

# FY24 Q2 Investor Call

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January 31, 2024

# Forward-Looking Statement

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Statements in this presentation that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although the Bank believes that these forward-looking statements are based on reasonable estimates and assumptions, they are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond the Bank's control. The Bank's actual results could differ materially from those projected in the forward-looking statements as a result of, among other factors, changes in general business and economic conditions on a national basis and in the local markets in which the Bank operates, including changes which adversely affect borrowers' ability to service and repay loans; changes in customer behavior due to political, business and economic conditions, including inflation and concerns about liquidity; turbulence in the capital and debt markets; reductions in net interest income resulting from interest rate volatility as well as changes in the balances and mix of loans and deposits; changes in interest rates and real estate values; changes in loan collectability and increases in defaults and charge-off rates; decreases in the value of securities and other assets, adequacy of loan loss reserves, or deposit levels necessitating increased borrowing to fund loans and investments; changing government regulation; competitive pressures from other financial institutions; changes in legislation or regulation and accounting principles, policies and guidelines; cybersecurity incidents, fraud, natural disasters, and future pandemics; the risk that the Bank may not be successful in the implementation of its business strategy; the risk that intangibles recorded in the Bank's financial statements will become impaired; changes in assumptions used in making such forward-looking statements; and the other risks and uncertainties detailed in the Bank's Annual Report on Form 10-K and updated by our Quarterly Reports on Form 10-Q and other filings submitted to the FDIC. These statements speak only as of the date of this release and the Bank does not undertake any obligation to update or revise any of these forward-looking statements to reflect events or circumstances occurring after the date of this communication or to reflect the occurrence of unanticipated events.

# Financial Highlights

	Q2 FY24	YTD FY24
Total Loan Volume	\$263.4 million	\$393.6 million
National Lending:		
Purchased Loans	\$186.1 million invested on \$208.0 million of UPB <sup>(1)</sup> (89.5% purchase price)	\$238.5 million invested on \$271.7 million of UPB <sup>(1)</sup> (87.8% purchase price)
Originated Loans <sup>(2)</sup>	\$63.5 million	\$131.5 million
Weighted Average Rate as of 12/31/2023 <sup>(3)</sup>	9.45%	9.47%
Net Interest Margin	5.20%	5.25%
Purchased Loan Return <sup>(4)</sup>	9.21%	9.13%
Net Proceeds from Share Issuances <sup>(5)</sup>	12,760 at \$42.74	12,760 at \$42.74
Net Income	\$14.1 million	\$29.2 million
EPS (Diluted)	\$1.85	\$3.86
Return on Equity	17.35%	18.51%
Return on Assets	1.93%	2.02%
Tangible Book Value per Share	\$41.97	\$41.97

(1) Unpaid principal balance.

(2) National Lending originations for Q2 FY24 were 100% variable rate, of which 37% were Prime-rate based and 63% were SOFR-based. National Lending originations for YTD FY24 were 90% variable rate, of which 50% were Prime-rate based and 50% were SOFR-based.

(3) Q2 and YTD FY24 National Lending originations had a weighted average floor rate of 7.78% and 8.09%, respectively.

(4) Purchased loan return for Q2 and YTD FY24 included \$2.5 million and \$5.3 million of transactional income, respectively.

(5) During Q2 FY23, the Bank approved an At-the-Market ("ATM") Offering for up to \$50.0 million of voting common stock. During Q2 FY24, the Bank extended the ATM until November 2024.

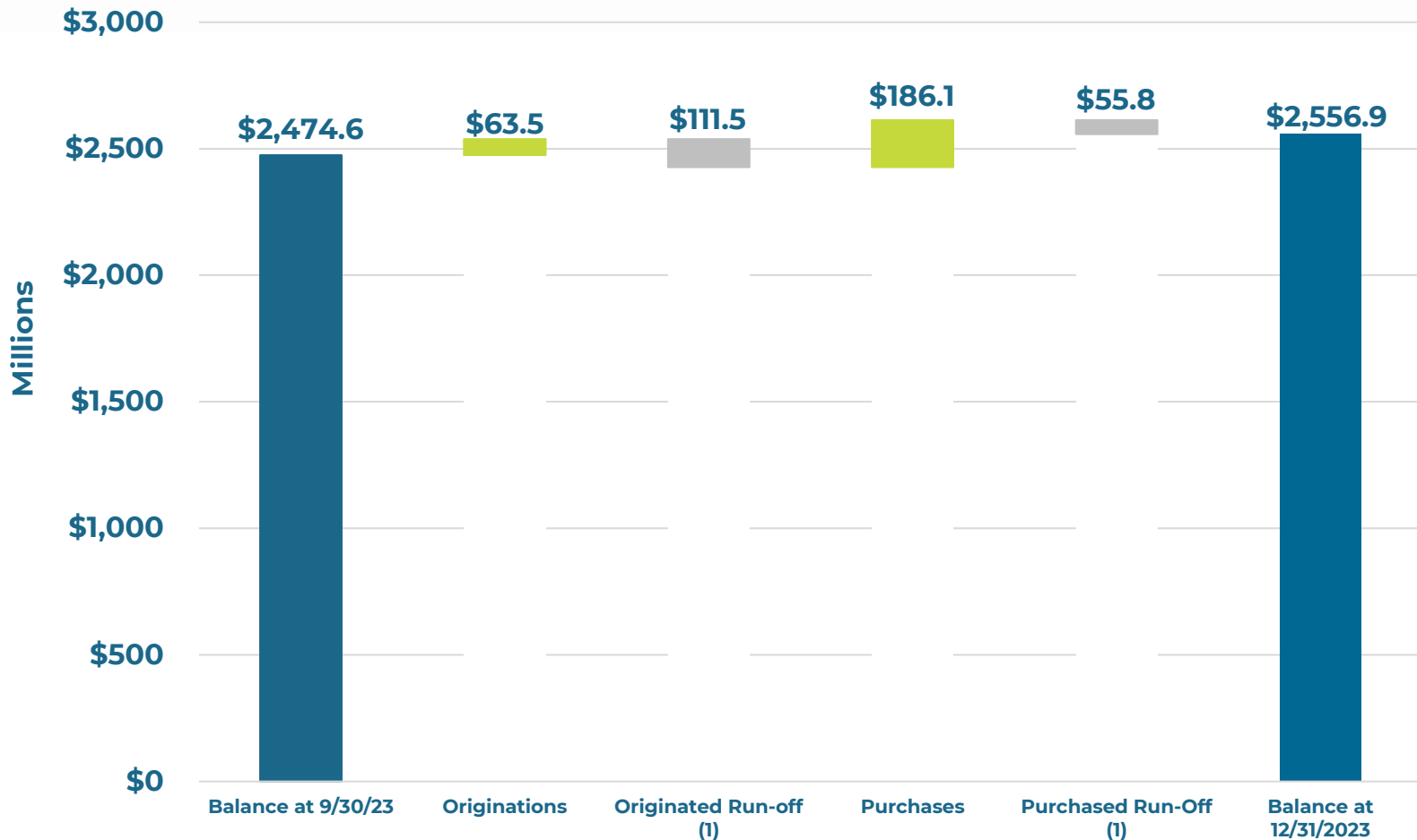
# Loan Portfolio Summary

Loan Portfolio	# of Loans	Total Balance	Average Balance	WA LTV
<i>Dollars in thousands</i>				
<b>National Lending Division</b>				
Purchased Loans (1)	3,475	\$1,646,756	\$474	46%(4)
Direct Originated Loans (2)	102	475,053	4,657	55%
Lender Finance Loans (2)	93	435,159	4,679	44%
<b>SBA and USDA Loans (3)</b>	712	29,052	41	84%
<b>Community Banking Division:</b>				
Commercial Loans	118	7,624	74	42%
Residential and Consumer Loans	338	17,414	48	46%
<b>Total</b>	<b>4,838</b>	<b>\$2,611,059</b>	<b>\$540</b>	<b>48%</b>

- (1) Total balance of \$1.65 billion is equal to unpaid principal balance of \$1.83 billion, net of \$184.4 million purchased loan discount.
- (2) LTV is calculated as the Bank's loan amount to the value of the underlying commercial real estate collateral.
- (3) Total loan balance of \$29.0 million is comprised of \$8.6 million of the guaranteed portion and \$20.4 million of the unguaranteed portion of loans.
- (4) Reflects the Bank's basis net of allowance for credit loss reserves against the value of the underlying commercial real estate collateral.

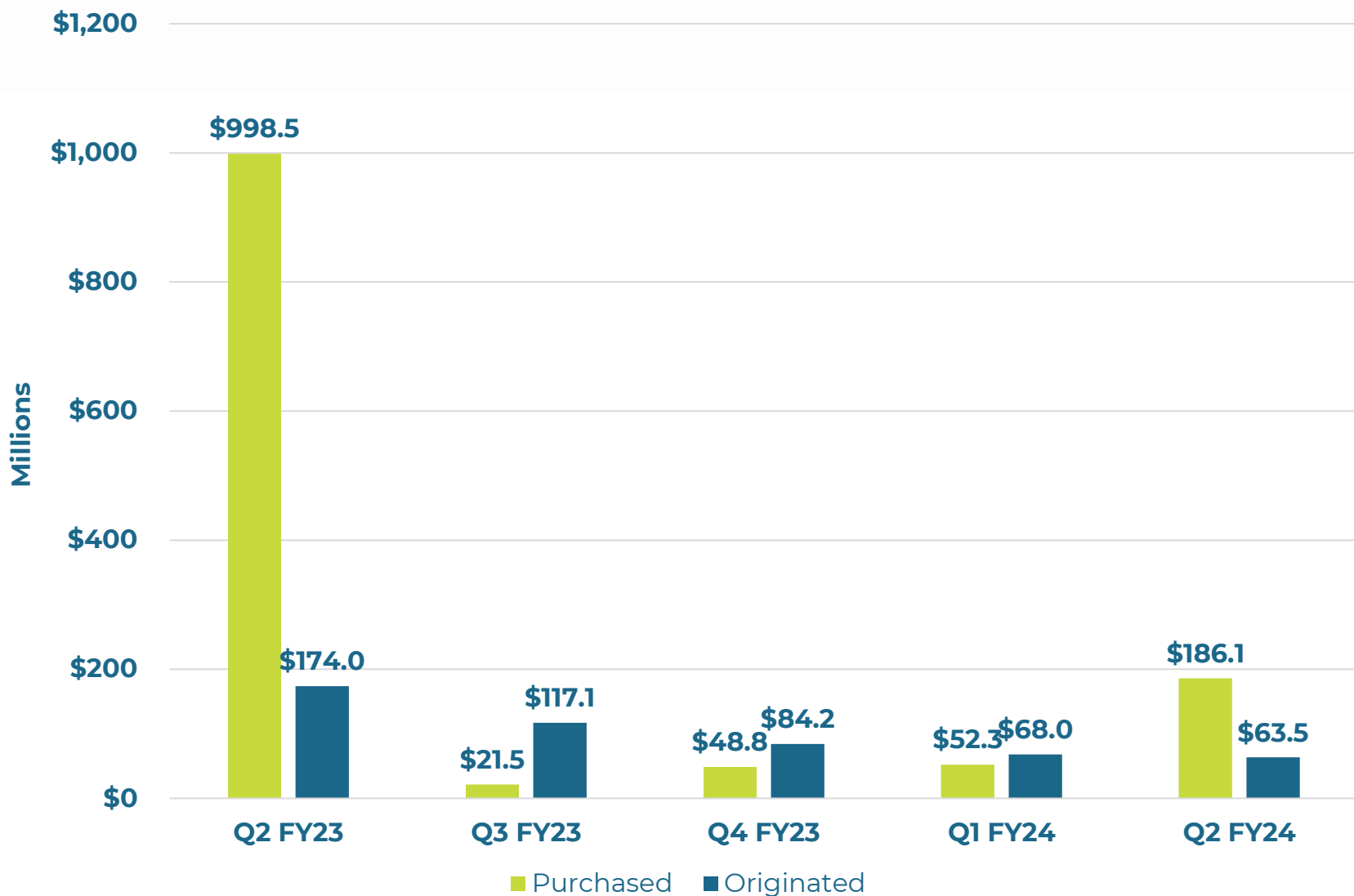
All data as of December 31, 2023, unless otherwise noted.

# National Lending Portfolio Roll Forward: Trailing Three Months



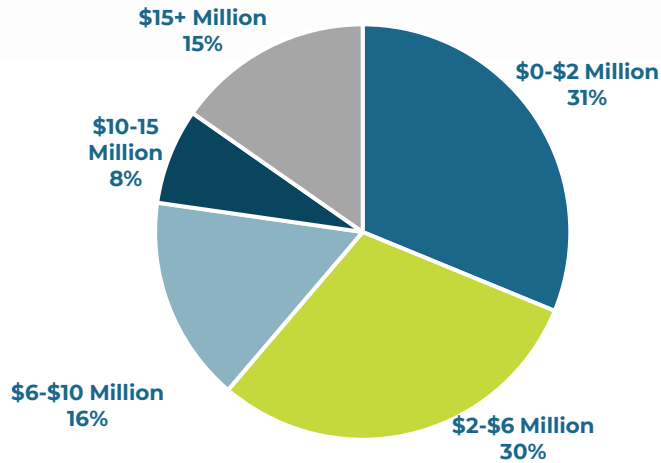
(1) Run-off includes scheduled amortization, principal pay downs and payoffs.

# National Lending Activity By Trailing 5 Quarters

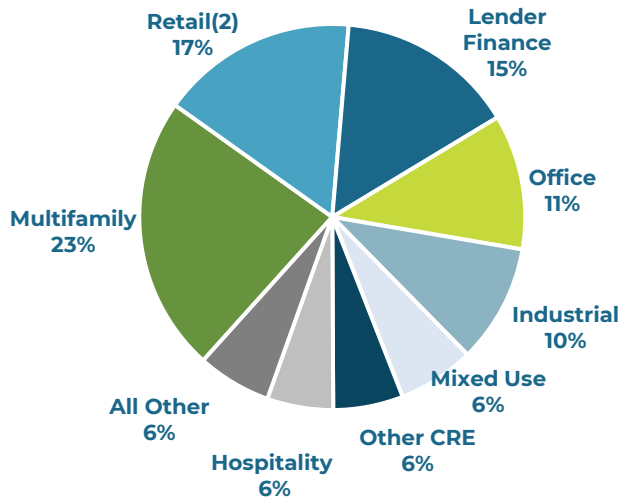


# National Lending Loan Portfolio Statistics as of December 31, 2023

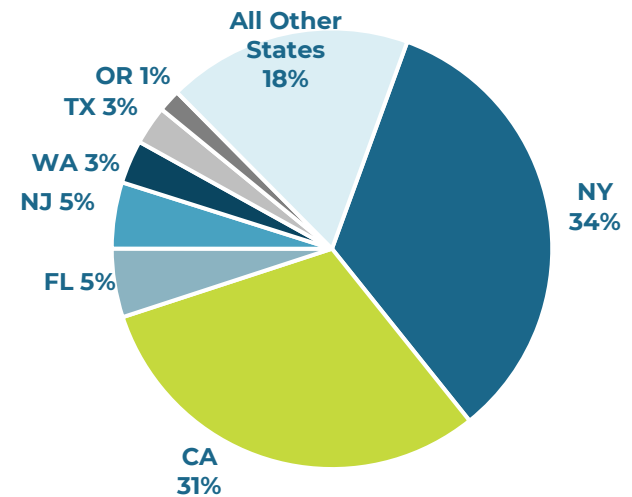
Investment Size<sup>(1)</sup>



Collateral Type



Collateral State (44 States)

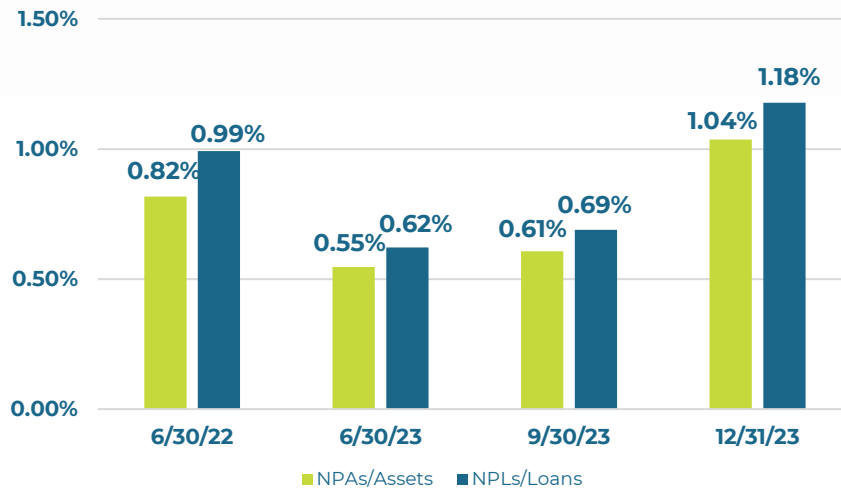


(1) Average investment size of \$696 thousand/loan; originated average: \$4.6 million/loan and purchased average: \$474 thousand/loan

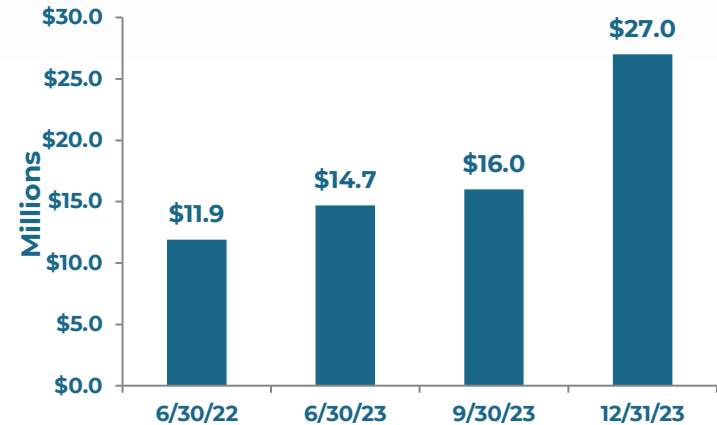
(2) Includes traditional and non-traditional retail, such as restaurants and gas stations.

# Asset Quality Metrics

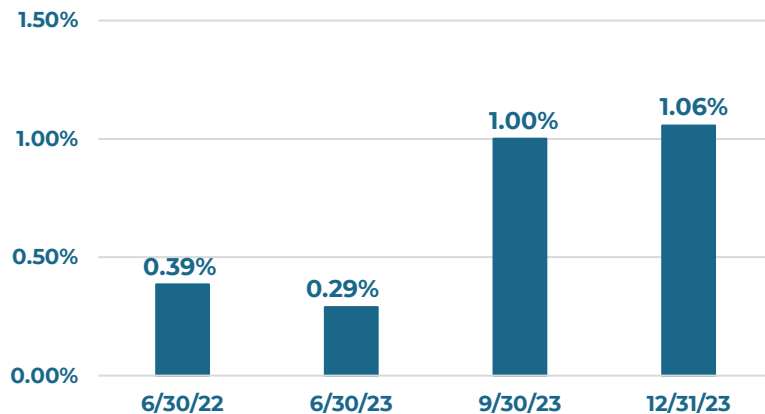
## NPAs & NPLs



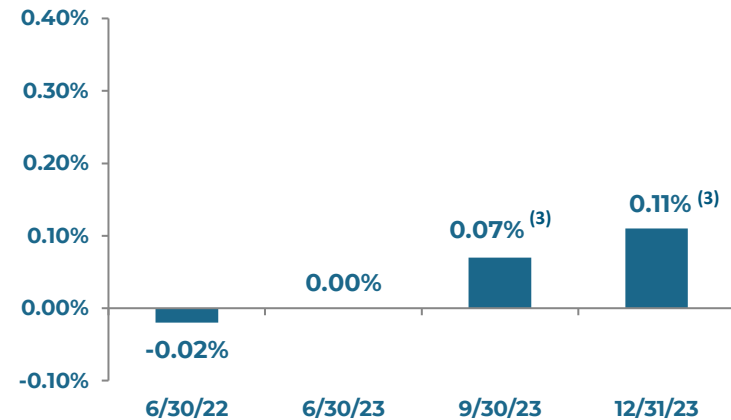
## Classified Commercial Loans<sup>(1)</sup>



## Allowance for Credit Losses / Gross Loans



## NCOs / Average Loans<sup>(2)</sup>



- (1) Classified loans includes commercial real estate and commercial and industrial loans risk rated under the Bank's internal loan rating system
- (2) Calculated as trailing twelve months of net charge-offs divided by average loans for the same period.
- (3) Upon the adoption of CECL, the previously designated non-accretable discount is added to the carrying basis of the loan, with an offsetting allowance. For the quarters ended September 30, 2023 and December 31, 2023, such charged-off discount was 6 basis points, and 9 basis points, respectively. This component does not represent a loss of invested dollars.



# Nonperforming Assets Turnover – Quarter ended December 31, 2023

	Nonperforming Loans	REO	Total	FMV of Collateral <sup>(1)</sup>	Notes
	<i>(Dollars in Thousands)</i>				
September 30, 2023 Balance:	\$17,449	\$0	\$17,449		
<b>NPL Additions:</b>					
#1	6,371	-	6,371	10,165	Cash collateral account holding proceeds from sale of seventeen multifamily properties located in IL. Lien position is in dispute, which in the event of an adverse ruling, Bank has a claim under its title policy.
#2	2,957	-	2,957	3,600	Multifamily property in NY
#3	2,284	-	2,284	2,880	Apartment property in NY
#4	1,100	-	1,100	2,700	Commercial retail/strip mall property in NY; paid off in full subsequent to quarter-end
#5	-	129	129	129	Vacant office building in TX transferred to REO for \$18 thousand loss
Other Loans - Various	1,427	-	1,427		61 loans placed on nonaccrual
<b>Total Additions:</b>	<b>14,139</b>	<b>129</b>	<b>14,268</b>		
<b>NPL Resolutions:</b>					
#1	(235)	-	(235)		Multifamily in CA paid off
#2	-	(129)	(129)		Vacant office building in TX sold for \$9 thousand loss
Other Loans - Various	(581)	-	(581)		37 loans (totaling \$511 thousand) returned to accrual or paid off; \$70 thousand in net paydowns
<b>Total Resolutions:</b>	<b>(816)</b>	<b>(129)</b>	<b>(945)</b>		
December 31, 2023 Balance:	\$30,772	\$0	\$30,772		

(1) Fair Market Value reflects the projected net proceeds from liquidation of collateral

# Allowance Allocation

Loan Segment	Total Loan Balances at December 31, 2023	Total Reserves at December 31, 2023	ALL / Total Loans at December 31, 2023	Total Reserves at September 30, 2023	ALL / Total Loans at September 30, 2023	Total Reserves at December 31, 2022	ALL / Total Loans at December 31, 2022
<i>Dollars in thousands</i>							
<b>National Lending Purchased</b>	<b>\$1,646,756</b>	<b>\$20,154</b>	<b>1.22%</b>	<b>\$18,046</b>	<b>1.19%</b>	<b>\$557</b>	<b>0.04%</b>
Originated Loans:							
C&I (Lender Finance primarily)	449,188	2,365	0.53%	1,838	0.41%	1,735	0.38%
Commercial Real Estate	420,165	4,331	1.03%	4,902	1.05%	3,330	0.72%
SBA and USDA:							
- Guaranteed	8,634	-	0.00%	-	0.00%	-	0.00%
- Unguaranteed	20,418	549	2.69%	167	0.91%	479	2.32%
1-4 Family Residential	65,412	195	0.30%	350	0.53%	302	0.39%
Consumer	486	-	0.00%	0	0.00%	8	1.31%
<b>Total Originated Loans</b>	<b>964,303</b>	<b>7,440</b>	<b>0.77%</b>	<b>7,257</b>	<b>0.72%</b>	<b>5,854</b>	<b>0.57%</b>
<b>Total Loans</b>	<b>\$2,611,059</b>	<b>\$27,594</b>	<b>1.06%</b>	<b>\$25,303</b>	<b>1.00%</b>	<b>\$6,411</b>	<b>0.26%</b>

(1) The Bank adopted CECL on July 1, 2023. In connection with adoption, the Bank recorded an allowance for credit losses on purchased loans that required an allowance based on net collateral value, increasing the loan's basis by the same amount. Prior to July 1, 2023, under purchased loan accounting, only further declines in expected cash flows subsequent to the acquisition of a loan were recognized through a specific reserve in the allowance for loan losses.

Loan balances are net of deferred fees and costs.

# National Lending Portfolio by Collateral Type

Collateral Type	Direct Originated		Lender Finance		Purchased		Total National Lending		
	<i>Dollars in thousands</i>	<i>Balance</i>	<i>WA LTV (1)</i>	<i>Balance</i>	<i>WA LTV (1)</i>	<i>Balance</i>	<i>WA LTV (2)</i>	<i>Balance</i>	<i>WA LTV</i>
<b>1-4 Family</b>		\$24,712	59%	\$17,235	41%	\$4,154	41%	\$46,100	51%
<b>Hospitality</b>		112,311	53%	66,439	49%	33,323	49%	212,073	51%
<b>Industrial</b>		46,940	55%	46,534	47%	231,776	40%	325,249	43%
<b>Land and Construction</b>		2,600	51%	15,506	42%	10,488	45%	28,594	44%
<b>Mixed Use</b>		7,069	53%	65,232	47%	157,147	57%	229,447	54%
<b>Multi Family</b>		77,621	55%	80,622	40%	629,564	46%	787,807	46%
<b>Office</b>		106,927	53%	41,102	43%	187,200	47%	335,230	48%
<b>Retail</b>		86,358	57%	52,993	52%	369,631	42%	508,981	45%
<b>Small Balance Commercial</b>		10,517	65%	49,496	30%	23,474	77%	83,487	47%
<b>Total</b>		<b>\$475,053</b>	<b>55%</b>	<b>\$435,159</b>	<b>44%</b>	<b>\$1,646,756</b>	<b>46%</b>	<b>\$2,556,968</b>	<b>47%</b>

(1) LTV is calculated as the Bank's loan amount to the value of the underlying commercial real estate collateral.

(2) Reflects the Bank's basis net of allowance for credit loss reserves against the value of the underlying commercial real estate collateral.

# National Lending Portfolio — Weighted Average LTV By Bucket

## WA LTV

National Lending Portfolio	<40%	40-49%	50-59%	60-69%	70-79%	>=80%	Total
<i>Dollars in thousands</i>							
<b>Direct Originated Loans (1)</b>	\$65,090	\$94,291	\$146,268	\$86,768	\$59,911	\$22,725	\$475,053
<b>Lender Finance Loans (1)</b>	176,071	99,100	84,401	56,685	18,902	-	435,159
<b>Purchased Loans (2)</b>	665,759	302,187	218,217	247,113	143,410	70,069	1,646,756
<b>Total</b>	<b>\$906,921</b>	<b>\$495,577</b>	<b>\$448,886</b>	<b>\$390,566</b>	<b>\$222,224</b>	<b>\$92,794</b>	<b>\$2,556,968</b>
<b>% of Total</b>	<b>35%</b>	<b>19%</b>	<b>18%</b>	<b>15%</b>	<b>9%</b>	<b>4%</b>	<b>100%</b>

(1) LTV is calculated as the Bank's loan amount to the value of the underlying commercial real estate collateral.

(2) Reflects the Bank's basis net of allowance for credit loss reserves against the value of the underlying commercial real estate collateral.

# National Lending Purchased Portfolio — Further Analysis

Portfolio	Origination Year			Total
	Pre-2013	2013-2018	2019 and later	
<i>Dollars in thousands</i>				
<b>Current Basis</b>	\$263,509	\$799,596	\$583,651	<b>\$1,646,756</b>
<b># of Loans</b>	827	2,087	562	<b>3,476</b>
<b>% of Portfolio</b>	16%	49%	35%	<b>100%</b>
<b>Original Principal Balance</b>	\$615,079	\$1,297,048	\$767,311	<b>\$2,679,438</b>
<b>Current Principal Balance</b>	283,771	870,307	677,108	<b>1,831,186</b>
<b>% Principal Paid Down Since Origination</b>	54%	33%	12%	<b>32%</b>
<b>Current Basis / Original Principal</b>	43%	62%	76%	<b>61%</b>

All data as of December 31, 2023, unless otherwise noted. Loan balances exclude net deferred fees and costs.

# National Lending Originated Portfolio — Interest Reserve Analysis

## Lender Finance

<i>Dollars in thousands</i>	<b>Balance</b>	<b>% with Interest Reserves</b>	<b>Interest Reserve WA Duration</b>	<b>WA Advance Rate<sup>(1)</sup></b>	<b>WA LTV<sup>(2)</sup></b>
Total Lender Finance Loans	\$435,159			61%	44%
Lender Finance Loans with Interest Reserves	379,851	87%	5.3 Months		

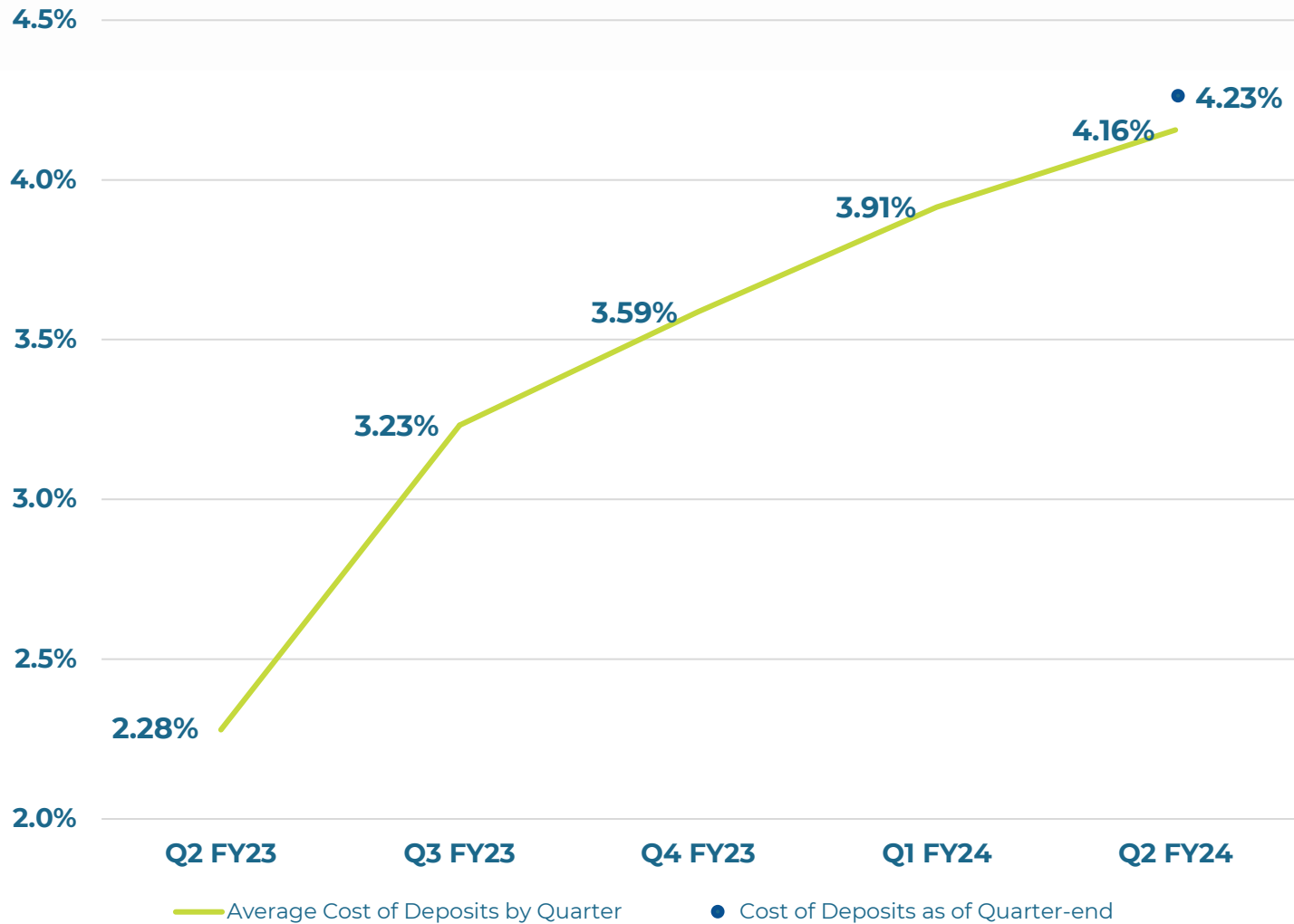
## Direct Originated Loans

<i>Dollars in thousands</i>	<b>Balance</b>	<b>% with Interest Reserves</b>	<b>Interest Reserve WA Duration</b>	<b>WA LTV<sup>(2)</sup></b>
Total Direct Originated Loans	\$475,053			55%
Direct Originated Loans with Interest Reserves	395,463	83%	4.5 Months	

(1) Weighted Average Advance Rate utilizes original balance and real estate value at the time of origination

(2) Weighted Average LTV is calculated as the Bank's loan amount to the value of the underlying commercial real estate collateral

# Quarterly Cost of Deposits



# Deposit Portfolio Changes

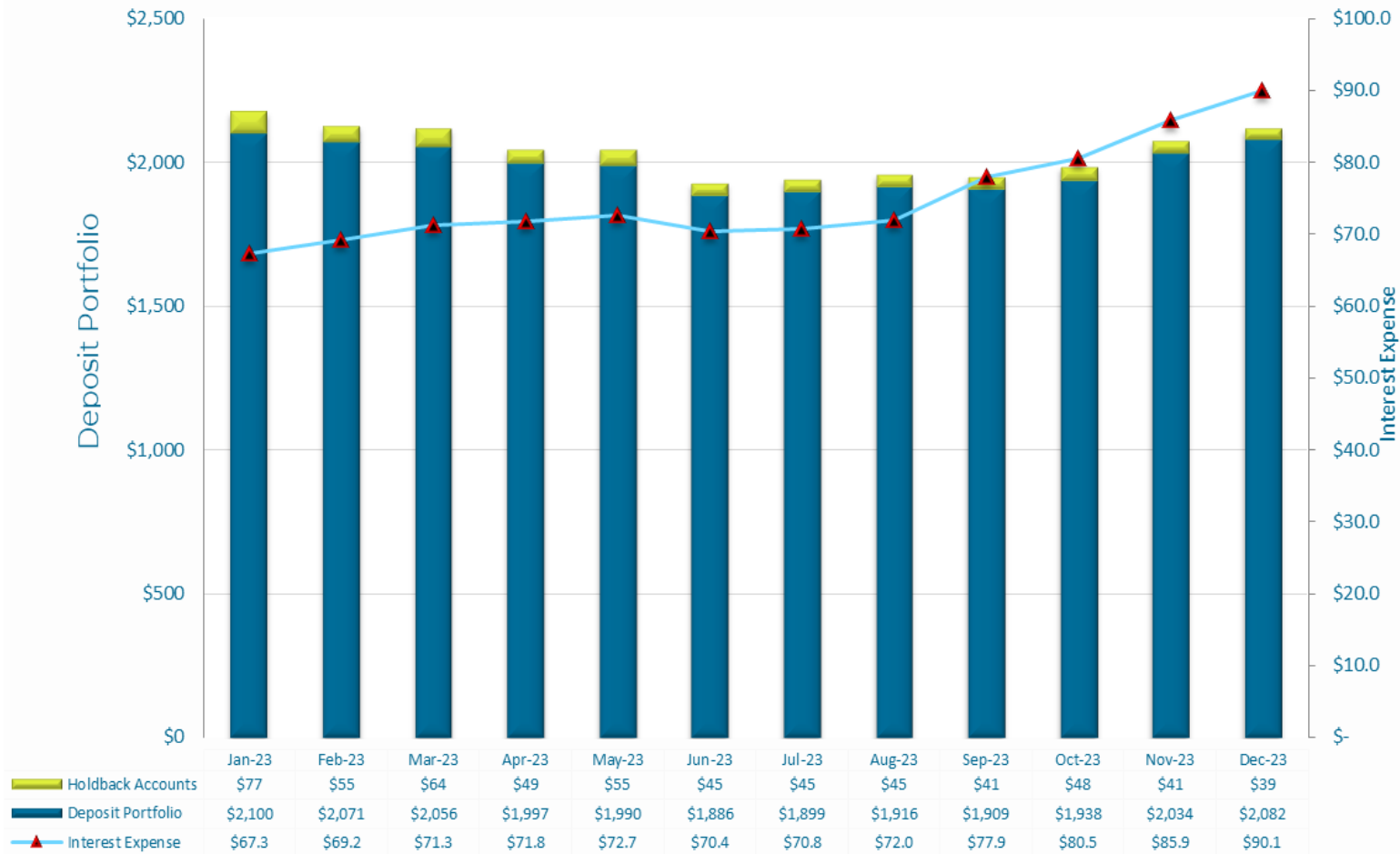
By Channels	December 31, 2023			December 31, 2022			Net Change		
	Balance	WAR	Mix	Balance	WAR	Mix	Balance	%	WAR
<i>Dollars in thousands</i>									
<b>Community Banking</b>									
Banking Centers	\$778,478	3.25%	37%	\$562,755	0.86%	25%	\$215,723	38%	2.39%
Government Banking	339,681	4.86%	16%	263,196	3.50%	12%	76,483	29%	1.36%
Corporate/Institutional	146,310	5.35%	7%	306,765	4.38%	14%	(160,455)	-52%	0.97%
National Lending	54,412	1.02%	3%	69,069	0.96%	3%	(14,656)	-21%	0.06%
<b>ableBanking</b>	20,699	0.20%	1%	53,279	0.50%	3%	(32,580)	-61%	-0.30%
<b>Bulletin Board</b>	0	0.00%	0%	52,770	4.20%	2%	(52,770)	-100%	-4.20%
<b>Brokered Deposits</b>	751,316	5.30%	35%	881,454	4.21%	39%	(130,138)	-15%	1.09%
<b>Holdback Accounts</b>	38,811	0.11%	2%	46,121	0.00%	2%	(7,310)	-16%	0.11%
<b>Grand Total</b>	\$2,129,707	4.23%		\$2,235,409	3.03%		(\$105,702)	-5%	1.20%

By Products	December 31, 2023			December 31, 2022			Net Change		
	Balance	WAR	Mix	Balance	WAR	Mix	Balance	%	WAR
<i>Dollars in thousands</i>									
<b>Checking</b>	\$653,040	3.72%	31%	\$752,630	2.76%	34%	(\$99,591)	-13%	0.96%
<b>Savings</b>	132,239	3.07%	6%	114,876	0.97%	5%	17,363	15%	2.10%
<b>Money Market</b>	221,091	3.56%	10%	248,129	1.80%	11%	(27,038)	-11%	1.76%
<b>Certificate of Deposit</b>	1,084,527	4.97%	51%	1,073,652	3.86%	49%	10,875	1%	1.11%
<b>Holdback Accounts</b>	38,811	0.11%	2%	46,121	0.00%	2%	(7,311)	-16%	0.11%
<b>Grand Total</b>	\$2,129,707	4.23%		\$2,235,409	3.03%		(\$105,702)	-5%	1.20%

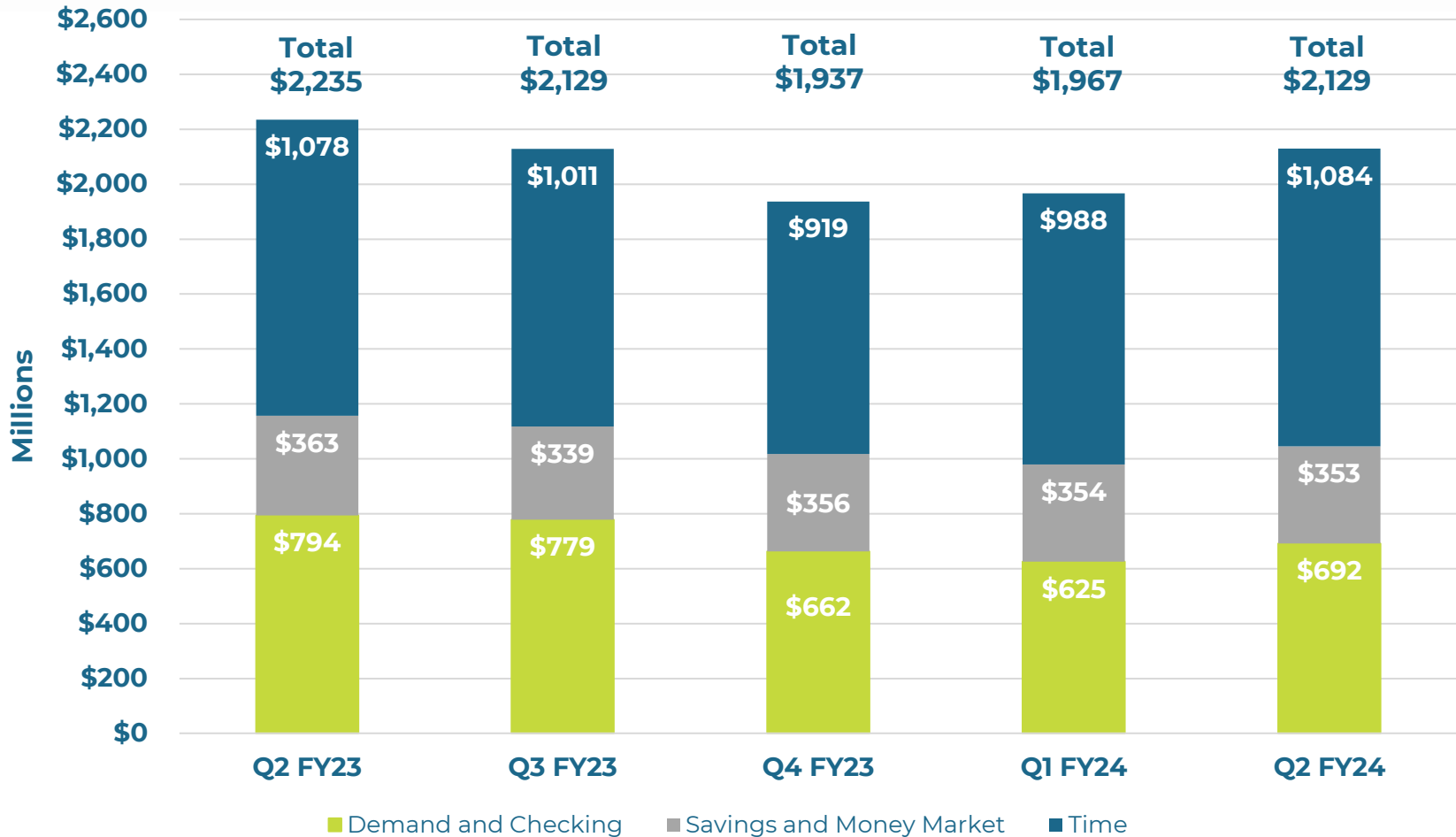


# Deposit Portfolio and Interest Analysis

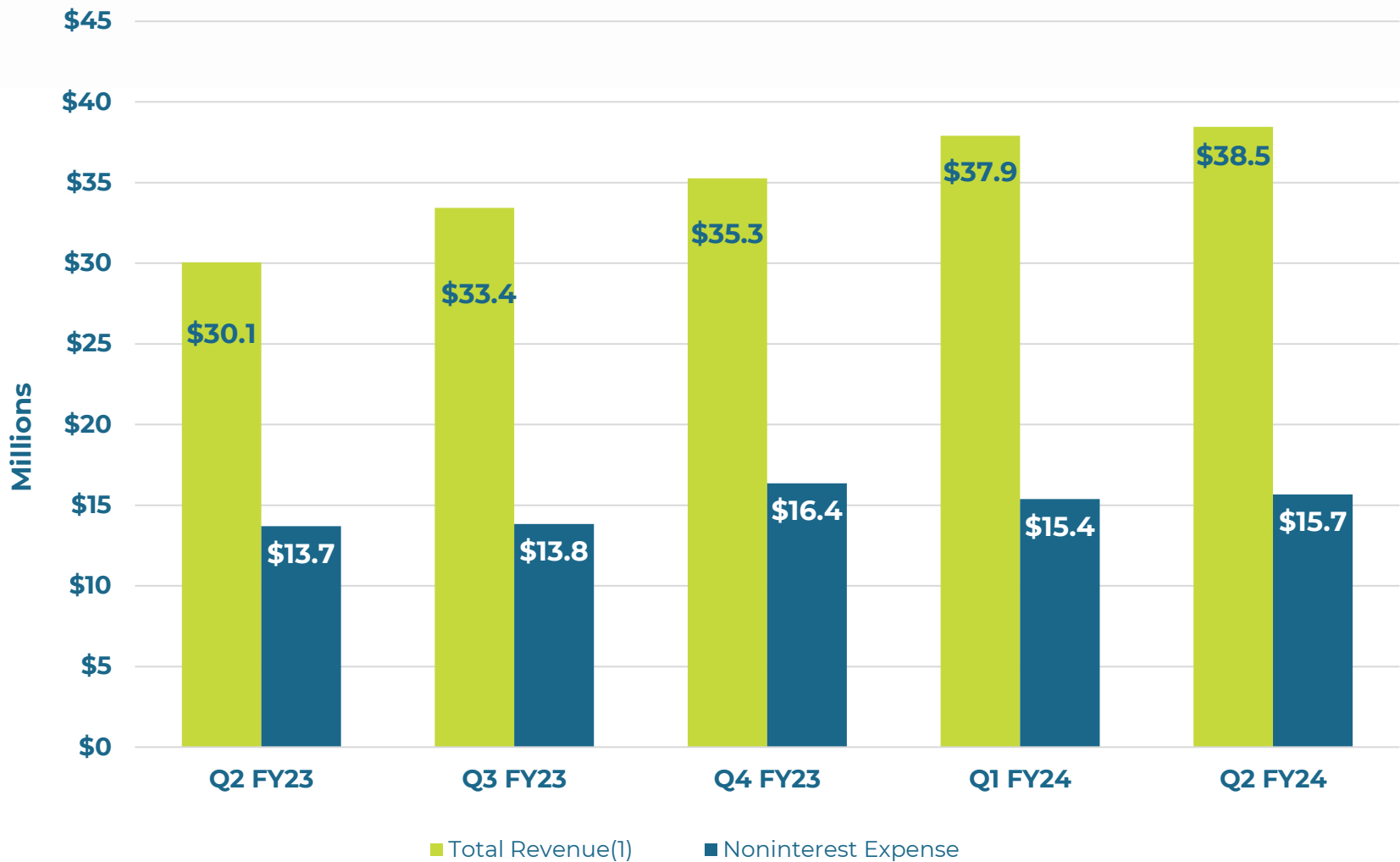
Trailing Twelve-Month Deposit Portfolio and Annualized Interest Expense  
(Includes Brokered Deposits)  
\$ Millions



# Deposit Mix By Trailing 5 Quarter Ends



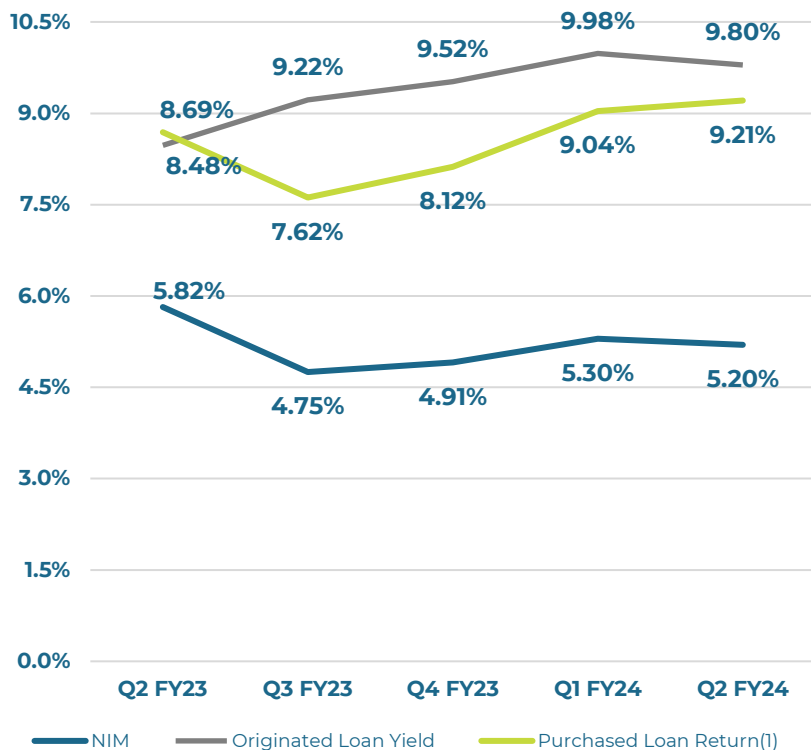
# Revenue and Noninterest Expense for Trailing 5 Quarters



(1) Total Revenue includes net interest income before credit loss provision (credit) and noninterest income.

# Loan Performance & Average Loan Balance For Trailing 5 Quarters

## Loan Performance

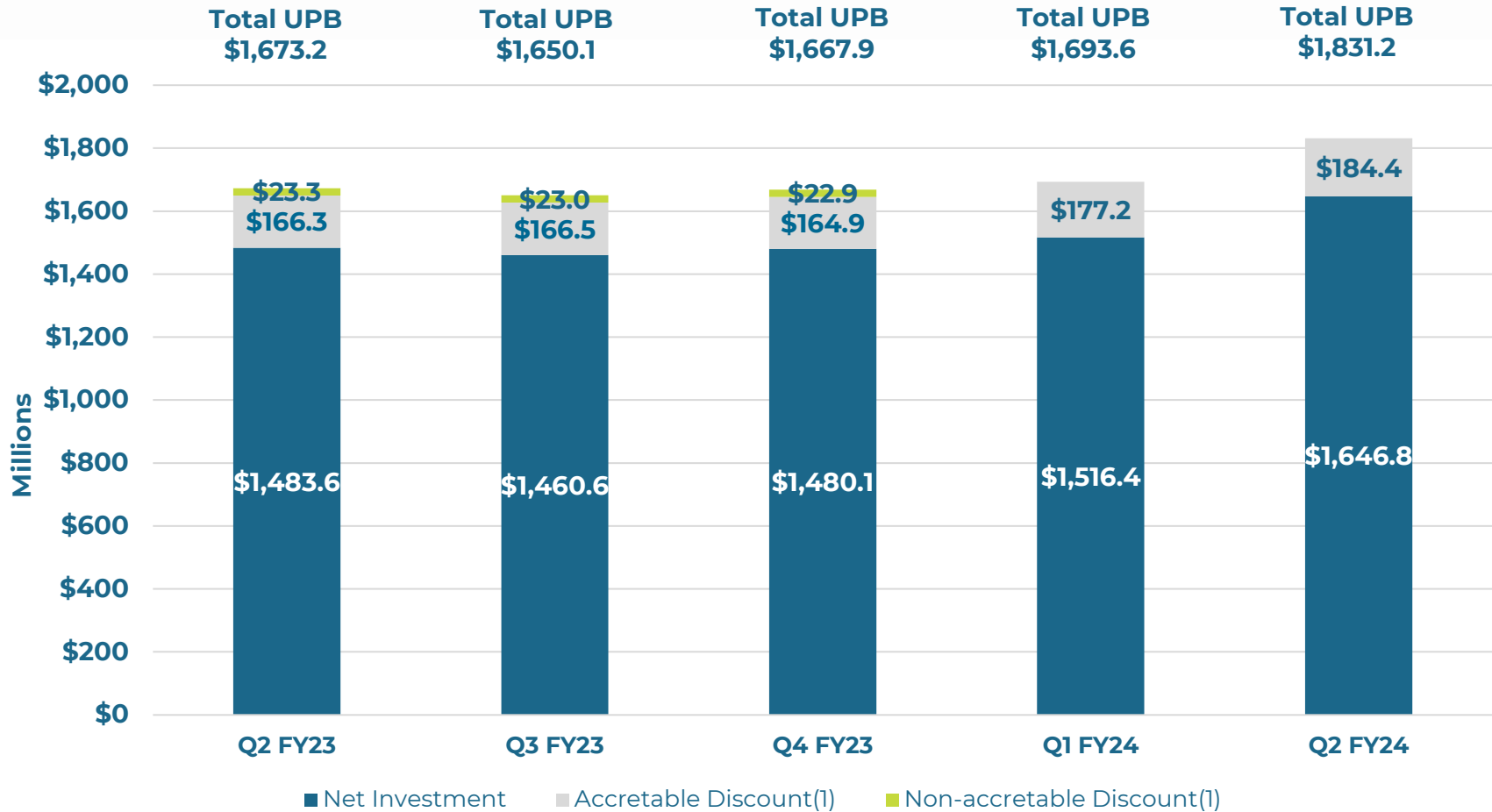


## Average Loan Balance for Trailing 5 Quarters



(1) Purchased loan return includes purchased loan yield, as well as gain on loan sales, gain on sale of real estate owned, release of allowance for credit losses on purchased loans, and other noninterest income.

# Purchased Loan Investment Basis and Discount By Trailing 5 Quarters



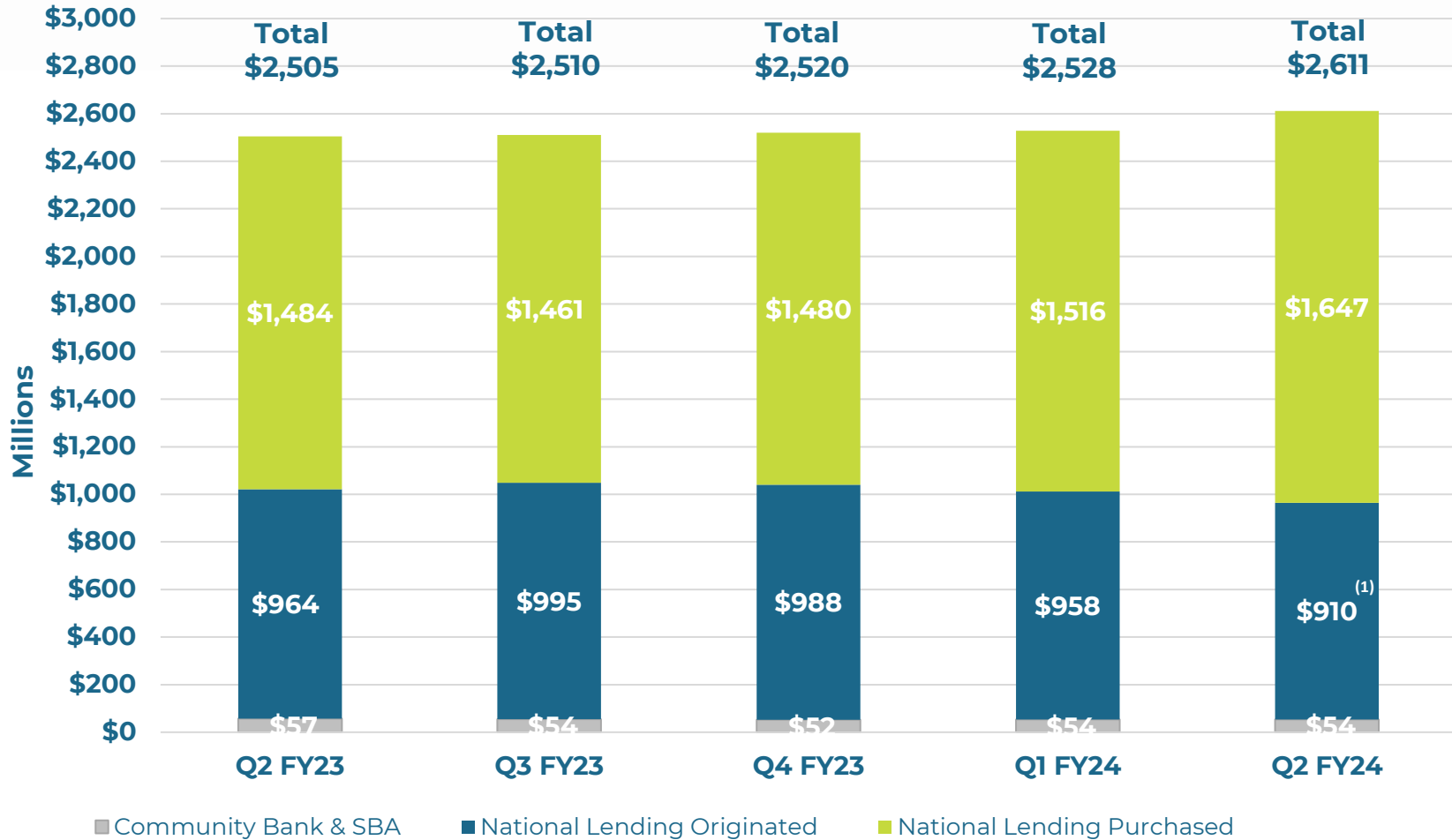
(1) The Bank adopted CECL on July 1, 2023, which removed Accretable Discount and Non-accretable Discount. Beginning in Q1 FY24, the Bank recorded a rate mark discount against total purchased UPB and any discount that related to credit losses was transferred to the allowance for credit losses.

# National Lending Portfolio — Q2 FY24 Return Summary<sup>(1)</sup>

	Purchased	Originated	Total
Regularly Scheduled Interest & Accretion	8.57%	9.80%	9.04%
Accelerated Accretion, Interest, & Fees Recognized on Loan Payoffs	0.64%	0.01%	0.40%
<b>Total</b>	<b>9.21%</b>	<b>9.81%</b>	<b>9.44%</b>

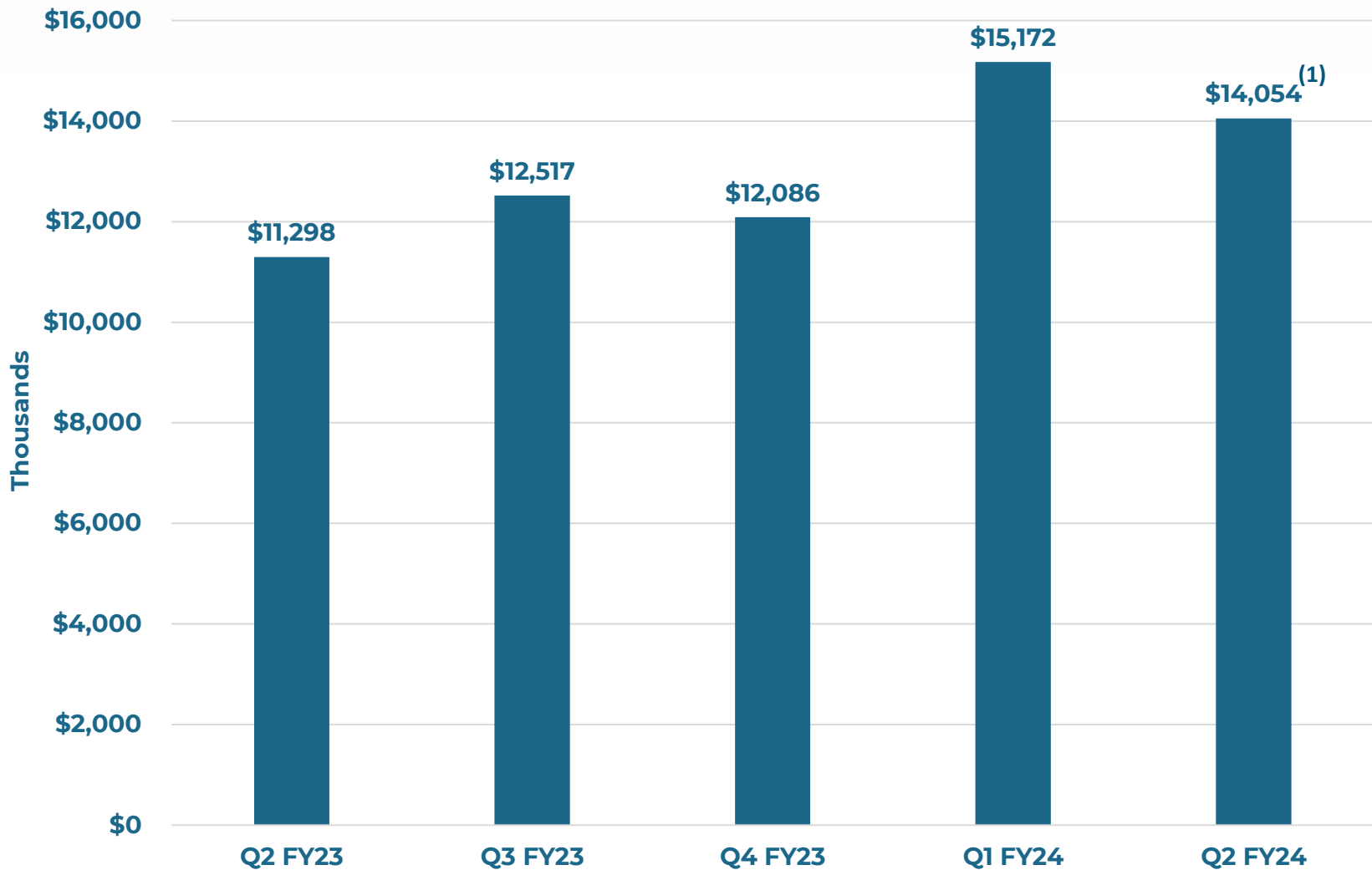
(1) The total return on purchased loans represents scheduled accretion, accelerated accretion, gains on asset sales, gains on real estate owned, and release of allowance for credit losses on purchased loans recorded during the period divided by the average invested balance, on an annualized basis. The total return does not include the effect of purchased loan charge-offs or recoveries during the period.

# Loan Mix As of Trailing 5 Quarter Ends



(1) 98% of the National Lending Originated portfolio had a floor, with a weighted average floor of 7.07% as of December 31, 2023.

# Net Income for Trailing 5 Quarters

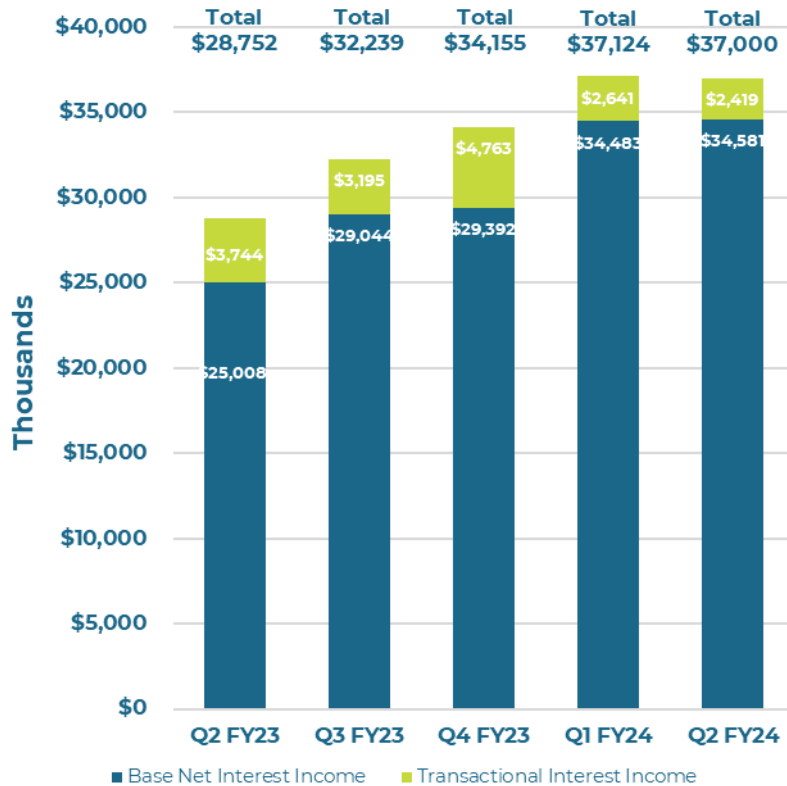


(1) Net of a deferred tax asset write-down of \$957 thousand due to a change in Massachusetts tax law regarding income tax apportionment.



# Key Components of Income For Trailing 5 Quarters

## Net Interest Income Before Credit Loss Provision



## Noninterest Income

