



# Bank Strategic Management



Mr. Jeffrey Marsico  
The Kafafian Group



# MARYLAND BANKING SCHOOL BANK STRATEGIC MANAGEMENT

AUGUST 1, 2023

CONFIDENTIAL

Performance  
Measurement



Strategic  
Management



Profit & Process  
Improvement



Management  
Advisory



Financial  
Advisory



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### FORWARD LOOKING STATEMENTS

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## STRATEGY: WHY DO YOU NEED IT?

If one does not know to which port one is sailing, no wind is favorable.

- Seneca, Roman philosopher

## STRATEGY: WHY DO YOU NEED IT?

Is the General Bank Going Extinct?

The Amazon logo, featuring the word "amazon" in a black, lowercase, sans-serif font, with a yellow curved arrow underneath it pointing from the letter 'a' to the letter 'z'.The Bank of America logo, consisting of the words "Bank of America" in a blue, sans-serif font, followed by a red and blue stylized flag icon.The USAA logo, featuring a stylized blue mountain peak with three horizontal lines on each side, and the letters "USAA" in a bold, blue, sans-serif font below it, with a registered trademark symbol (®) to the right.

## STRATEGY: WHY DO YOU NEED IT?

The best business leaders I knew distinguished themselves, in part, by a willingness to make choices that focused energy, resources, and effort. The wishy-washy tried to cover their bases by doing and pursuing a little bit of everything, clearly fearful of committing to the wrong path. In the end, they succeeded only in diluting already scarce resources and scattering their focus to the point of inefficiency. Great managers, on the other hand, made tough either-or choices that directed effort and talent toward a limited number of objectives.

Chris Lowney, former Jesuit and JP Morgan investment banker, and author of “Heroic Leadership”

## STRATEGY DEVELOPMENT

### Strategy Components



## STRATEGY DEVELOPMENT

### Strategic Planning Pyramid





## STRATEGY DEVELOPMENT

### Situation Analysis

He who knows the enemy and himself will never in a  
hundred battles be at risk.

Sun Tzu in “The Art of War”

## STRATEGY DEVELOPMENT

### Situation Analysis

#### Purpose...

- Concerted effort to identify “what is”. Rigorous and honest self assessment, analyzing industry direction, bank markets, competitors, and emerging customer preferences.
- Internal Analysis:
  - ☐ Strengths;
  - ☐ Weaknesses
- External Analysis:
  - ☐ Opportunities;
  - ☐ Threats

## STRATEGY DEVELOPMENT

### Situation Analysis

#### Strength - Unsubstantiated

- Efficient lending operation that allows us to price aggressively in the markets we serve.
- Basis: Corporate efficiency ratio of 55%, below that of our peer group. Also, lenders and staff always appear busy.

#### Strength - Better

- Efficient lending operation that allows us to price aggressively in the markets we serve.
- Basis: Lending expense ratio has dropped five consecutive quarters and is better than peer group.

## STRATEGY DEVELOPMENT

### Situation Analysis

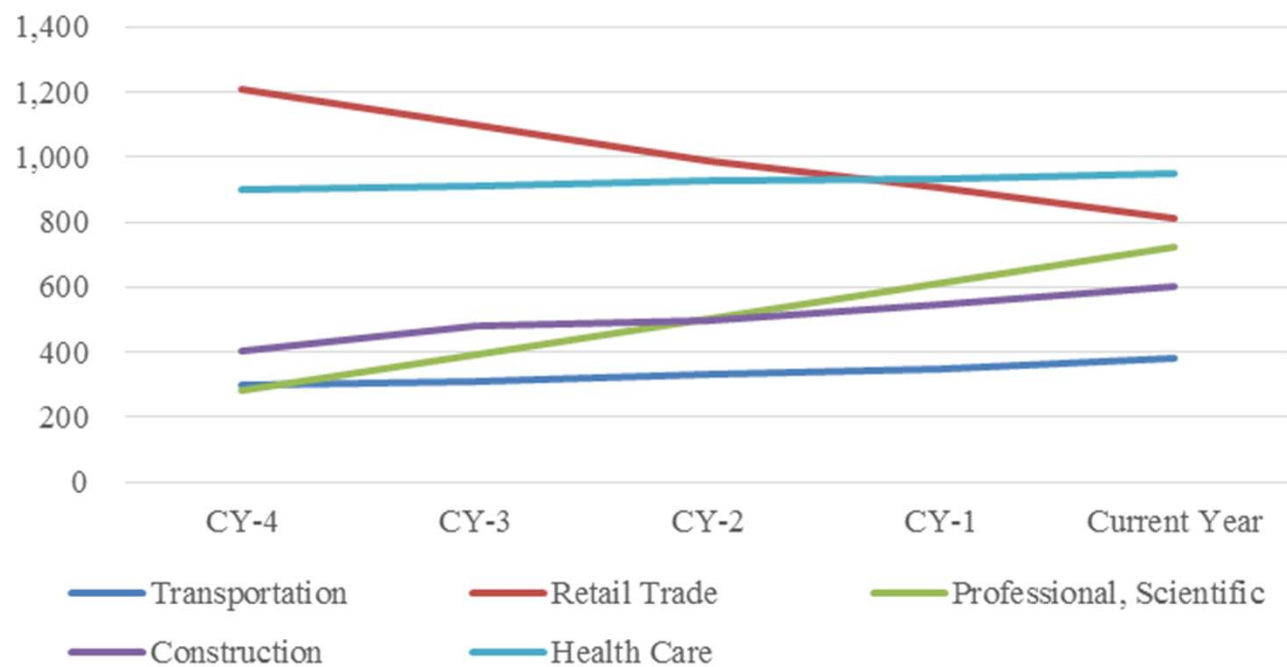
Lending: Direct Operating Expense as % of Loan Portfolio



## STRATEGY DEVELOPMENT

### Situation Analysis

Commercial Checking Account Trends



## STRATEGY DEVELOPMENT

## Situation Analysis

	Your Bank	Client Defined Peers	Relational Peers
1 Total Assets (\$000s)	\$693,551	\$801,451	\$771,815
2 Total Loans (\$000s)	477,301	648,107	528,399
3 Total Deposits (\$000s)	556,476	648,454	640,156
4 Loans / Deposits (%)	85.77	97.66	82.14
5 Borr. / Assets (%)	10.66	6.33	6.75
6 Tang. Equity / Tang. Assets (%)	8.50	7.95	8.83
7 Equity / Assets (%)	8.50	8.33	8.97
8 Tier 1 Leverage Ratio (%)	9.45	9.12	9.98
9 Tier 1 RBC Ratio (%)	13.04	11.39	13.47
10 Total RBC Ratio (%)	14.30	12.43	14.71
11 NPAs / Assets (%)	2.44	1.75	1.82
12 NPAs ex. TDRs / Assets (%)	0.71	1.18	1.15
13 Reserves / NPAs (%)	56.70	47.92	49.09
14 NCOs / Avg. Loans (%)	0.17	0.42	0.08

## STRATEGY DEVELOPMENT

### Situation Analysis

#### Exercise

Identify one financial strength and one weakness from the Peer Group distributed to you. Be prepared to answer why.

## STRATEGY DEVELOPMENT

### Vision

All great companies have a visionary leader at the top who is always pointing to the kind of organization they are going to be.

Ken Blanchard



## STRATEGY DEVELOPMENT

### Vision

#### Purpose...

- Mission is who we are.
- Vision is who we would like to be.

#### Bad Vision:

We will be the premier provider of world-class banking products with unmatched service and a superior experience you won't find anywhere else.

#### Good Vision:

Be number one or number two in every market we serve.

## STRATEGY DEVELOPMENT

### Universal Vision Crafter

Our vision is to be the *(fill in: superior, preeminent, cut above)* banking solution to *(fill in: small business, middle market, wealthy, working class, professional, not-for-profit, all of the above)* customers to help them achieve *(fill in: financial independence, their dreams, superior results)* and help our communities *(fill in: thrive, grow, succeed)* and our employees *(fill in: realize their potential, excel, be happy)* while *(fill in: enhancing, achieving, striving for)* shareholder value.

## STRATEGY DEVELOPMENT

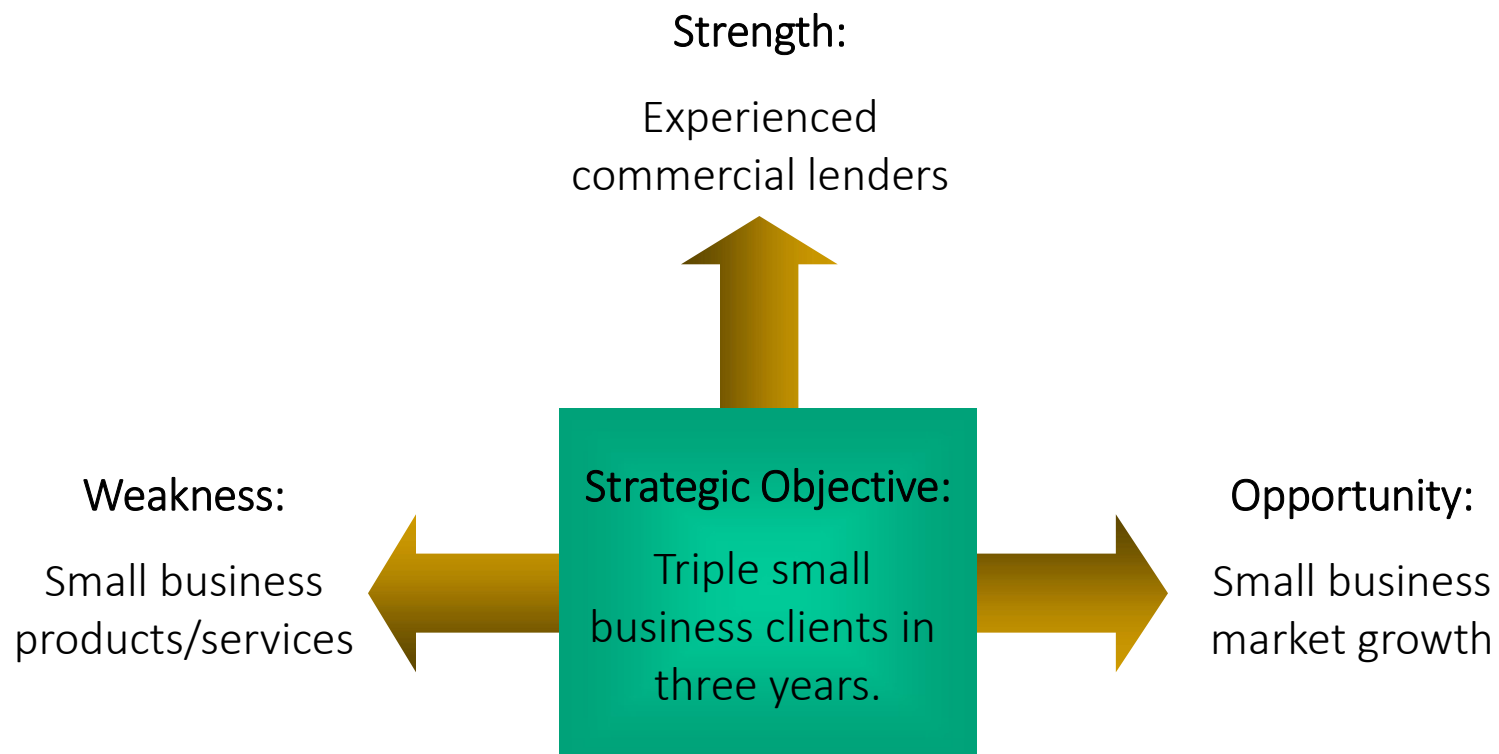
### Strategic Objectives

- Strategic objectives form the essence of the plan
- Move the organization closer to its vision while focusing on results that improve the organization's competitive position such as:
  - ☐ Increasing market share;
  - ☐ Building and supporting the brand;
  - ☐ Gaining a sustainable competitive advantage; and/or
  - ☐ Enhancing stakeholder value

## STRATEGY DEVELOPMENT

### Strategic Objectives

Vision: Be the catalyst for business growth and regeneration in the markets we serve.



## STRATEGY DEVELOPMENT

### Operating Plan

At some point, planning must degenerate into work.

Peter Drucker

If you have a bad strategy, no amount of good execution will help.

Michael Mankins, Partner, Bain & Co.

## STRATEGY DEVELOPMENT

### Operating Plan

- The Operating Plan bridges the gap between strategy and execution
- It details the goals and initiatives to be implemented over the next 12-18 months to execute on the critical issues
- It is the organizations “to do” list and helps CEO’s manage execution of the plan
- It is typically put together by senior management with input from all bank managers

## STRATEGY DEVELOPMENT

### Operating Plan

Strategic Objective	SAMPLE GOAL	SAMPLE TASK	Management Responsible	End Date
Triple Small Business Clients in 3 Years	Current year originate: C&I loans: \$90 million SBA Loans: \$50 million	Redefine the role of loan officers as relationship driven loan originations	Doe	[DATE]
Triple Small Business Clients in 3 Years	Current year originate: C&I loans: \$90 million SBA Loans: \$50 million	Develop plan for small business roll-out which allows time for product development	Deer	[DATE]
Triple Small Business Clients in 3 Years	Current year originate: C&I loans: \$90 million SBA Loans: \$50 million	Evaluate expansion of SBA platform and achieving preferred lender status.	Deer	[DATE]
Triple Small Business Clients in 3 Years	Current year originate: C&I loans: \$90 million SBA Loans: \$50 million	Streamline approval and setup processes for small business loans without sacrificing credit quality	Deer	[DATE]
Triple Small Business Clients in 3 Years	Current year originate: C&I loans: \$90 million SBA Loans: \$50 million	Develop ability to accept online small business loan applications and deposits	Buck	[DATE]
Triple Small Business Clients in 3 Years	Current year originate: C&I loans: \$90 million SBA Loans: \$50 million	Designate one or two existing lenders to focus on small business/middle market loans	Doe	[DATE]

## STRATEGY DEVELOPMENT

### Financial Projections

- Should represent “stretch”, not budgets
- Consider two sets of projections: Base and Stretch
- What would success look like, in financial terms, if the bank was successful executing its strategy?
- Can be developed first, and the operating plan is developed to “hit the targets”, or...
- Can be developed after operating plan, incorporating impact from initiatives
- Board sets higher level financial targets (ROE, EPS growth, etc.)
- Operating plan and financials developed to meet/exceed targets



## STRATEGY DEVELOPMENT

### Financial Projections: Strategy Value Gap

*The strategy value gap analysis asks: what is the value gap, on a per share and percentage basis, of your current strategy relative to the value that could be created through a strategic alternative? There are two general approaches to measure this gap:*

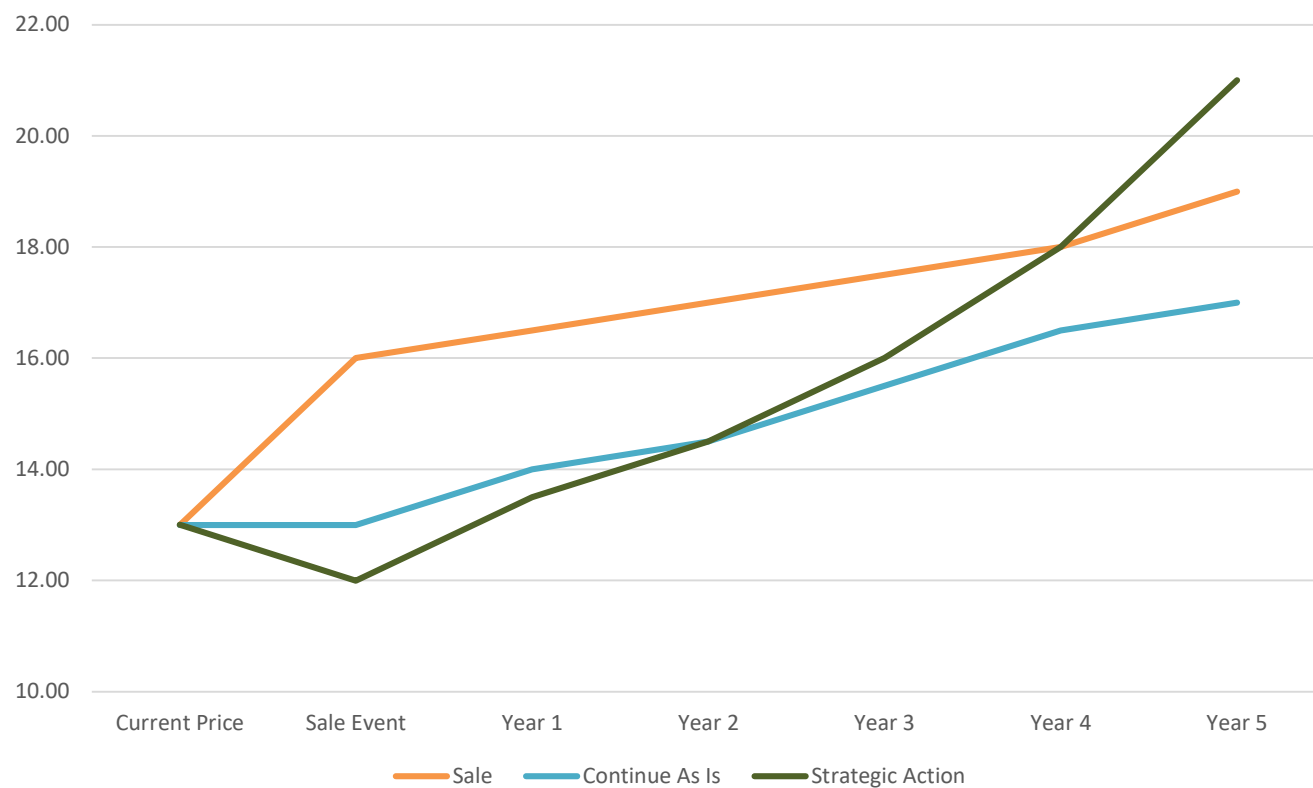
Naïve Approach (per share) Quantifies Magnitude of Difference (now)	
Value per share of strategic alternative	\$15.00
Value per share of strategic plan	\$13.00
Value gap per share	\$2.00
Value gap (% of strategic plan)	15.38%
Compared to Board expectation of +/-5% relative to value created by strategic plan	

IRR Approach (per share) Incorporates Investment Time Horizon (how long)	
Value per share of strategic alternative	\$15.00
Value per share of strategic plan	\$13.00
Value gap per share	\$2.00
<b>Time horizon for holding investment (at 11% discount rate)</b>	<b>5 years</b>
Required EPS growth rate (annual)	9.28%
Compared to Board expectation of 7% growth rate in earnings per share (incremental need is 2.2% per year for 5 years)	

Source: The Kafafian Group

## STRATEGY DEVELOPMENT

### Financial Projections: Strategy Value Gap



Source: The Kafafian Group

## STRATEGY DEVELOPMENT: COMPONENT PLANS

### Risk Appetite

	-100	+100	+200	+300
Percent Change in Net Interest Income	-1.40%	1.80%	3.90%	5.50%
Policy Limit	-10.00%	-10.00%	-20.00%	-30.00%
Percent Change in Economic Value of Equity	-6.90%	1.70%	2.70%	4.30%
Policy Limit	-10.00%	-10.00%	-20.00%	-30.00%

Loan Category	Policy LTV	Portfolio Average	% Exceptions
Land for development; commercial or residential	60.00%	51.00%	18.20%
Farm land	70.00%	59.50%	11.67%
Individual building lots, unimproved	70.00%	63.00%	8.56%
Improved Commercial properties	75.00%	63.75%	10.50%
Condominiums	70.00%	56.00%	4.30%
Special Use facilities	65.00%	52.00%	14.56%
Residential (1 to 4 family) construction loans	80.00%	72.00%	11.20%
Owner occupied residences, purchase, refinance, or home equity	80.00%	64.00%	3.71%

Source: The Kafafian Group

## STRATEGY DEVELOPMENT: COMPONENT PLANS

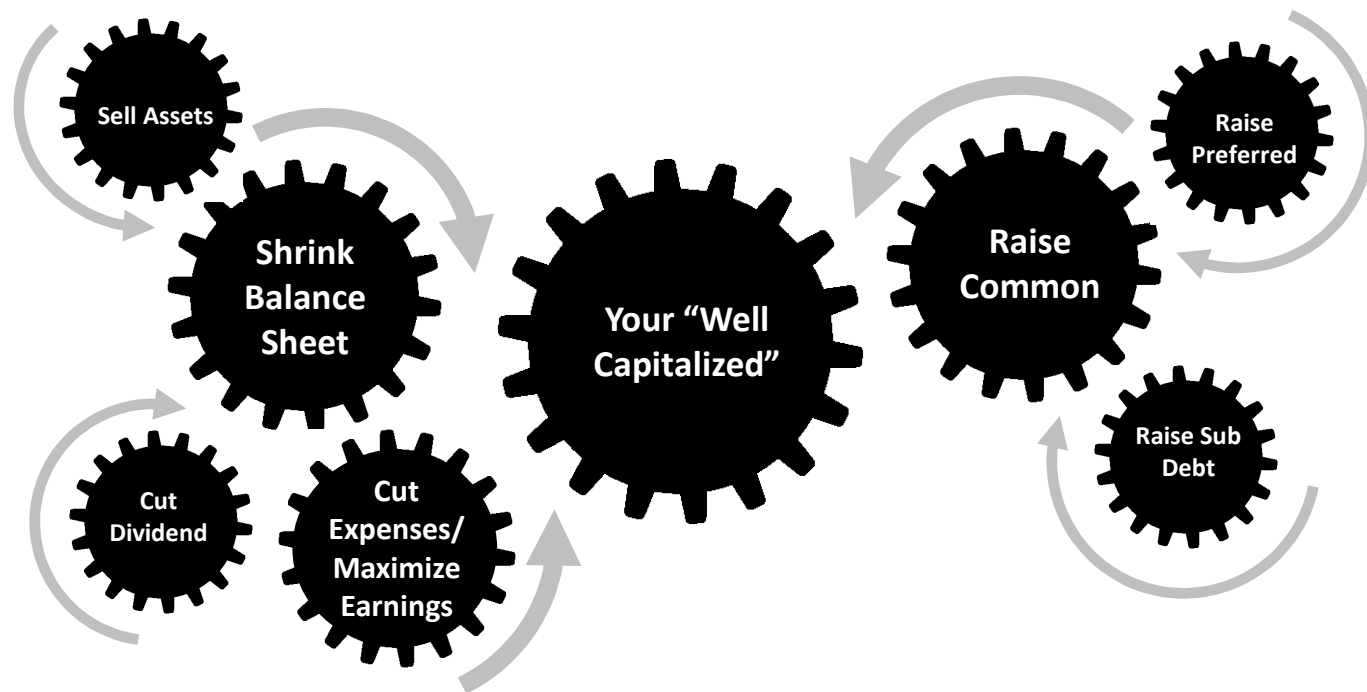
### Capital Plan: What's your well-capitalized?

	Current Period	Well Capitalized	Risk Buffer	Capital Required (%)	Capital Required \$
<i>(Dollars in Thousands)</i>					
1 Total Cash & Bals Due	\$28,428	5.00%	0.15%	5.15%	\$1,464
2 Investment Securities	339,217	5.00%	1.25%	6.25%	21,201
3 Net Loans & Leases	2,203,532	5.00%	2.35%	7.35%	161,960
4 Other Assets	82,441	5.00%	0.50%	5.50%	4,534
5 Total Assets	<u>\$2,653,618</u>	5.00%	2.13%	7.13%	\$189,159
6 Total Deposits	\$2,229,590		0.90%	0.90%	\$20,066
7 Fed Funds & Repos	24,104		0.20%	0.20%	48
8 Borrowings	144,424		0.25%	0.25%	361
9 Other Liabilities	13,221		0.00%	0.00%	0
10 Total Liabilities	<u>2,411,339</u>				20,476
11 Total Equity	<u>242,279</u>			Required Equity ----	\$209,635
12 Total Liabilities + Equity	<u>\$2,653,618</u>				
13 Total Equity (actual)	\$242,279				
14 Total Equity (required)	209,635				
15 Buffer (deficit)	32,644				
16 Your Well Capitalized	<u>7.90%</u>				

Source: The Kafafian Group

## STRATEGY DEVELOPMENT: COMPONENT PLANS

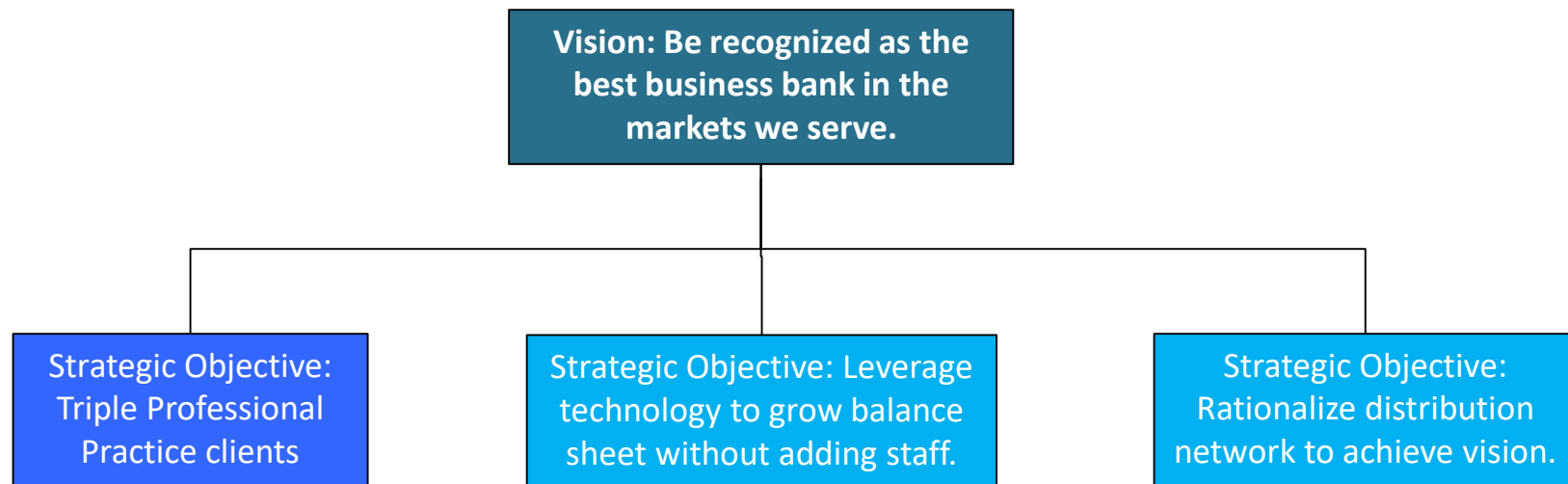
Capital Plan: How would you augment capital in a stress scenario?



Source: The Kafafian Group, Inc.

## STRATEGY DEVELOPMENT: COMPONENT PLANS

Marketing and IT Plans: Do they support the bank's strategy?



Source: The Kafafian Group

## STRATEGY DEVELOPMENT: COMPONENT PLANS

### Marketing and IT Plans: Do they support the bank's strategy?

Vision: Be recognized as the best business bank in the markets we serve.

Strategic Objective:  
Rationalize distribution network to achieve vision.

#### Marketing Plan

- Develop product/pricing approach to attract small businesses in markets where we don't have branches.
- Build and promote affinity website as a small business resource that contains bank-developed content to demonstrate subject matter expertise, as well as small business news/ resources / information.

#### IT Plan

- Automate small business online banking application and approval process.
- Work with Marketing to build small business affinity website.
- Deploy tablet technology in branches for quicker account opening.

Source: The Kafafian Group

## BANK STRATEGIC MANAGEMENT

### Parting Shot

Why have we shrunk from over 15,000 FDIC Insured Banks and Thrifts in 1990 to where we are today?

Do we have a vision and strategy to achieve it?

What bank do you want to be?



## INSTRUCTOR

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Mr. Marsico is the President, shareholder, and founding member of TKG. His specialties include: facilitating the development of client strategies; mergers & acquisitions; profit/process improvement consulting engagements; profitability consulting; and regulatory order assistance.

As part of the strategic consulting team, Mr. Marsico has analyzed and facilitated over one hundred strategy development engagements for community financial institutions resulting in documented strategic plans to guide client employees and improve performance. He has negotiated, analyzed, and advised Boards of Directors regarding bank mergers and acquisitions resulting in whole institution and branch sale transactions with values in excess of \$1B, including the first reverse merger-conversion where the converting thrift acquired a commercial bank.

Mr. Marsico began his banking career in 1985 and his experience includes: IT and Trust operations with Northeastern Bank of Pennsylvania (now PNC Financial Services Group, Inc.); retail branch management and strategic planning with First Maryland Bancorp (now M&T Bank Corporation); and financial institution mergers & acquisitions, consulting, and capital formation with Tucker Anthony Sutro Capital Markets (now RBC Capital Markets). He interrupted his banking career and served seven years as a Military Intelligence Analyst in the United States Navy, earning three Navy Achievement Medals, the Kuwait Liberation Medal, the Southwest Asia Service Medal, the Combat Action Ribbon, Sea Service Ribbon, and other various commendations.

Mr. Marsico is the author of [\*Squared Away-How Can Bankers Succeed as Economic First Responders\*](#) and serves on the faculty of various state banking associations' Executive Development Programs. He is frequently sought out by industry publications regarding the changes occurring in financial services and is a noted industry commentator via his blog.

# THE KAFAFIAN GROUP

Helping Banks Perform Better



July 2023

CONFIDENTIAL

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Performance  
Measurement



Strategic  
Management



Profit & Process  
Improvement



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*Source: The Kafafian Group, Inc*

## 3rd Year Peer

## PEER ANALYTICS

### 3<sup>RD</sup> YEAR PEER FINANCIAL CONDITION

As of March 31, 2023

Company Name	City	State	Branch Count	Total Assets (\$000s)	Total Loans (\$000s)	Total Deposits (\$000s)	Cash, Int. Bear. Bal. & FFS / Assets (%)	Loans / Deposits (%)	Borr. / Assets (%)	Tang. Equity / Assets (%)	Equity / Assets (%)	Tier 1 Leverage Ratio (%)	CET1 Ratio (%)	Tier 1 Risk-based Capital Ratio (%)	Total Capital Ratio (%)	Capital Conservation Buffer (%)	CRE Loans / Total Risk-Based Capital (%)	NPAs ex. Assets (%)	TDRs / Assets (%)	NPLs / Loans (%)	Reserves / NPAs (%)	NCOs / Avg. Loans (%)
1 Bank of Ocean City	Ocean City	MD	6	585,919	375,553	517,392	2.27	72.59	1.88	9.58	9.58	9.70	14.12	14.12	14.77	6.77	292.88	0.00	0.00	0.00	NA	0.01
2 Community Bank Delaware	Lewes	DE	2	321,708	267,820	279,907	5.05	95.68	2.95	8.65	8.65	9.60	12.73	12.73	13.97	5.97	226.79	0.07	0.01	0.08	NM	0.00
3 Community Bank of the Chesapeake	Waldorf	MD	1	2,426,708	1,844,374	2,156,731	1.13	85.52	0.89	8.97	9.39	10.39	13.03	13.03	14.25	6.25	378.62	0.33	0.33	0.44	289.38	0.01
4 First United Corporation	Oakland	MD	26	1,937,442	1,289,007	1,591,285	8.05	80.99	8.54	7.30	7.89	11.47	12.70	14.76	16.01	8.01	171.95	0.41	0.41	0.25	214.75	0.08
5 Harford Bank	Aberdeen	MD	10	604,569	447,578	537,541	3.90	83.26	1.54	9.08	9.08	9.25	12.37	12.37	13.62	5.62	228.45	1.12	1.12	1.52	74.76	0.00
6 Community Heritage Financial, Inc.	Middletown	MD	8	936,620	759,315	815,833	1.37	92.86	5.09	7.10	7.26	9.57	12.30	12.30	13.47	5.47	240.41	0.30	0.22	0.37	278.19	(0.00)
7 Rosedale Federal Savings and Loan Association	Baltimore	MD	14	1,230,779	924,227	954,839	4.24	96.79	2.44	18.40	19.51	19.75	NA	NA	NA	NA	125.63	1.62	0.67	2.07	39.44	0.00
8 Sandy Spring Bancorp, Inc.	Olney	MD	56	14,129,007	11,411,503	11,075,991	3.51	102.88	10.15	8.40	10.88	9.44	10.53	10.53	14.43	4.52	346.02	0.31	0.31	0.38	269.27	(0.01)
9 Partners Bancorp	Salisbury	MD	21	1,539,713	1,251,521	1,312,541	5.98	95.29	5.13	8.56	9.22	10.08	12.44	12.44	13.69	5.69	319.74	0.14	0.14	0.17	753.21	(0.01)
10 The Farmers Bank of Willards	Willards	MD	8	529,421	345,655	451,855	1.51	76.50	4.75	9.22	9.22	9.80	15.61	15.61	16.68	8.68	123.29	0.62	0.52	0.15	105.88	0.05
11 Peoples Bancorp, Inc.	Chestertown	MD	7	325,024	175,412	294,664	13.01	59.53	0.29	7.76	8.64	9.76	19.59	19.59	20.85	12.85	102.72	0.37	0.19	0.69	236.18	(0.03)
12	25th Percentile									8.08	8.65	9.59	12.39	12.39	13.76	5.64	148.79	0.51	0.46	0.56	105.88	0.01
13	75th Percentile									9.15	9.49	10.24	13.85	14.60	15.70	7.70	306.31	0.22	0.17	0.16	278.19	(0.00)
14	Average	14		2,233,355	1,735,633	1,817,144	4.55	85.63	3.97	9.37	9.94	10.80	13.54	13.75	15.17	6.98	232.41	0.48	0.36	0.56	251.23	0.01
15	Median	8		936,620	759,315	815,833	3.90	85.52	2.95	8.65	9.22	9.76	12.72	12.88	14.34	6.11	228.45	0.33	0.31	0.37	236.18	0.00

#### Peer Criteria

- Peer consisting of the financial institutions of third year students

NOTE: If GAAP data is not available at the holding company level, bank holding company regulatory data or bank regulatory data is used.

Source: S&P Capital IQ Pro

## 3<sup>RD</sup> YEAR PEER BALANCE SHEET COMPOSITION

Company Name	As a percent of total loans at March 31, 2023							As a percent of total deposits at March 31, 2023			
	1-4 Family 1st (%)	Const. & Land Dev. (%)	Multi- Family Real Estate (%)	CRE (%)	C&I (%)	Cons. & Home Eq. (%)	All Other Loans (%)	Trans. Accts (%)	MMDA & Savings (%)	Total Time (%)	Jumbo Time (%)
1 Bank of Ocean City	20.99	14.59	2.49	54.42	4.91	1.01	1.59	38.93	46.91	14.16	4.74
2 Community Bank Delaware	47.20	9.02	2.77	29.96	3.13	6.35	1.57	23.88	30.39	45.73	10.14
3 Community Bank of the Chesapeake	14.11	7.29	9.16	61.21	5.08	1.89	1.26	10.63	69.39	19.98	3.26
4 First United Corporation	30.60	5.97	3.63	31.18	18.25	9.45	0.92	20.18	68.62	11.20	2.40
5 Harford Bank	24.36	5.81	0.86	49.25	7.04	8.89	3.79	9.59	74.57	15.84	4.14
6 Community Heritage Financial, Inc.	27.67	10.08	3.02	35.75	15.65	4.45	3.38	46.35	40.98	12.68	4.73
7 Rosedale Federal Savings and Loan Association	58.00	4.71	1.98	32.88	0.91	1.49	0.03	13.79	45.00	41.21	6.52
8 Sandy Spring Bancorp, Inc.	15.79	12.14	7.05	49.10	10.49	4.24	1.19	42.44	33.66	23.90	4.54
9 Partners Bancorp	18.77	11.13	4.25	53.06	7.85	2.54	2.40	51.71	24.18	24.11	5.14
10 The Farmers Bank of Willards	45.24	11.21	2.50	21.08	9.16	6.86	3.95	41.75	34.26	23.99	3.10
11 Peoples Bancorp, Inc.	48.38	5.11	1.56	28.18	4.32	2.68	9.77	50.81	35.40	13.79	1.42
12 <b>Average</b>	<b>31.92</b>	<b>8.82</b>	<b>3.57</b>	<b>40.55</b>	<b>7.89</b>	<b>4.53</b>	<b>2.71</b>	<b>31.82</b>	<b>45.76</b>	<b>22.42</b>	<b>4.56</b>
13 <b>Median</b>	<b>27.67</b>	<b>9.02</b>	<b>2.77</b>	<b>35.75</b>	<b>7.04</b>	<b>4.24</b>	<b>1.59</b>	<b>38.93</b>	<b>40.98</b>	<b>19.98</b>	<b>4.54</b>

NOTE: If GAAP data is not available at the holding company level, bank holding company regulatory data or bank regulatory data is used.

Source: S&P Capital IQ Pro

## 3<sup>RD</sup> YEAR PEER FINANCIAL HIGHLIGHTS

For the LTM ended March 31, 2023

Company Name	Net Interest Margin (%)	Yield on Earning Assets (%)	Yield on Loans (%)	Yield on Securities (%)	Cost of Funds (%)	Cost of Deposits (%)	Cost of Int. Bearing Deposits (%)	Cost of Borr. (%)	Non-Int. Income/Avg. Assets (%)	Non-Int. Income/Operating Revenue (%)	Non-Int. Expense/Avg. Assets (%)	Efficiency Ratio (FTE basis) (%)	Return on Average Assets (%)	Return on Average Equity (%)
1 Bank of Ocean City	2.96	3.36	4.71	1.62	0.42	0.41	0.65	6.04	0.21	6.80	1.30	42.26	1.28	15.42
2 Community Bank Delaware	3.74	4.30	4.59	2.21	0.58	0.53	0.66	4.62	0.17	4.71	2.29	61.68	0.98	12.05
3 Community Bank of the Chesapeake	3.40	4.04	4.62	2.21	0.59	0.54	0.91	6.14	0.27	7.59	1.55	43.82	1.41	15.57
4 First United Corporation	3.59	4.03	4.60	2.33	0.44	0.35	0.53	1.93	0.98	23.35	2.47	57.09	1.29	16.91
5 Harford Bank	3.52	3.73	4.68	1.55	0.18	0.22	0.31	4.84	0.30	8.21	2.48	66.19	0.96	11.06
6 Community Heritage Financial, Inc.	3.28	4.16	4.49	2.06	0.80	0.75	1.15	3.25	0.38	10.91	2.49	71.33	0.71	11.06
7 Rosedale Federal Savings and Loan Association	2.96	3.50	4.04	1.89	0.66	0.62	0.68	3.64	0.08	2.94	2.34	80.07	0.37	1.88
8 Sandy Spring Bancorp, Inc.	3.31	4.23	4.59	2.03	0.99	0.75	1.16	3.53	0.49	13.54	1.91	51.37	1.28	11.76
9 Partners Bancorp	3.75	4.24	4.91	2.43	0.34	0.38	0.54	2.78	0.32	8.17	2.52	62.65	0.90	10.79
10 The Farmers Bank of Willards	3.87	4.27	5.71	1.80	0.43	0.35	0.53	4.89	0.34	8.31	2.50	61.58	1.06	11.85
11 Peoples Bancorp, Inc.	3.32	3.45	4.29	2.50	0.14	0.13	0.22	0.10	1.66	34.09	3.60	72.55	1.12	14.54
12 25th Percentile	3.29	3.62	4.54	1.85	0.63	0.58	0.80	4.87	0.24	7.20	2.49	68.76	0.93	11.06
13 75th Percentile	3.66	4.23	4.70	2.27	0.38	0.35	0.53	3.02	0.43	12.23	2.10	54.23	1.28	14.98
14 Average	3.43	3.94	4.66	2.06	0.51	0.46	0.67	3.80	0.47	11.69	2.31	60.96	1.03	12.08
15 Median	3.40	4.04	4.60	2.06	0.44	0.41	0.65	3.64	0.32	8.21	2.47	61.68	1.06	11.85

NOTE: If GAAP data is not available at the holding company level, bank holding company regulatory data or bank regulatory data is used.

Source: S&amp;P Capital IQ Pro

## 3<sup>RD</sup> YEAR PEER FINANCIAL HIGHLIGHTS (CONTINUED)

For the quarter ended March 31, 2023 (annualized)														
Company Name	Net Interest Margin (%)	Yield on Earning Assets (%)	Yield on Loans (%)	Yield on Securities (%)	Cost of Funds (%)	Cost of Deposits (%)	Cost of Int. Bearing Deposits (%)	Cost of Borr. (%)	Non-Int. Income/ Avg. Assets (%)	Non-Int. Income/ Operating Revenue (%)	Non-Int. Expense/ Avg. Assets (%)	Efficiency Ratio (FTE basis) (%)	Return on Average Assets (%)	Return on Average Equity (%)
1 Bank of Ocean City	2.94	3.60	4.71	1.63	0.70	0.65	0.99	5.60	0.20	6.82	1.43	47.44	1.13	12.31
2 Community Bank Delaware	3.61	4.66	4.84	2.43	1.09	0.93	1.10	8.34	0.15	4.30	2.21	62.48	0.94	11.25
3 Community Bank of the Chesapeake	3.29	4.59	5.05	2.99	1.16	1.04	1.79	8.01	0.21	6.29	1.55	45.54	1.33	14.77
4 First United Corporation	3.48	4.33	4.90	2.46	0.77	0.66	1.00	2.51	0.93	23.23	2.67	64.95	0.92	11.71
5 Harford Bank	3.80	4.15	4.91	1.77	0.37	0.34	0.48	4.95	0.33	8.37	2.47	61.42	1.06	11.45
6 Community Heritage Financial, Inc.	3.18	4.52	4.94	2.10	1.42	1.40	2.07	2.13	0.31	9.31	2.68	81.63	0.60	8.23
7 Rosedale Federal Savings and Loan Association	2.96	3.76	4.18	1.93	0.96	0.88	0.95	3.64	0.08	2.78	2.15	73.52	0.63	3.32
8 Sandy Spring Bancorp, Inc.	2.95	4.63	4.93	2.20	1.76	1.48	2.19	4.35	0.46	14.08	1.90	56.87	1.47	13.74
9 Partners Bancorp	4.05	4.80	5.19	2.61	0.81	0.60	1.00	4.44	0.32	7.48	2.74	63.75	0.85	9.43
10 The Farmers Bank of Willards	3.97	4.62	5.86	2.07	0.70	0.47	0.71	5.26	0.35	8.49	2.61	62.55	1.08	11.93
11 Peoples Bancorp, Inc.	3.90	4.02	4.41	3.22	0.13	0.13	0.21	0.00	2.41	38.73	4.02	63.44	1.69	20.95
12 25th Percentile	3.07	4.08	4.78	2.00	1.13	0.98	1.45	5.43	0.21	6.56	2.68	64.35	0.89	10.34
13 75th Percentile	3.85	4.63	5.00	2.54	0.70	0.53	0.83	3.08	0.40	11.70	2.03	59.15	1.23	13.03
14 Average	3.47	4.33	4.90	2.31	0.90	0.78	1.14	4.48	0.52	11.81	2.40	62.14	1.06	11.74
15 Median	3.48	4.52	4.91	2.20	0.81	0.66	1.00	4.44	0.32	8.37	2.47	62.55	1.06	11.71

NOTE: If GAAP data is not available at the holding company level, bank holding company regulatory data or bank regulatory data is used.

Source: S&P Capital IQ Pro



## 3<sup>RD</sup> YEAR PEER EXPENSE DETAIL

For the LTM ended March 31, 2023

Company Name	Offices (#)	Number of Emp. (FTE)	Salary & Benefits per Emp. (\$000)	Salary & Benefits (\$000)	Total Nonint. Expense (\$000)	Total Revenue per Emp. (\$000)
1 Bank of Ocean City	6	65	68.4	4,445	8,203	298
2 Community Bank Delaware	2	36	111.8	4,023	6,933	312
3 Community Bank of the Chesapeake	1	199	111.5	22,189	37,027	424
4 First United Corporation	26	317	80.3	25,452	45,198	242
5 Harford Bank	10	88	103.2	9,082	15,057	255
6 Community Heritage Financial, Inc.	8	174	72.0	12,536	22,595	181
7 Rosedale Federal Savings and Loan Association	14	155	103.6	16,060	28,430	225
8 Sandy Spring Bancorp, Inc.	56	1,170	135.1	158,057	261,514	418
9 Partners Bancorp	21	158	79.1	12,490	23,842	408
10 The Farmers Bank of Willards	8	77	86.5	6,660	13,034	274
11 Peoples Bancorp, Inc.	7	81	100.3	8,125	12,412	208
12 25th Percentile			107.6	19,125	32,729	234
13 75th Percentile			79.7	7,393	12,723	360
14 Average	14	229	95.6	25,374	43,113	295
15 Median	8	155	100.3	12,490	22,595	274

**NOTE: If GAAP data is not available at the holding company level, bank holding company regulatory data or bank regulatory data is used.**

Source: S&amp;P Capital IQ Pro