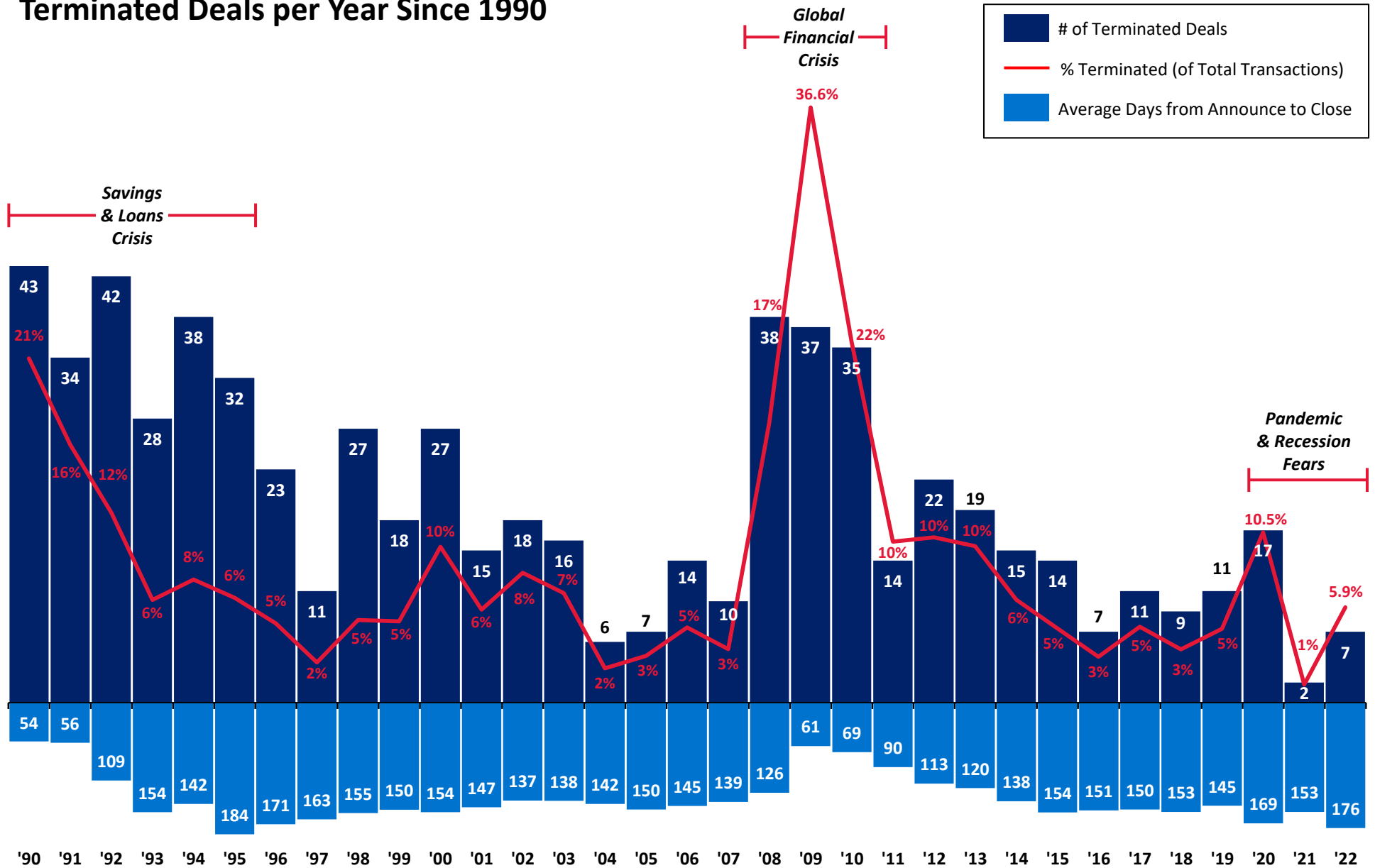
(sorted by # of Days since Announcement)

Announcement	Acquirer	Target	# of Days Since Announcement
9/21/2021	usbancorp	MUFG	391
10/12/2021	UMPQUA BANK	Columbia Bank	370
11/4/2021	OCEANFIRST BANK	Partners BANCORP	347
12/20/2021	BMO	BANK OF THE WEST BNP PARIBAS	301
2/28/2022	TD Bank	FIRST HORIZON	231
3/24/2022	FARMERS NATIONAL BANC CORP.	Emclaire Financial Corp	207
5/4/2022	United Community Bank	Progress Bank	166
5/24/2022	Brookline Bank	PCSBbank	146

...and are not always closing



Terminated Deals per Year Since 1990



Market has given mixed grades to M&A in 2022



Deals Over \$200mm YTD:

Ann. Date	Buyer	Target	Price Reaction At Ann.			
			(%)	Relative to KRX	TBV Dilution (%)	TBV Earnback (yrs)
10/11/2022	PROSPERITY BANK*	FirstCapital Bank of Texas <small>You above all.</small>	8.5%	2.4%	(4.3%)	2.6
		Lone Star State Bank				
9/27/2022	Provident BANK*	Lakeland Bancorp, Inc.	(9.8%)	(17.1%)	(17.3%)	3.6
8/8/2022	Seacoast Bank	Professional Bank	(11.9%)	(14.7%)	(6.4%)	2.3
7/27/2022	The First	HSBI	7.5%	1.3%	(~8%)	<3
5/24/2022	BROOKLINE BANCORP	PCSB bank	(13.9%)	(21.7%)	(7.5%)	2.3
5/4/2022	United Community Bank.	Progress Bank	19.9%	13.9%	NA	NA
4/1/2022	National Bank Holdings CORPORATION	BANK OF JACKSON HOLE	0.4%	1.5%	NA	2.9
2/28/2022	TD Bank	FIRST HORIZON.	(24.5%)	(16.6%)	NA	NA
2/24/2022	Origin Bank	BTH Bank	(5.6%)	0.2%	(3.6%)	2.2

Cause for optimism in M&A



Industrial logic remains: scale, technology, talent and diversification



Attracting and retaining deposits is harder – acquiring via M&A makes increasing sense



Regulatory capital remains very strong, even if AOCI adjustments are severe



Recent regulatory developments have been encouraging (e.g., USB / Union Bank)



Certain buyers remain empowered with premium currencies

Third quarter earnings season has reset the landscape



1

Clear separation between banks that pleased and displeased the market

- “Winners” with strong 3Q performance and favorable outlooks have seen valuations move up slightly
- Certain banks saw dramatic underperformance

2

Investors are favoring flight-to-quality names that are defensively positioned:

- Core deposit bases
- Asset sensitivity
- Historic credit performance

3

Laggards may become more vulnerable and inclined towards seeking partners

- Overall deposit outflows of over \$200 billion
- Fear of recessionary effects on certain assets
- Inability to manage expense growth

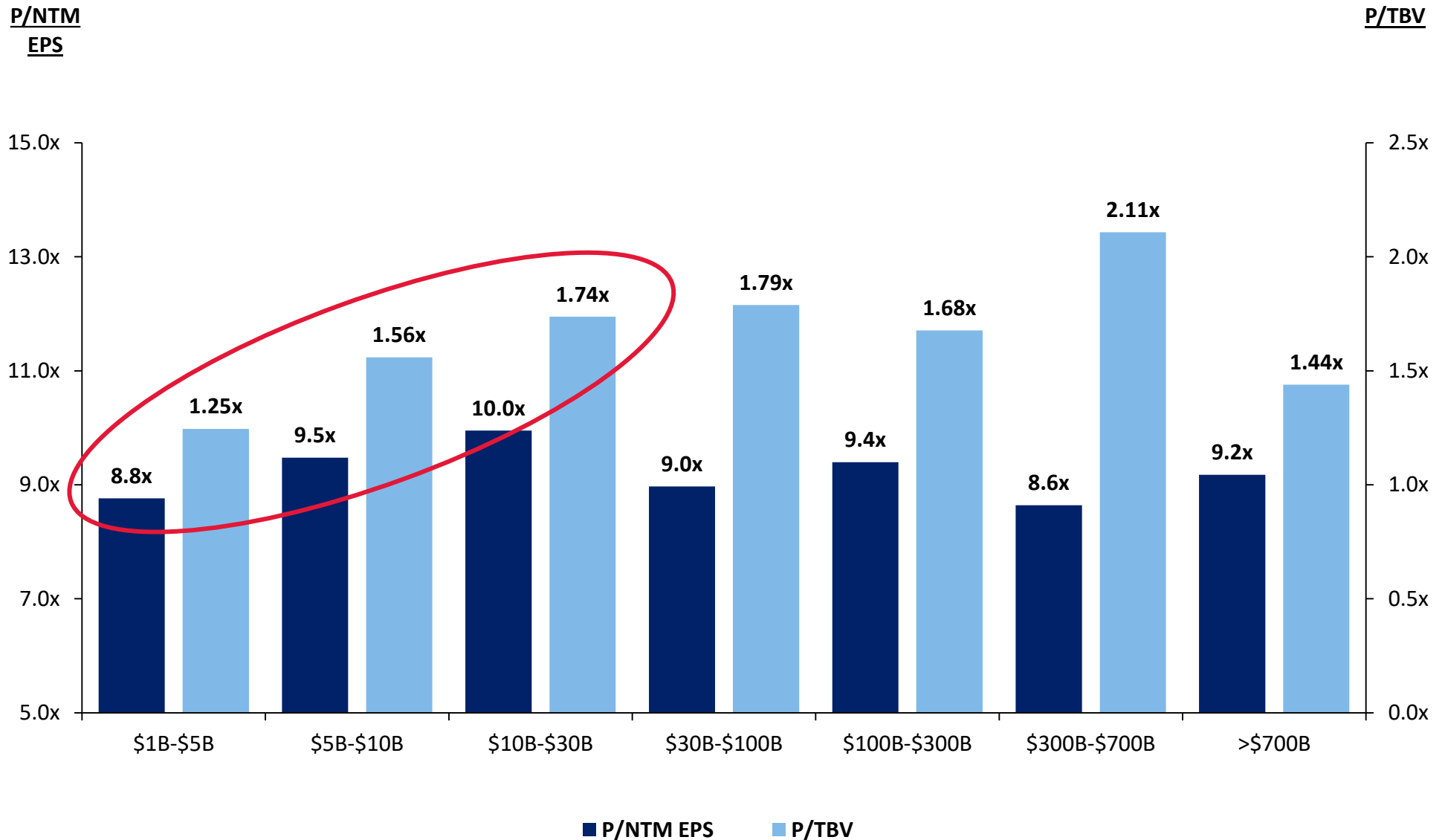
Higher performers have been recognized with higher TBV multiples, but banks have converged on PE valuations



	Q2 2022 ROATCE		Q2 2022 Cost of Deposits	
	Top Quartile	Bottom Quartile	Top Quartile	Bottom Quartile
Median Price / '23E EPS	9.2x	9.7x	9.6x	8.6x
Median Price / TBV	2.05x	1.42x	2.01x	1.30x

Higher performing banks enjoy ability to pay advantages due to higher TBV multiples

Larger community banks have valuation advantages over smaller targets



Some deals are still receiving positive reactions



	With Fair Value Marks	Without Fair Value Marks
2023 EPS Accretion / (Dilution)	5.9%	NA
TBVPS Accretion / (Dilution)	(4.3%)	(2.8%)
TBV Earnback Period (Crossover Method)	2.6 Yrs	2.2 Yrs

Market Reaction:

- 1-day: **2.3%**
- To date (as of 10/17/22): **8.5%**

New York & Texas M&A Landscape



Out-of-state banks looking to expand/enter via M&A

Texas



New York



New York City as a M&A Market



Pros

- ✓ Massive size lends itself to those seeking scale with niche strategies
- ✓ Disciplined deposit pricing, due in large part to influence of large players
- ✓ Traditional resilient credit performance
- ✓ Still massive pool of wealth/high income individuals

Cons

- ✗ Underlying fiscal/economic concerns
 - Troubling experience with COVID
- ✗ Near impossibility of achieving scale with mass market strategies
- ✗ Lack of mid to large sized targets
- ✗ Many of the successful NYC growth stories have been organic

New York City MSA – a Consolidated Market



(\$ in millions)

Top 20 Banks by Deposit Market Share

	Total Deposits (2022)	Deposit Market Share	Branches
1 JP Morgan	\$875,682	22.7%	680
2 Goldman Sachs	259,704	6.7	3
3 Bank of America Corp.	193,491	5.0	359
4 Morgan Stanley	182,630	4.7	6
5 BNY Mellon	181,873	4.7	7
6 TD Bank	146,090	3.8	380
7 Citigroup	132,306	3.4	226
8 MUFG	108,728	2.8	2
9 HSBC	101,182	2.6	9
10 Signature Bank	100,379	2.6	29
11 Mizuho Financial	93,348	2.4	5
12 Sumitomo Mitsui Financial	88,537	2.3	2
13 Wells Fargo	72,972	1.9	261
14 BNP Paribas	62,794	1.6	2
15 Deutsche Bank	56,730	1.5	3
16 Standard Chartered PLC	50,458	1.3	1
17 Capital One	48,492	1.3	110
18 Santander	45,945	1.2	158
19 Royal Bank of Canada	43,859	1.1	9
20 Credit Suisse	43,585	1.1	1

Top 20 Banks by Deposit Market Share (Excl. +\$1bn branches)

	Total Deposits (2022)	Deposit Market Share	Branches
1 JP Morgan	\$240,719	23.6%	680
2 TD Bank	98,532	9.6	380
3 Citigroup	89,457	8.8	226
4 Bank of America	87,982	8.6	359
5 Wells Fargo	47,324	4.6	261
6 Capital One	34,425	3.4	110
7 Signature Bank	25,277	2.5	29
8 Valley National	24,254	2.4	173
9 Santander	21,931	2.2	158
10 PNC	21,811	2.1	167
11 Citizens	19,210	1.9	198
12 Provident / Lakeland	17,506	1.7	154
13 M&T Bank	16,904	1.7	160
14 New York Community	16,096	1.6	168
15 Apple Financial	13,466	1.3	85
16 Webster Financial	10,570	1.0	73
17 Dime Community	8,815	0.9	58
18 HSBC	8,705	0.9	9
19 Columbia	7,240	0.7	60
20 First Republic	6,149	0.6	13

<\$25bn in Assets

Many of the prominent acquirers are gone or on the sidelines



Upstate New York as a M&A Market



Pros

- ✓ Traditionally, a very strong market for deposit costs
- ✓ Stable performance across recent credit cycles
- ✓ Presence of traditional C&I clients
- ✓ Buyers that have premium valuations and credibility as acquirors

Cons

- ✗ Not a lot of outside players looking to compete for deals
- ✗ Much of the consolidation has taken place

Where are we headed with M&A?

