

Balance Sheet Strategies & Considerations Utilizing the Capital & Merger Markets

STRICTLY PRIVATE & CONFIDENTIAL

Scott Hildenbrand

MANAGING DIRECTOR
HEAD OF PIPER SANDLER FINANCIAL STRATEGIES
HEAD OF PIPER SANDLER HEDGING SERVICES, LLC
Tel: (212) 466 7865
Email: Scott.Hildenbrand@psc.com

Avi J. Barak

MANAGING DIRECTOR
FINANCIAL SERVICES GROUP
Tel: (212) 466 7908
Email: Avi.Barak@psc.com

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- I. Piper Sandler Overview**
 - II. Industry Themes**
 - III. Nationwide and Regional M&A**
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 - VI. Virginia Market Overview**
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I. Piper Sandler Overview

Who We Are: Our Financial Services Group

National, Dedicated Financial Services Practice with a Track Record of Success for Our Clients

PIPER | SANDLER Financial Services Group

New York

Boston

Chicago

Atlanta

Dallas

San Francisco

Investment Banking



M&A advisor by number of deals in financial services* (44) and banks and thrifts (46) in 2019, and every year since 2011

400+

Announced financial services M&A transactions since 2016

~\$158B

Announced financial services transaction value since 2016

Capital Markets



Manager of subordinated debt or senior note offerings for banks under \$35 billion in assets (192) since 2014



Manager of bank and thrift equity offerings (202) since 2011

Equity Sales & Trading

~400

Financials stocks for which PSC serves as a market maker



Relationships with key institutional investors



Facilitator of share repurchase programs

Equity Research

400+

Financial services companies covered

8

Financial sectors covered

- | | |
|---------------------|--------------------|
| 1 Banks and Thrifts | 5 Broker Dealers |
| 2 Specialty Finance | 6 Asset Management |
| 3 eFinance | 7 REITs |
| 4 Insurance | 8 Mortgage REITs |

Balance Sheet Management

1,000+

Bank clients



Core expertise in analysis and strategy for securities, loans, deposits and wholesale funding

Mutual Conversions

125

Offerings since 1995

+\$20B

In gross proceeds since 1995

Loan Strategies

1,000+

Loan portfolio transactions completed since 1995

+\$46B

In announced deal value since 1995



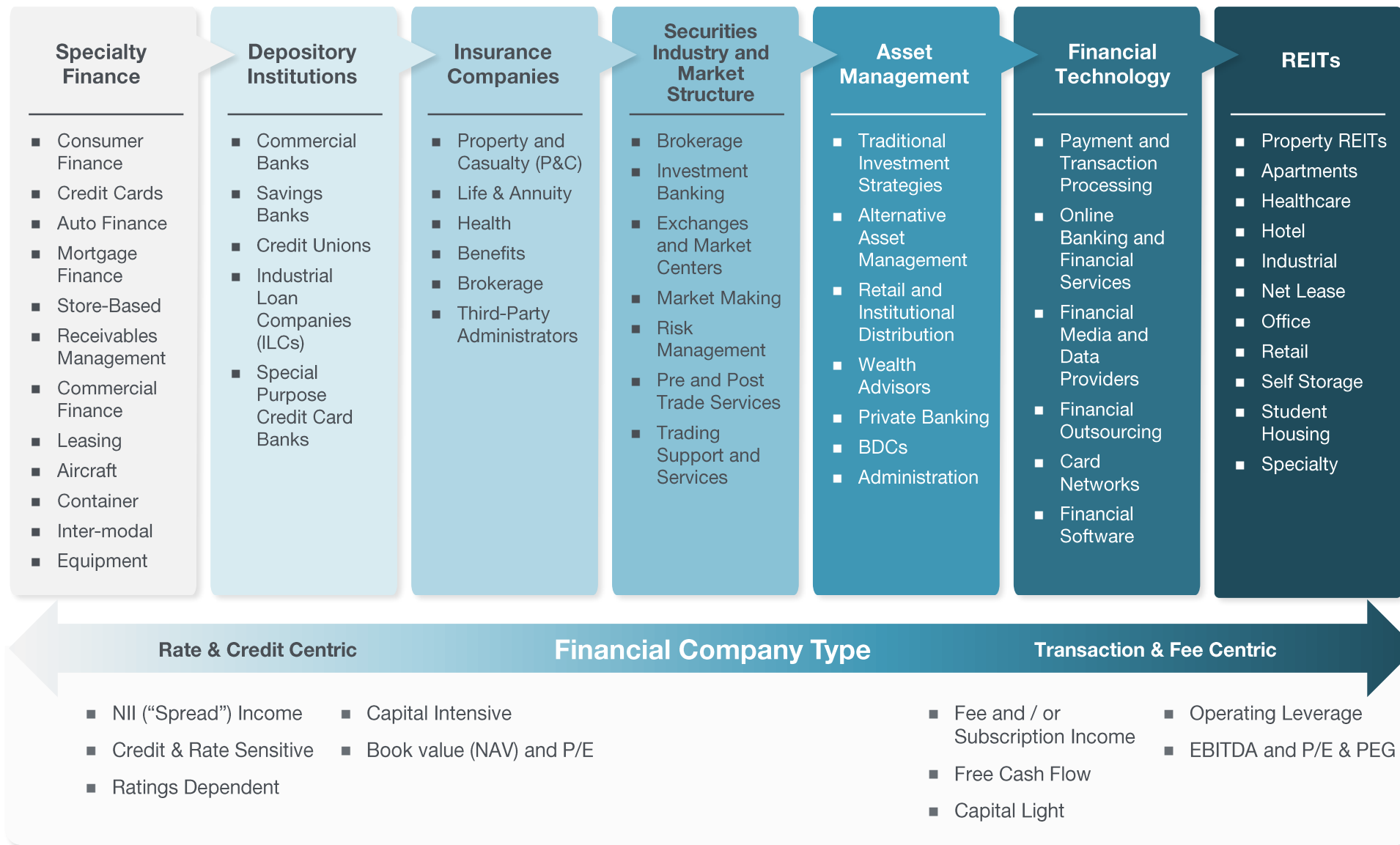
Advises on sale, securitization and acquisition for all bank loan asset classes

* Includes deals with announced deal values

Note: Financial services transaction reflect U.S. financial services as defined and reported by S&P Global Market Intelligence
Source: S&P Global Market Intelligence

PIPER | SANDLER : Housing a Holistic Financial Services Practice

Providing a full coverage model across an array of company types for public / private ownership structures



The Leader in Nationwide Bank M&A

Top 20 Financial Advisors: 2015 – 2022 YTD

By Deal Count (#)

Advisor Name	Rank (#)	Deal Count (#)
PIPER SANDLER	1	376
Competitor 1	2	278
Competitor 2	3	124
Competitor 3	4	105
Competitor 4	5	97
Competitor 5	5	97
Competitor 6	6	96
Competitor 7	7	86
Competitor 8	8	74
Competitor 9	9	62
Competitor 10	10	55
Competitor 11	11	53
Competitor 12	12	39
Competitor 13	13	29
Competitor 14	14	26
Competitor 15	14	26
Competitor 16	15	25
Competitor 17	16	22
Competitor 18	16	22
Competitor 19	17	20

By Deal Value (\$B)

Advisor Name	Rank (#)	Deal Value (\$B)
PIPER SANDLER	1	\$108.8
Competitor 1	2	\$99.0
Competitor 2	3	\$96.9
Competitor 3	4	\$79.4
Competitor 4	5	\$52.8
Competitor 5	6	\$36.1
Competitor 6	7	\$30.1
Competitor 7	8	\$21.9
Competitor 8	9	\$21.1
Competitor 9	10	\$19.6
Competitor 10	11	\$16.5
Competitor 11	12	\$15.3
Competitor 12	13	\$9.4
Competitor 13	14	\$8.3
Competitor 14	15	\$7.3
Competitor 15	16	\$6.6
Competitor 16	17	\$6.1
Competitor 17	18	\$5.1
Competitor 18	19	\$3.6
Competitor 19	20	\$3.6

Note: Includes all U.S. bank & thrift transactions announced since 2015; Rankings exclude terminated transactions and self-advisory roles
Source: S&P Global Market Intelligence

II. Industry Themes

Overview of last 90-150 days

Rates are Dominating Discussion but...

- Balance sheet mix changes will have as big if not bigger impact on your institution
- Are we still confusing Yield Curve risk for interest rate risk?
- Has ALCO adapted to an offensive approach or is it still treated like a dentist appointment?
- Way too much brain power spent on “AOCl”

Current Themes for Depositories

- Deposit mix shift costing us money
- Loan origination rates not keeping up with market rates
- If we are significantly tied to the fed, what if we don't hit all the projected rate hikes?
- Unrealized losses – Now what? Strategies for OCI risk

III. Nationwide and Regional M&A

Considerations for M&A in 2022

Stock volatility and downward pressure has made **pricing** more challenging



Fair value accounting in a rising rate environment creates more **dilution** and is potentially **extending earnbacks**



M&A will likely accelerate as **banks look for scale** to offset expense and credit headwinds



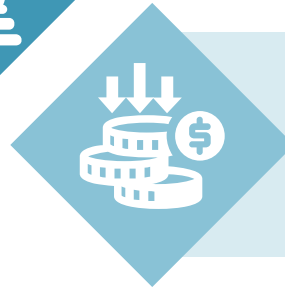
Integration of 2021 deals and **regulatory overhang** has limited some buyer appetite



There are still a lot of institutions **looking to sell** their bank



Any further recessionary signs may **limit premium pricing**



Year-to-Date Bank M&A

Nationwide Bank & Thrift M&A Transactions Since January 1, 2022

Sorted by Announcement Date

Acquiror	St	Target	St	Announce. Date	Transaction Information						Seller Information					
					Deal Value (\$M)	Price/		Pay-To-Trade (%)	Core Deposit Premium (%)	1-Day Market Premium (%)	Total Assets (\$M)	TCE/TA (%)	LTM ROAA (%)	LTM ROAE (%)	Effic. Ratio (%)	NPAs/Assets (%)
						LTM Earnings (x)	TBV (%)									
F.N.B. Corp.	PA	UB Bancorp	NC	06/01/22	117.7	9.2	154	103	4.4	10.2	1,169.9	6.6	1.14	13.22	62.0	0.04
Middlefield Banc Corp.	OH	Liberty Bancshares (Ada OH)	OH	05/26/22	64.4	13.5	119	99	3.1	1.7	437.3	12.4	1.03	8.18	65.3	0.20
Brookline Bancorp Inc.	MA	PCSB Financial Corp.	NY	05/24/22	320.1	20.3	118	82	3.3	13.9	1,984.5	13.7	0.79	5.37	64.9	0.44
Cambridge Bancorp	MA	Northmark Bank	MA	05/23/22	63.0	17.9	118	80	3.2	--	442.5	12.1	0.78	6.73	64.5	0.00
DFCU Financial	MI	First Citrus Bancorp. Inc.	FL	05/12/22	105.0	15.3	211	--	9.3	63.3	689.3	8.0	1.01	14.02	61.8	0.00
United Community Banks Inc.	GA	Progress Financial Corp.	AL	05/04/22	268.4	13.2	165	92	7.9	--	1,860.0	8.3	1.19	11.85	64.6	0.19
Seacoast Bnkg Corp. of FL	FL	Drummond Banking Co.	FL	05/04/22	173.2	13.8	191	98	9.5	--	1,025.0	8.3	1.37	13.20	63.3	0.21
The First Bancshares	MS	Beach Bancorp Inc.	FL	04/26/22	116.7	NM	154	109	9.6	--	619.7	13.1	0.40	3.01	84.7	1.77
National Bank Holdings Corp.	CO	Community Bancorp.	UT	04/18/22	136.0	14.1	189	117	9.8	--	814.4	8.8	1.30	14.22	70.9	0.08
Nmb Financial Corp	NJ	Noah Bank	PA	04/13/22	29.4	10.1	101	--	0.3	--	316.9	9.2	0.85	10.57	81.9	3.44
National Bank Holdings Corp.	CO	Bancshares of Jackson Hole Inc	WY	04/01/22	230.2	19.6	203	120	8.5	--	1,598.7	7.5	0.95	11.70	63.2	0.42
Nicolet Bankshares Inc.	WI	Charter Bankshares Inc.	WI	03/30/22	158.0	11.8	170	68	7.8	--	1,136.2	12.1	1.57	13.25	52.3	0.52
Seacoast Bnkg Corp. of FL	FL	Apollo Bancshares/Apollo Bank	FL	03/29/22	168.3	20.0	195	98	9.7	--	1,044.2	9.4	0.91	9.10	63.2	0.37
Hometown Financial Group MHC	MA	Randolph Bancorp Inc	MA	03/28/22	148.3	14.4	137	--	9.0	29.4	803.3	12.6	1.29	9.31	76.8	0.48
Farmers National Banc Corp.	OH	Emclair Financial Corp	PA	03/24/22	106.8	10.4	142	91	4.1	29.7	1,059.5	7.0	0.95	10.90	62.3	0.25
Community Bancorp Inc.	KS	Quarry City S&L Assn.	MO	03/22/22	10.4	NM	108	--	1.6	59.0	71.3	13.4	0.17	1.28	95.1	0.00
Arizona FCU	AZ	Horizon Community Bank	AZ	03/10/22	91.4	15.4	210	--	11.1	--	539.5	8.1	1.11	14.24	65.1	0.15
Fulton Financial Corp.	PA	Prudential Bancorp Inc.	PA	03/02/22	138.3	17.9	107	76	1.7	21.1	1,084.2	11.8	0.69	5.93	69.6	1.21
The Toronto-Dominion Bank	--	First Horizon Corp.	TN	02/28/22	13,668.0	14.4	227	--	10.4	37.0	89,092.0	6.7	1.15	11.91	59.7	0.48
DMG Bcsbs Inc.	CA	Lbrty Bncp (South San Francisc	CA	02/28/22	34.1	NM	150	--	4.9	49.5	292.7	12.4	0.23	1.85	89.3	1.83
Origin Bancorp Inc.	LA	BT Holdings Inc.	TX	02/24/22	313.5	13.8	145	93	7.0	--	1,988.7	12.6	1.28	9.83	37.9	0.75
BAWAG Group AG	--	Peak Bancorp	ID	02/02/22	64.4	10.9	151	--	4.9	52.9	554.7	7.7	0.81	14.77	60.7	0.12
Southern Bancorp Inc.	AR	FCB Financial Services Inc	AR	01/31/22	28.0	17.1	98	--	(0.3)	--	227.4	12.3	1.06	7.88	62.8	0.14
Rosedale FS&LA	MD	CBM Bancorp Inc.	MD	01/28/22	63.2	NM	128	--	9.8	25.9	250.6	19.5	0.34	1.60	85.3	0.14
Bank First Corporation	WI	Denmark Bancshares Inc.	WI	01/19/22	118.0	NM	173	85	8.9	56.9	687.6	9.9	0.98	9.63	63.1	0.37
Carver Financial Corp.	GA	Alamerica BancCorp Inc.	AL	01/14/22	1.1	NM	77	--	(6.6)	--	15.4	11.7	(2.10)	(15.51)	121.4	3.95
Civista Bancshares Inc.	OH	Comunibanc Corp.	OH	01/10/22	50.2	27.6	153	106	7.9	59.9	329.0	9.9	0.55	5.61	76.9	1.11
Gouverneur Bancorp	NY	Citizens Bank of Cape Vincent	NY	01/06/22	8.4	31.8	116	166	1.5	--	87.2	8.3	0.33	3.66	84.3	0.61
				Mean	599.8	16.0	150	99	5.8	36.5	3,936.5	10.5	0.79	8.12	70.5	0.69
				Median	111.7	14.4	151	98	7.4	33.3	688.5	9.9	0.95	9.47	64.8	0.37

Note: Grey shading indicates Piper Sandler involvement; Excludes transactions with undisclosed deal value and transactions with private investors or nondisclosed parties as the buyer; Bank-level data shown where consolidated data unavailable
Source: S&P Global Market Intelligence

Piper | Sandler Market Share – Virginia Bank & Thrift M&A

Virginia Bank & Thrift M&A Deals Since 2014

Piper Sandler has advised on a combined deal value of \$4.9B, out of a total deal value of \$5.2B; **Over 90% market share by deal value**

Acquiror	St	Target	St	Announce. Date	Transaction Information					Seller Information					
					Deal Value (\$M)	Price/Earnings		Core Deposit Premium (%)	1-Day Market Premium (%)	Total Assets (\$M)	TCE/TA (%)	LTM ROAA (%)	LTM ROAE (%)	Effic. Ratio (%)	NPAs/Assets (%)
						LTM (x)	TBV (%)								
United Bankshares Inc.	WV	Community Bankers Trust Corp	VA	06/03/21	305.3	14.2	168	11.7	41.9	1,698.8	10.2	1.28	12.45	56.8	0.71
First National Corp.	VA	Bank of Fincastle	VA	02/18/21	31.6	19.3	104	0.7	23.5	256.3	11.8	0.68	5.75	77.6	1.36
Virginia National Bkshs Corp.	VA	Fauquier Bankshares Inc.	VA	10/01/20	62.2	10.1	85	(1.4)	8.1	840.3	8.6	0.79	8.85	70.9	1.31
Blue Ridge Bankshares Inc.	VA	Bay Banks of Virginia Inc.	VA	08/13/20	97.3	NM	81	(2.8)	21.4	1,238.2	9.6	(0.37)	(3.43)	67.6	1.38
CSBH LLC	NY	New Horizon Bank NA	VA	01/27/20	11.6	32.0	126	4.9	–	87.7	10.5	0.42	4.07	84.9	0.45
Pinnacle Bankshares Corp.	VA	Virginia Bank Bankshares Inc.	VA	01/21/20	23.6	11.6	96	(0.5)	12.0	217.0	11.3	0.95	8.35	71.6	0.19
First Community Bankshares Inc	VA	Highlands Bankshares Inc.	VA	09/11/19	93.2	25.0	155	7.3	22.5	611.7	8.7	0.62	6.50	75.0	2.61
C&F Financial Corp.	VA	Peoples Bankshares Inc.	VA	08/13/19	21.5	NM	137	4.4	94.3	194.0	8.1	(0.45)	(5.85)	76.0	2.96
Blue Ridge Bankshares Inc.	VA	Virginia Community Bankshares	VA	05/14/19	44.6	22.6	182	9.7	59.4	250.6	9.8	0.81	8.02	78.5	1.07
Delmar Bancorp	MD	Virginia Partners Bank	VA	12/13/18	54.7	43.3	134	6.5	(2.2)	420.1	9.8	0.32	3.23	78.6	0.01
Union Bkshs Corp	VA	Access National Corp.	VA	10/05/18	618.0	20.4	237	17.7	8.8	3,021.3	9.1	1.03	7.06	60.0	0.22
American National Bankshares	VA	HomeTown Bankshares Corp.	VA	10/01/18	96.0	24.2	179	10.9	20.8	558.7	9.4	0.71	7.56	72.8	1.51
First US Bancshares Inc	AL	Peoples Bank	VA	04/17/18	23.4	9.7	155	8.8	–	162.1	9.3	1.60	17.35	50.3	0.11
Old Point Financial Corp.	VA	Citizens National Bank	VA	10/30/17	8.0	10.3	101	0.2	24.4	50.0	15.8	1.64	10.49	95.7	0.66
Bank of McKenney	VA	CCB Bankshares Inc.	VA	06/28/17	19.0	24.6	99	(0.1)	28.4	216.1	8.9	0.37	3.94	79.9	0.84
Union Bkshs Corp	VA	Xenith Bankshares Inc.	VA	05/22/17	688.6	10.3	156	11.4	10.4	3,198.6	13.9	2.14	15.30	68.5	1.82
Sandy Spring Bancorp Inc.	MD	WashingtonFirst Bankshares Inc	VA	05/16/17	499.8	26.4	261	25.4	29.1	2,059.0	9.0	0.99	9.60	62.4	0.37
Southern National Bncp of VA	VA	Eastern Virginia Bankshares	VA	12/13/16	180.9	21.9	135	9.6	2.8	1,314.9	7.4	0.65	6.37	76.7	1.59
Bay Banks of Virginia Inc.	VA	Virginia BanCorp Inc.	VA	11/03/16	34.4	14.5	98	(0.4)	–	323.6	11.0	0.79	7.39	72.5	1.81

Note: Grey shading indicates Piper Sandler involvement; Includes all deals with the seller headquartered in Virginia announced since January 1, 2014; Excludes transactions with undisclosed deal value

Source: S&P Global Market Intelligence

Piper | Sandler Market Share – Virginia Bank & Thrift M&A (cont.)

Virginia Bank & Thrift M&A Deals Since 2014

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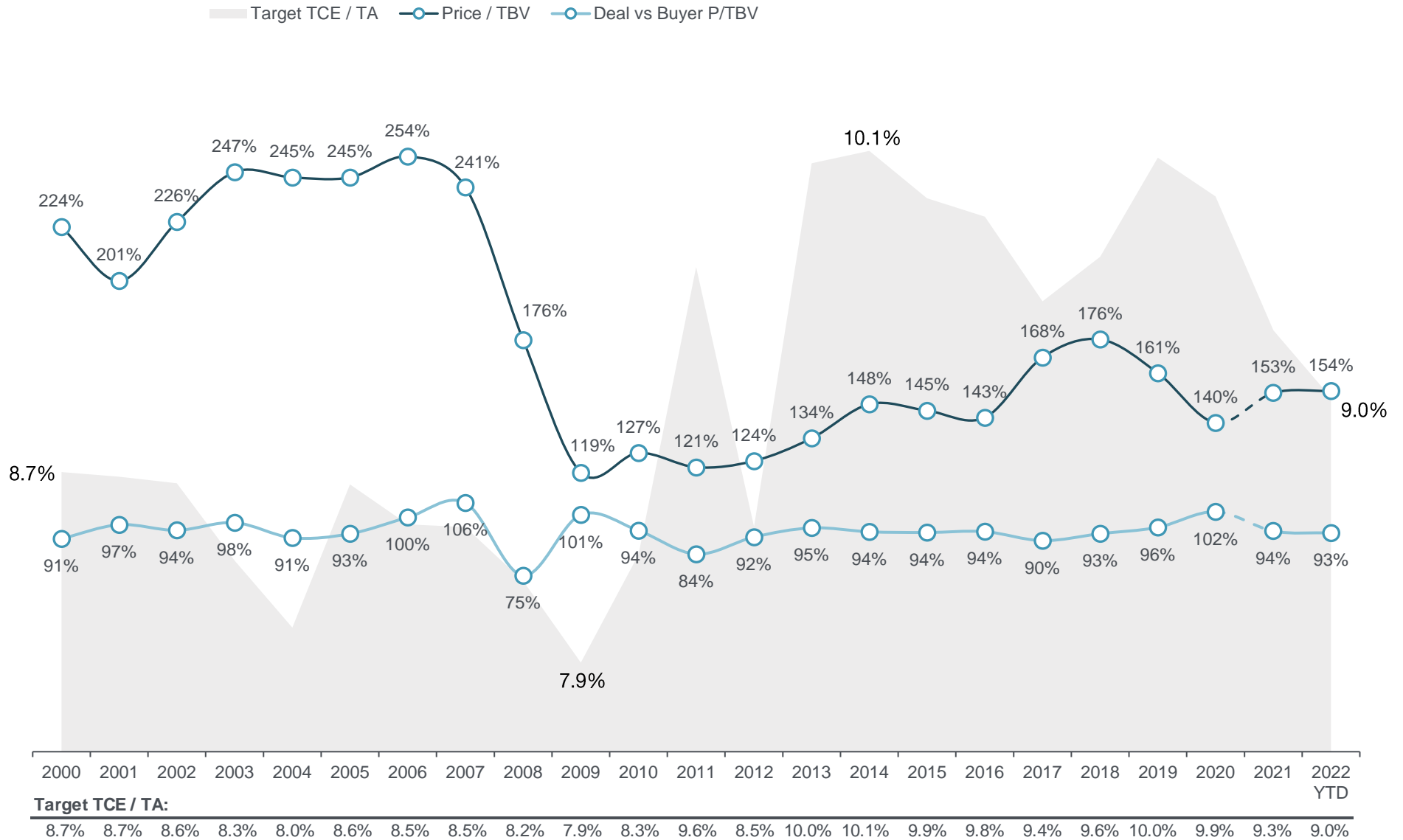
Acquiror	St	Target	St	Announce. Date	Transaction Information					Seller Information					
					Deal Value (\$M)	Price/ LTM Earnings (x)	TBV (%)	Core Deposit Premium (%)	1-Day Market Premium (%)	Total Assets (\$M)	TCE/ TA (%)	LTM ROAA (%)	LTM ROAE (%)	Effic. Ratio (%)	NPAs/ Assets (%)
Access National Corp.	VA	Middleburg Financial Corp.	VA	10/24/16	263.9	32.5	201	15.2	28.4	1,335.0	9.4	0.59	6.14	71.1	1.76
United Bankshares Inc.	WV	Cardinal Financial Corp.	VA	08/18/16	929.4	19.5	223	20.2	1.5	4,197.2	9.7	1.20	11.28	57.7	0.01
First Citizens BancShares Inc.	NC	Cordia Bancorp Inc.	VA	05/20/16	37.9	NM	131	5.9	33.4	347.8	7.7	(0.60)	(7.44)	104.3	1.06
Blue Ridge Bankshares Inc.	VA	River Bancorp Inc.	VA	03/31/16	12.3	8.8	108	1.5	–	111.9	9.8	1.25	13.88	81.8	1.97
Summit Financial Group Inc.	WV	Highland County Bankshares Inc	VA	02/29/16	21.8	30.1	138	6.0	–	126.6	11.7	0.59	5.16	75.0	1.92
Hampton Roads Bankshares Inc.	VA	Xenith Bankshares Inc.	VA	02/10/16	105.4	25.3	117	2.8	16.9	1,039.5	8.5	0.42	4.02	71.8	1.41
TowneBank	VA	Monarch Financial Hldgs	VA	12/17/15	220.6	17.4	192	13.4	52.7	1,121.6	10.3	1.19	11.67	83.4	0.39
Southern BancShares (NC)	NC	Heritage Bankshares Inc.	VA	10/21/15	48.6	27.3	144	5.1	27.6	340.9	9.8	0.56	4.63	71.9	0.27
Park Sterling Corporation	NC	First Capital Bancorp Inc.	VA	10/01/15	69.1	16.7	130	4.5	11.9	623.3	8.6	0.78	9.35	66.8	0.52
BNC Bancorp	NC	Valley Financial Corp.	VA	11/17/14	102.6	15.9	173	7.8	54.0	857.3	6.7	0.75	11.79	65.2	2.09
American National Bankshares	VA	MainStreet BankShares Inc	VA	08/25/14	24.1	27.6	97	(0.7)	30.1	166.3	14.9	0.53	3.74	73.0	2.38
TowneBank	VA	Franklin Financial Corp.	VA	07/15/14	283.5	21.3	111	7.2	5.2	1,110.2	22.0	1.14	5.09	61.6	5.23
Eagle Bancorp Inc	MD	Virginia Heritage Bank	VA	06/09/14	183.5	18.1	206	21.2	33.9	917.4	9.3	1.08	10.11	60.9	0.30
Eastern Virginia Bankshares	VA	Virginia Company Bank	VA	05/29/14	9.5	NM	119	1.8	105.3	133.5	6.0	(0.11)	(1.11)	100.1	1.02
Xenith Bankshares Inc.	VA	Colonial Virginia Bank	VA	03/21/14	9.6	17.7	79	(3.2)	31.4	114.9	10.6	0.47	4.51	79.2	6.32
				High	929.4	43.3	261	25.4	105.3	4,197.2	22.0	2.14	17.35	104.3	6.32
				Low	8.0	8.8	79	(3.2)	(2.2)	50.0	6.0	(0.60)	(7.44)	50.3	0.01
				Mean	154.0	20.6	143	6.8	28.9	860.7	10.2	0.73	6.64	73.5	1.40
				Median	58.5	19.9	135	6.0	24.4	489.4	9.6	0.73	6.78	72.6	1.19

Note: Grey shading indicates Piper Sandler involvement; Includes all deals with the seller headquartered in Virginia announced since January 1, 2014; Excludes transactions with undisclosed deal value

Source: S&P Global Market Intelligence

Historical Bank M&A – Transaction Pricing

Nationwide M&A Pricing Since 2000

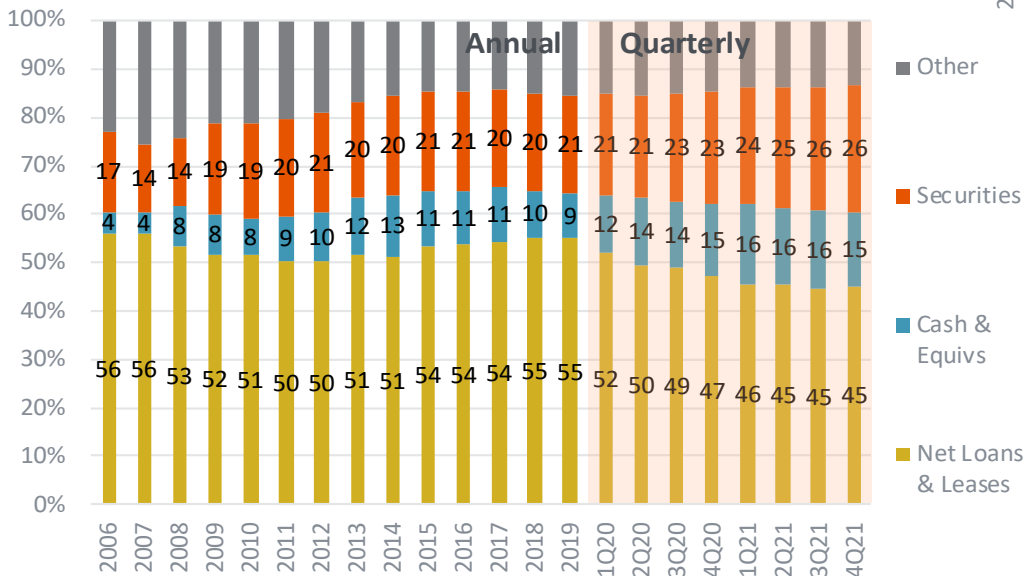
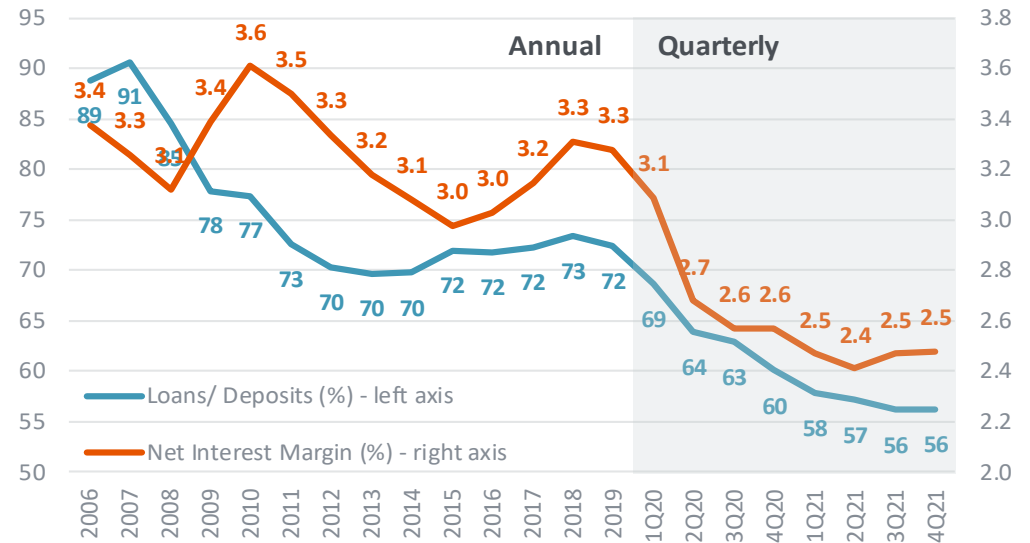


Note: Includes all U.S. bank and thrift transactions with a disclosed deal value greater than \$15M since 2000
 Source: S&P Global Market Intelligence

IV. Rates

How we got here... liquidity surge has driven loan-to-deposit (and NIM) to cycle lows, and bond portfolios to record highs

- L2D down from 73% to 56%
- Banks \$500M – \$10B L2D down from 85% to 71%
- Deposits up \$5.2T, or +39%
- Loans up just \$760bn, or +8%



- Meaningful NIM compression
- Cash remains at record levels
- Bonds up 66% to cycle-high 26% of total assets
- 20% of assets in AFS

Yield curve fluctuations

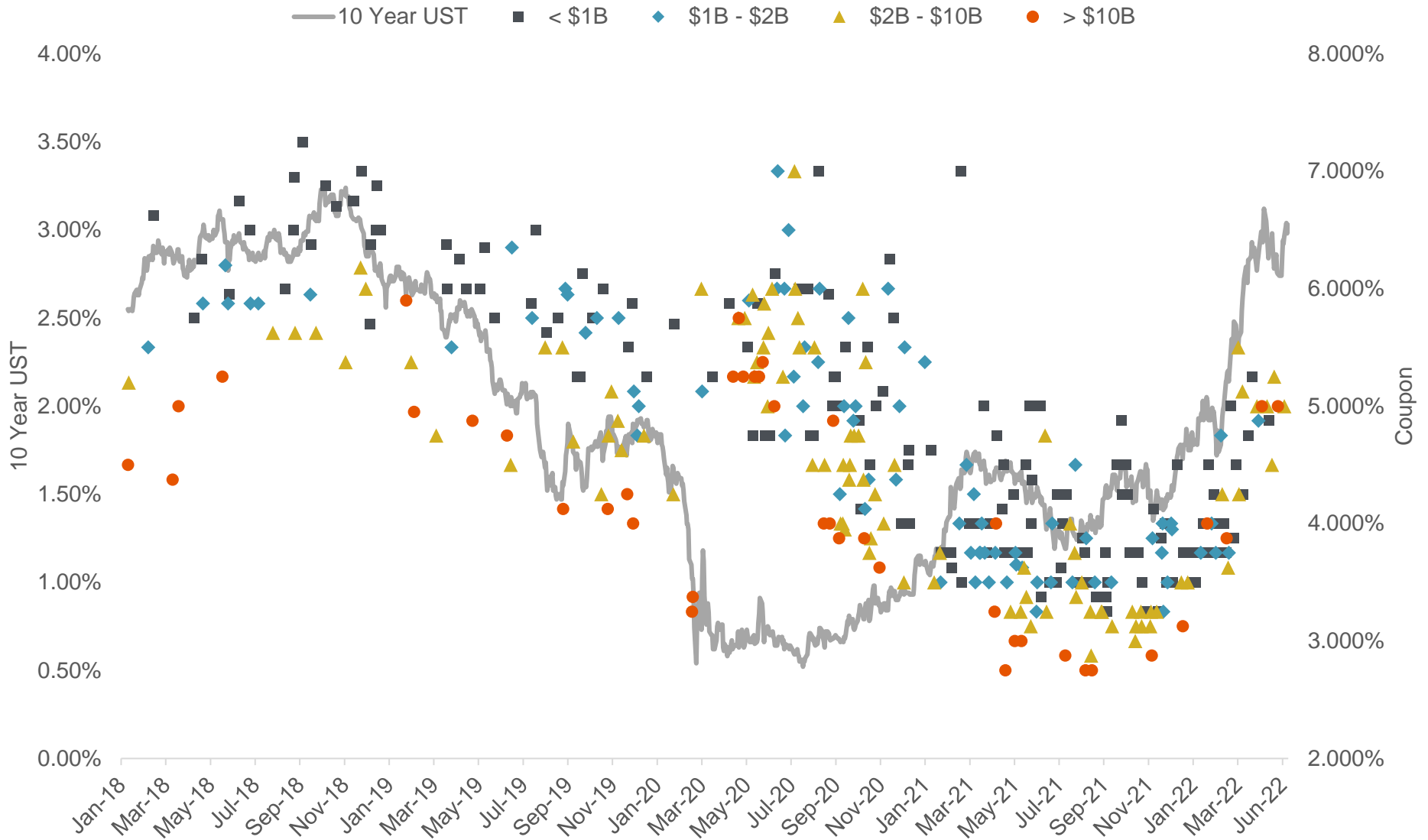
Index	11/8/18	12/31/19	8/4/20	3/19/21	12/31/21	6/9/22
Fed Funds Target	2.25%	1.75%	0.25%	0.25%	0.25%	1.00%
2 Year Treasury	2.97%	1.57%	0.11%	0.15%	0.73%	2.81%
5 Year Treasury	3.09%	1.69%	0.19%	0.88%	1.26%	3.06%
7 Year Treasury	3.17%	1.83%	0.36%	1.36%	1.44%	3.08%
10 Year Treasury	3.24%	1.92%	0.51%	1.72%	1.51%	3.04%
2-10Yr Treasury Spread	0.27%	0.35%	0.40%	1.57%	0.78%	0.23%
FFT-5Yr Treasury Spread	0.84%	-0.06%	-0.06%	0.63%	1.01%	2.06%
<i>Commentary (Peak/Trough Based on 10year UST)</i>	<i>(Last) Cycle Peak</i>	<i>Pre- Covid</i>	<i>Cycle Trough</i>	<i>Spring Spike</i>	<i>Year- End</i>	<i>Today</i>

Source: Bloomberg, Fed Funds Target is Upper Bound
Market data as of 6/9/2022

V. Debt Capital Markets

Debt Capital Markets Trends

Historical Sub-Debt Coupon by Asset Size



Note: Includes 10NC5 HoldCo Issuances since 2018; Market data as of June 8, 2022
 Source: S&P Global Market Intelligence; Bloomberg; Piper Sandler Syndicate Desk

Piper Sandler's Dominant Share of Bank Debt Capital Markets

Manager of Choice Driven by Optimized Distribution, Structuring and Marketing



\$41.7B Market Covering 800+ Issuers and 836 Offerings Since 2014

	Piper Sandler Transactions	Non-Piper Sandler Transactions
Investment Banks	PIPER SANDLER	20+ Competitors
Issuances	365	471
Gross Proceeds	\$23.5B	\$18.2B
Market Share	56%	44%

Note: Deal count includes \$1000 par subordinated debt and senior note offerings for Community Banks; Community Banks defined as banks or bank holding companies with less than \$45 billion in assets; Excludes transactions less than \$5 million in offering size
Source: S&P Global Market Intelligence, Bloomberg, Piper Sandler Syndicate Desk

Piper Sandler Runs the Majority of Institutional Community Bank Debt Transactions

Left Book-Running Manager & Joint Book-Running Manager Mandates Only

	PIPER SANDLER	 KEEFE, BRUYETTE & WOODS <i>A Stifel Company</i>	 PERFORMANCE TRUST <i>CAPITAL PARTNERS</i>	RAYMOND JAMES	Stephens
2022YTD	22 \$1.9B	7 \$520.0M	34 \$534.4M	1 \$15.0M	2 \$132.3M
2021	62 \$4.6B	17 \$1.5B	85 \$1.3B	11 \$470.0M	3 \$265.0M
2020	88 \$5.8B	34 \$2.9B	53 \$962.5M	15 \$948.5M	13 \$853.9M
2019	34	8	14	3	-
2018	29	5	3	-	4
2017	36	6	-	-	4
2016	42	6	-	3	2
2015	35	14	-	2	1
2014	17	1	-	1	1
Deal Total:	365	98	189	36	30
Proceeds:	\$23.5B	\$8.0B	\$3.1B	\$1.7B	\$2.3B

Note: Passive Book-Running Manager roles not counted toward Left Book-Runner Manager roles

Note: Co-Placement Agent counts as a Joint Book-Running Manager

Note: Deal count includes \$1000 par subordinated debt and senior note offerings for Community Banks; Community Banks defined as banks or bank holding companies with less than \$45 billion in assets;

Excludes transactions less than \$5 million in offering size

Note: S&P Global Market Intelligence (f/k/a SNL Financial) includes Passive + Co-Manager roles which is misleading versus Book-Only Roles

Source: S&P Global Market Intelligence, Bloomberg, Piper Sandler Syndicate Desk

PIPER | SANDLER Market Share – Subordinated Debt Issuances

Virginia Subordinated Debt Issuances Since 2019

PSC Book-Running Manager / Financial Advisor

Sorted by Deal Size

Ticker	Issue Date	Deal Size (\$M)	Issuer	Type	Fixed Rate	Floating Rate	Maturity	Structure / Call Features	Offering Type	Ratings		Orig. Spread to UST (bps)	Assets (\$B)	Mkt. Cap. (\$M)
										Kroll	EJ			
TOWN	02/02/22	\$250.0	TowneBank	Bank - Sub.	3.125% to 02/27;	3m SOFR + 1.680%	02/15/32	10NC5 @ 100%	3(a)(2) Exempt	BBB+	-	10T + 134.5	\$16.4	\$2,261.7
AUB	12/01/21	\$250.0	Atlantic Union Bankshares Corporation	HC - Sub.	2.875% to 12/26;	3m SOFR + 1.860%	12/15/31	10NC5 @ 100%	SEC Registered	BBB	-	-10T + 144.0	\$19.9	\$2,458.0
SONA	08/20/20	\$60.0	Southern National Bancorp of Virginia, Inc.	HC - Sub.	5.400% to 09/25;	3m SOFR + 5.310%	09/01/30	10NC5 @ 100%	SEC Registered	BBB-	-	10T + 475.0	\$3.1	\$210.1
MNSB	02/24/22	\$43.8	Mainstreet Bancshares Inc.	HC - Sub.	4.000% to 03/27;	3m SOFR + 2.330%	03/15/32	10NC5 @ 100%	Reg. D	-	A-	-10T + 203.4	\$1.6	\$195.1
EFSI	03/31/22	\$30.0	Eagle Financial Services, Inc.	HC - Sub.	4.500% to 04/27;	3m SOFR + 2.350%	04/01/32	10NC5 @ 100%	Reg. D	-	BBB	-10T + 221.0	\$1.3	\$122.6
OPOF	07/14/21	\$30.0	Old Point Financial Corp.	HC - Sub.	3.500% to 07/26;	3m SOFR + 2.860%	07/15/31	10NC5 @ 100%	Reg. D	-	-	-10T + 215.2	\$1.3	\$125.2
MNSB	04/06/21	\$30.0	Mainstreet Bancshares Inc.	HC - Sub.	3.750% to 04/26;	3m SOFR + 3.020%	04/15/31	10NC5 @ 100%	Reg. D	-	-	-10T + 209.4	\$1.6	\$158.9
BAYK	10/07/19	\$25.0	Bay Banks of Virginia, Inc.	HC - Sub.	5.625% to 10/24;	3m SOFR + 4.335%	10/15/29	10NC5 @ 100%	Reg. D	-	BBB+	-10T + 393.8	\$1.1	\$109.7
FDVA	11/18/21	\$20.0	Freedom Financial Holdings	HC - Sub.	3.500% to 12/26;	3m SOFR + 2.440%	12/01/31	10NC5 @ 100%	Reg. D	-	-	-10T + 194.0	\$0.8	\$96.5
CPKF	06/15/21	\$20.0	Chesapeake Financial Shares, Inc.	HC - Sub.	3.250% to 06/26;	3m SOFR + 2.600%	06/15/31	10NC5 @ 100%	Reg. D	-	-	-10T + 175.7	\$1.2	\$128.7
FVCB	10/13/20	\$20.0	FVCBankcorp, Inc.	HC - Sub.	4.875% to 10/25;	3m SOFR + 4.710%	10/15/30	10NC5 @ 100%	Reg. D	-	-	-10T + 409.0	\$1.8	\$147.9
CFFI	09/29/20	\$20.0	C&F Financial Corporation	HC - Sub.	4.875% to 09/25;	3m SOFR + 4.755%	09/30/30	10NC5 @ 100%	Reg. D	-	-	-10T + 422.5	\$2.0	\$106.5
BRBS	05/28/20	\$15.0	Blue Ridge Bankshares, Inc.	HC - Sub.	6.000% to 06/25;	3m SOFR + 5.870%	06/01/30	10NC5 @ 100%	Reg. D	-	-	-10T + 530.8	\$1.0	\$82.6
OAKV	02/25/22	\$14.0	Oak View Bankshares, Inc.	HC - Sub.	4.000% to 03/27;	3m SOFR + 2.270%	03/01/32	10NC5 @ 100%	Reg. D	-	-	-10T + 203.6	\$0.3	\$28.7
TSBA	01/20/22	\$10.0	Touchstone Bankshares Inc.	HC - Sub.	4.000% to 01/27;	3m SOFR + 2.630%	01/20/32	10NC5 @ 100%	Reg. D	-	-	-10T + 213.0	\$0.6	\$39.1
PPBN	09/18/20	\$8.0	Pinnacle Bankshares Corp.	HC - Sub.	5.250% to 09/25;	3m SOFR + 5.130%	09/30/30	10NC5 @ 100%	Reg. D	-	-	-10T + 455.0	\$0.6	\$30.1
TSBA	08/11/20	\$8.0	Touchstone Bankshares, Inc.	HC - Sub.	6.000% to 08/25;	3m SOFR + 5.960%	08/15/30	10NC5 @ 100%	Reg. D	-	-	-10T + 536.0	\$0.5	\$29.4
-	07/29/20	\$7.0	F & M Bank Corp.	HC - Sub.	6.000% to 07/25;	3m SOFR + 5.930%	07/31/30	10NC5 @ 100%	Reg. D	-	-	-10T + 542.0	\$1.0	-
-	07/29/20	\$5.0	F & M Bank Corp.	HC - Sub.	5.750%	-	07/31/27	7NC2	Reg. D	-	-	-7T + 532.1	\$1.0	-

Note: Deal count includes \$1000 par subordinated debt and senior note offerings for Community Banks less than \$45 billion in total assets; Excludes transactions less than \$5 million in offering size

Source: S&P Global Market Intelligence, Bloomberg, Piper Sandler Capital Raising Team

Piper Sandler Debt Capital Markets Distribution Network

Purposefully Configured for Optimal Execution (2014 – 2022YTD)

Diversified & Broad Investor Base¹

140 Money Managers

Avg. Investment Size: \$6.20 Million

75 Insurance Companies

Avg. Investment Size: \$8.0 Million

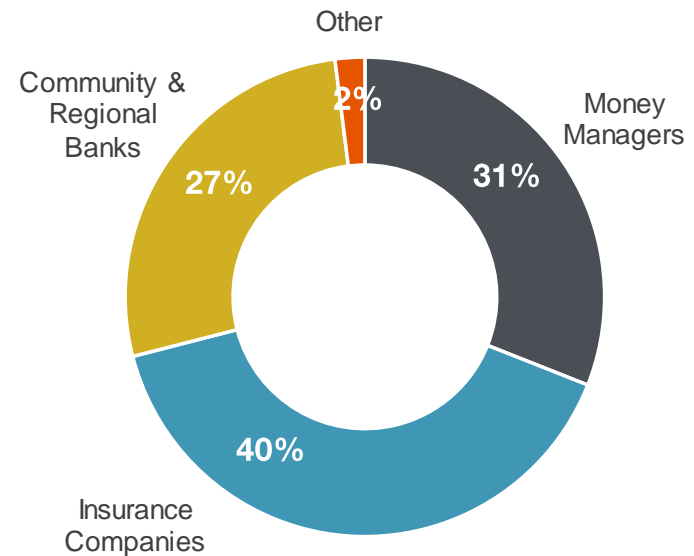
415 Community & Regional Banks

Avg. Investment Size: \$3.25 Million

=

630+ Discrete Investors

Overview of Investor Distribution by Type^{1,2}



Our Competitive Edge: Key Relationships with Community Banks Investing in Bank Debt

- Piper Sandler's unique, proprietary franchise of buyers enables us to produce the lowest coupons in the industry
- Historically, banks pay more aggressively than insurance companies and money managers
- The Community & Regional Bank investor universe has consistently grown as the market has matured
- Typically, the number of Community & Regional Bank orders are equal to or greater than our institutional orders in any given deal
- The Community Bank debt markets provide attractive yield pickups compared to: Money Center & Large Regional Banks and current loan origination
- Knowledgeable in understanding business dynamics and comfortable / familiar with management teams within their geography
- Heightened M&A activity has led to buyouts, upgraded ratings and overall credit improvements

1) Includes community bank and specialty finance transactions

2) Other includes Selling Group Members and Director / Insider Participation

Source: Piper Sandler Syndicate Desk

VI. Virginia Market Overview

Virginia Banks & Thrifts

58 Public and Private Banks & Thrifts

Under \$500M		\$500M - \$1.25B		\$1.25B - \$3.0B		Over \$3.0B	
19 Banks		17 Banks		13 Banks		9 Banks	
Company	Assets (\$M)	Company	Assets (\$M)	Company	Assets (\$M)	Company	Assets (\$M)
Powell Valley National Bank	\$ 423	F & M Bank Corp.	\$ 1,238	First Bancorp, Inc.	\$ 2,873	Capital One Financial Corporation	\$ 434,195
Select Bank	\$ 393	Benchmark Bankshares, Inc.	\$ 1,083	Blue Ridge Bankshares, Inc.	\$ 2,725	Atlantic Union Bankshares Corporation	\$ 19,782
Oak View Bankshares, Inc.	\$ 380	Pinnacle Bankshares Corporation	\$ 1,015	C&F Financial Corporation	\$ 2,302	TowneBank	\$ 16,667
First Sentinel Bank	\$ 342	Parkway Acquisition Corp.	\$ 1,007	John Marshall Bancorp, Inc.	\$ 2,250	Carter Bankshares, Inc.	\$ 4,123
Legacy Bank	\$ 325	Bank of the James Financial Group, Inc.	\$ 974	FVCBankcorp, Inc.	\$ 2,090	Burke & Herbert Bank & Trust Company	\$ 3,552
The Farmers Bank of Appomattox	\$ 307	Old Dominion National Bank	\$ 893	Virginia National Bankshares Corporation	\$ 1,935	American National Bankshares Inc.	\$ 3,346
Pioneer Bankshares, Inc.	\$ 300	Freedom Financial Holdings, Inc.	\$ 863	MainStreet Bancshares, Inc.	\$ 1,762	National Consumer Cooperative Bank	\$ 3,263
VCC Bank	\$ 224	New Peoples Bankshares, Inc.	\$ 814	National Bankshares, Inc.	\$ 1,722	First Community Bankshares, Inc.	\$ 3,244
Highlands Community Bank	\$ 194	Village Bank and Trust Financial Corp.	\$ 764	First National Corporation	\$ 1,418	Primis Financial Corp.	\$ 3,220
CornerStone Bank, National Association	\$ 192	Bank of Botetourt	\$ 701	Eagle Financial Services, Inc.	\$ 1,374		
The Bank of Charlotte County	\$ 184	Bank of Southside Virginia Corporation, The ¹	\$ 686	Chain Bridge Bank, National Association	\$ 1,362		
Lee Bank and Trust Company	\$ 181	Farmers Bankshares, Inc.	\$ 628	Chesapeake Financial Shares, Inc.	\$ 1,346		
Farmers and Miners Bank	\$ 170	Touchstone Bankshares, Inc.	\$ 594	Old Point Financial Corporation	\$ 1,325		
Community Bankers' Bank	\$ 151	Citizens Bancorp of Virginia, Inc.	\$ 570				
Frontier Community Bank	\$ 146	TruPoint Bank	\$ 550				
Movement Bank	\$ 139	Trustar Bank	\$ 546				
Miners Exchange Bank	\$ 96	The Bank of Marion	\$ 523				
Farmers & Merchants Bank of Craig County	\$ 83						
The Blue Grass Valley Bank	\$ 57						

1) Based on the lack of consolidated financial statements, relative size of bank holding company and relevant regulatory requirements, and single banking subsidiary, financial information presented for company represents Call Report financial information as of March 31, 2022

Note: Grey shading indicates publicly-traded bank; Financial data as March 31, 2022; Excludes targets of announced mergers; Institutions not pro forma for pending or recently completed acquisitions

Source: S&P Global Market Intelligence

Virginia Publicly-Traded Banks and Thrifts

Sorted by Assets

Financial Data as of or for the Period Ending March 31, 2022
Pricing Data as of June 8, 2022

Company	City, State	Ticker	Balance Sheet		Capital Position			MRQ Profitability					Valuation				
			Total Assets (\$M)	Loans/Deposits (%)	TCE/TA (%)	Total RBC Ratio (%)	CRE/Total RBC (%)	Core ROAA (%)	Core ROAE (%)	Net Interest Margin (%)	Fee Income/Revenue (%)	Effic. Ratio (%)	Cost of Deposits (%)	Tang. Book Value (%)	LTM EPS (x)	Divid. Yield (%)	Market Value (\$M)
Capital One Financial Corporation	McLean, VA	COF	434,195	89.5	8.73	16.35	85.3	2.10	15.23	6.49	19.8	56.8	0.28	136	4.9	1.9	49,198
Atlantic Union Bankshares Corporation	Richmond, VA	AUB	19,782	81.6	7.21	13.79	259.7	1.01	7.58	3.00	18.7	56.1	0.11	189	10.9	3.3	2,562
TowneBank	Portsmouth, VA	TOWN	16,667	72.0	8.40	17.34	218.4	1.17	10.16	2.65	40.0	64.1	0.14	154	10.9	3.2	2,038
Carter Bankshares, Inc.	Martinsville, VA	CARE	4,123	77.6	8.70	14.24	406.3	0.90	9.46	2.80	15.9	65.9	0.47	102	12.2	0.0	360
Burke & Herbert Bank & Trust Company	Alexandria, VA	BHRB	3,552	59.2	9.32	18.72	279.6	1.01	10.04	2.78	14.6	69.7	0.05	114	10.3	4.2	376
American National Bankshares Inc.	Danville, VA	AMNB	3,346	67.9	7.54	14.09	283.1	1.12	10.54	2.62	21.5	57.5	0.08	155	9.3	3.1	382
First Community Bankshares, Inc.	Bluefield, VA	FCBC	3,244	80.6	9.31	14.96	198.7	1.18	8.83	3.50	25.9	57.6	0.07	167	10.8	3.8	482
Primis Financial Corp.	McLean, VA	FRST	3,220	89.1	9.57	17.66	205.9	0.59	4.78	2.92	8.4	73.5	0.35	111	12.4	3.0	330
Blue Ridge Bankshares, Inc.	Charlottesville, VA	BRBS	2,725	79.3	9.08	13.29 ¹	258.6 ¹	1.63 ¹	14.90 ¹	3.87	50.4	46.6	0.27	117	4.4	3.2	289
C&F Financial Corporation	Toano, VA	CFFI	2,302	73.2	7.63	15.80	211.3 ¹	0.99	10.82	3.87	24.5	73.9	0.23	102	6.5	3.2	176
John Marshall Bancorp, Inc.	Reston, VA	JMSB	2,250	82.3	9.11	15.42 ¹	334.5 ¹	1.40	14.73	3.29	2.9	47.5	0.27	191	13.9	0.0	392
FVCBankcorp, Inc.	Fairfax, VA	FVCB	2,090	83.1	9.26	--	386.1 ¹	1.33	12.92	3.10	9.7	49.5	0.42	146	12.8	0.0	281
Virginia National Bankshares Corporation	Charlottesville, VA	VABK	1,935	56.8	6.76	15.66	218.3 ¹	0.70	8.50	2.55	17.3	69.5	0.20	134	12.5	3.7	174
MainStreet Bancshares, Inc.	Fairfax, VA	MNSB	1,762	99.4	8.97	16.44 ¹	370.6 ¹	1.30	11.43	3.86	7.1	54.8	0.46	118	9.3	0.8	178
National Bankshares, Inc.	Blacksburg, VA	NKSH	1,722	53.1	9.06	18.90	174.4 ¹	1.15	10.59	2.62	18.1	51.1	0.17	128	9.9	4.4	199
First National Corporation	Strasburg, VA	FXNC	1,418	64.7	7.31	14.44 ¹	233.9 ¹	1.05	13.29	3.15	20.4	64.4	0.10	121	9.9	2.8	125
Eagle Financial Services, Inc.	Berryville, VA	EFSS	1,374	83.0	7.43	--	224.8 ¹	0.97	11.92	3.56	22.5	68.9	0.12	122	10.9	3.1	125
Chesapeake Financial Shares, Inc.	Kilmarnock, VA	CPKF	1,346	59.5	7.51	15.23	190.0	2.04	25.07	3.28	45.0	54.3	0.13	131	9.5	2.0	131
Old Point Financial Corporation	Hampton, VA	OPOF	1,325	72.5	8.02	13.15 ¹	220.0 ¹	0.61	6.93	3.12	26.7	81.0	0.18	120	17.5	2.1	127
F & M Bank Corp.	Timberville, VA	FMBM	1,238	59.3	6.87	14.70 ¹	134.1 ¹	0.83	10.76	2.78	23.6	80.8	0.31	93	10.4	3.7	99
Benchmark Bankshares, Inc.	Kenbridge, VA	BMBN	1,083	68.4	7.59	15.13	211.2 ¹	0.78	9.73	3.28	18.1	73.9	0.19	127	9.7	3.0	104
Pinnacle Bankshares Corporation	Altavista, VA	PPBN	1,015	60.4	6.31 ¹	13.65 ¹	183.6 ¹	0.60 ¹	8.93 ¹	2.60	24.6	78.0	0.13 ¹	81	10.5	2.5	49
Parkway Acquisition Corp.	Floyd, VA	PKKW	1,007	75.7	7.43	12.76	246.0 ¹	0.93	11.37	3.53	15.1	68.1	0.20	97	7.5	2.3	72
Bank of the James Financial Group, Inc.	Lynchburg, VA	BOTJ	974	67.6	5.12	12.11 ¹	245.9 ¹	0.92	12.73	2.82	36.2	74.8	0.14	130	8.1	2.1	64
Freedom Financial Holdings, Inc.	Fairfax, VA	FDVA	863	83.1	9.24	15.15 ¹	201.9 ¹	1.27	13.35	3.63	19.3	61.7	0.24	136	9.9	0.0	99
New Peoples Bankshares, Inc.	Honaker, VA	NWPP	814	81.4	7.24	15.90 ¹	171.0 ¹	0.96	12.18	3.48	26.4	69.0	0.24	94	7.5	8.6	55
Village Bank and Trust Financial Corp.	Midlothian, VA	VBFC	764	75.9	8.04	14.69 ¹	236.6 ¹	0.96	11.32	3.31	21.7	75.9	0.16	121	7.2	1.1	75
Bank of Botetourt	Buchanan, VA	BORT	701	66.5	8.49	--	158.3	0.90	10.41	3.07	18.7	65.7	0.29	95	8.8	2.5	57
Bank of Southside Virginia Corporation, The ²	Carson, VA	BSSC	686	31.4	14.10	--	15.7	0.64	4.39	2.30	17.0	70.7	0.14	136	24.2	0.0	131
Farmers Bankshares, Inc.	Windsor, VA	FBVA	628	47.9	6.52	16.28 ¹	103.0 ¹	0.91	9.75	2.89	34.5	71.1	0.24	160	8.3	2.9	64
Touchstone Bankshares, Inc.	Prince George, VA	TSBA	594	79.3	7.88	--	234.3 ¹	0.81	9.65	3.34	16.0	78.8	0.23 ¹	79	8.1	2.7	37
Citizens Bancorp of Virginia, Inc.	Blackstone, VA	CZBT	570	41.0	9.61	--	65.3 ¹	0.96	9.59	2.54	17.5	65.1	0.20	110	11.1	3.5	60
Oak View Bankshares, Inc.	Warrenton, VA	OAKV	380	76.3	7.36	17.11 ¹	147.1 ¹	0.66	8.44	3.09	10.2	75.5	0.19	94	11.6	0.6	26
The Farmers Bank of Appomattox	Appomattox, VA	FBPA	307	70.6	10.52	18.89	76.0	0.97	8.64	3.41	9.0	66.5	0.29	101	9.7	4.3	33
Pioneer Bankshares, Inc.	Stanley, VA	PNBI	300	68.3	11.02	17.92 ¹	75.8 ¹	0.77 ¹	7.52 ¹	3.36 ¹	2.4	93.5	0.14 ¹	83	8.4	3.5	27
High			434,195	99.4	14.10	18.90	406.3	2.10	25.07	6.49	50.4	93.5	0.47	191	24.2	8.6	49,198
Low			300	31.4	5.12	12.11	15.7	0.59	4.39	2.30	2.4	46.6	0.05	79	4.4	0.0	26
Mean			14,866	70.8	8.35	15.51	207.6	1.03	10.76	3.21	20.6	66.6	0.21	123	10.3	2.6	1,685
Median			1,346	72.5	8.04	15.23	211.3	0.96	10.41	3.12	18.7	68.1	0.20	121	9.9	2.9	127

1) Represents Call Report data due to lack of available consolidated data

2) Based on the lack of consolidated financial statements, relative size of bank holding company and relevant regulatory requirements, and single banking subsidiary, financial information presented for company represents Call Report financial information as of March 31, 2022

3) Represents non-core figure

Note: Includes publicly traded banks and thrifts in Virginia; Excludes targets of announced mergers; Institutions not pro forma for pending or recently completed acquisitions

Source: S&P Global Market Intelligence

Virginia Private Banks and Thrifts

Sorted by Assets

Financial Data as of or for the Period Ending March 31, 2022

Dollar Values in Millions

Company	City, State	Balance Sheet		Capital Position				MRQ Profitability					
		Total Assets (\$)	Loans/Deposits (%)	TCE/TA (%)	Tier 1 Lev. Ratio (%)	Total RBC Ratio (%)	CRE/Total RBC (%)	ROAA (%)	ROAE (%)	Net Interest Margin (%)	Fee Income/Revenue (%)	Effic. Ratio (%)	Cost of Deposits (%)
National Consumer Cooperative Bank	Arlington, VA	3,263	83.5	11.03	12.41	17.12	234.7	0.74	6.62	--	25.9	--	0.31
First Bancorp, Inc.	Lebanon, VA	2,873	85.8	9.21	9.88	15.62	253.9	1.71	18.75	--	17.7	--	0.20
Chain Bridge Bank, National Association	McLean, VA	1,362	21.4	4.62	5.76	19.98	61.1	0.28	5.20	1.62	7.1	79.7	0.01
Old Dominion National Bank	North Garden, VA	893	85.6	10.14	11.20	13.84	326.9	0.57	5.20	3.15	4.8	73.7	0.33
TruPoint Bank	Grundy, VA	550	70.4	8.28	9.75	--	144.1	0.96	10.87	2.94	21.5	66.3	0.13
Trustar Bank	Great Falls, VA	546	80.4	8.42	8.71	12.23	357.4	0.19	2.10	2.99	10.5	79.1	0.50
The Bank of Marion	Marion, VA	523	60.9	8.66	10.14	19.96	12.3	1.35	14.09	4.06	18.9	61.2	0.08
Powell Valley National Bank	Jonesville, VA	423	68.0	9.54	9.94	17.41	116.4	0.74	7.45	2.95	18.3	71.1	0.18
Select Bank	Forest, VA	393	83.4	7.75	8.45	14.73	205.8	0.82	10.38	2.69	26.0	70.1	0.60
First Sentinel Bank	Richlands, VA	342	95.7	9.03	9.13	12.76	34.5	1.11	12.27	4.32	13.8	61.7	0.35
Legacy Bank	Grundy, VA	325	57.1	19.20	21.31	38.44	69.3	0.85	4.25	2.85	4.4	60.4	0.31
VCC Bank	Richmond, VA	224	88.1	12.95	13.25	--	254.7	0.70	5.47	3.08	9.4	79.5	0.50
Highlands Community Bank	Covington, VA	194	57.8	9.47	11.28	--	62.6	0.92	8.56	3.66	10.3	66.7	0.63
CornerStone Bank, National Association	Lexington, VA	192	85.0	9.69	9.81	--	283.1	0.76	7.84	3.81	11.8	76.2	0.39
The Bank of Charlotte County	Phenix, VA	184	70.3	11.63	12.55	20.14	40.8	0.70	5.75	3.42	9.7	75.4	0.22
Lee Bank and Trust Company	Pennington Gap, VA	181	79.5	13.74	14.79	24.81	92.1	0.50	3.59	3.31	7.1	78.1	0.23
Farmers and Miners Bank	Pennington Gap, VA	170	51.4	11.60	13.24	--	48.3	0.80	6.22	3.79	15.9	77.7	0.08
Community Bankers' Bank	Midlothian, VA	151	82.5	12.17	12.61	--	255.3	0.55	4.51	2.50	47.4	85.5	0.19
Frontier Community Bank	Waynesboro, VA	146	87.1	10.67	10.17	16.67	181.3	0.50	4.96	2.56	16.4	80.7	0.72
Movement Bank	Danville, VA	139	68.6	13.72	16.73	23.91	166.1	(0.06)	(0.39)	3.10	52.5	101.0	0.12
Miners Exchange Bank	Coeburn, VA	96	59.5	10.91	11.75	--	54.7	0.13	1.17	4.16	13.7	95.9	0.22
Farmers & Merchants Bank of Craig County	New Castle, VA	83	51.8	15.93	16.42	--	24.1	0.60	3.63	2.71	8.0	71.5	0.17
The Blue Grass Valley Bank	Blue Grass, VA	57	59.9	9.57	9.75	--	50.7	0.49	5.01	2.96	7.0	79.2	0.32
High		3,263	95.7	19.20	21.31	38.44	357.4	1.71	18.75	4.32	52.5	101.0	0.72
Low		57	21.4	4.62	5.76	12.23	12.3	(0.06)	(0.39)	1.62	4.4	60.4	0.01
Mean		579	71.0	10.78	11.70	19.12	144.8	0.69	6.67	3.17	16.4	75.7	0.30
Median		224	70.4	10.14	11.20	17.27	116.4	0.70	5.47	3.08	13.7	76.2	0.23

Note: Includes private banks and thrifts in Virginia; Excludes targets of announced mergers; Institutions not pro forma for pending or recently completed acquisitions
Source: S&P Global Market Intelligence

VII. ALCO & Strategy

Weaponizing your ALCO

Concept

- Determine part(s) of the yield curve that matter to your company
- Use economic data for pricing, not strategy development

Strategy

- Understand your exposure to develop sound strategies
 - Pick 2-3 realistic yield curve shifts
 - Quantify these impacts for ALCO and identify potential remedies
 - Given macro uncertainty, financial institutions are migrating to neutral
- Stick to “inside-out” approach
 - Realistic modeling leads to effective strategy development

Content

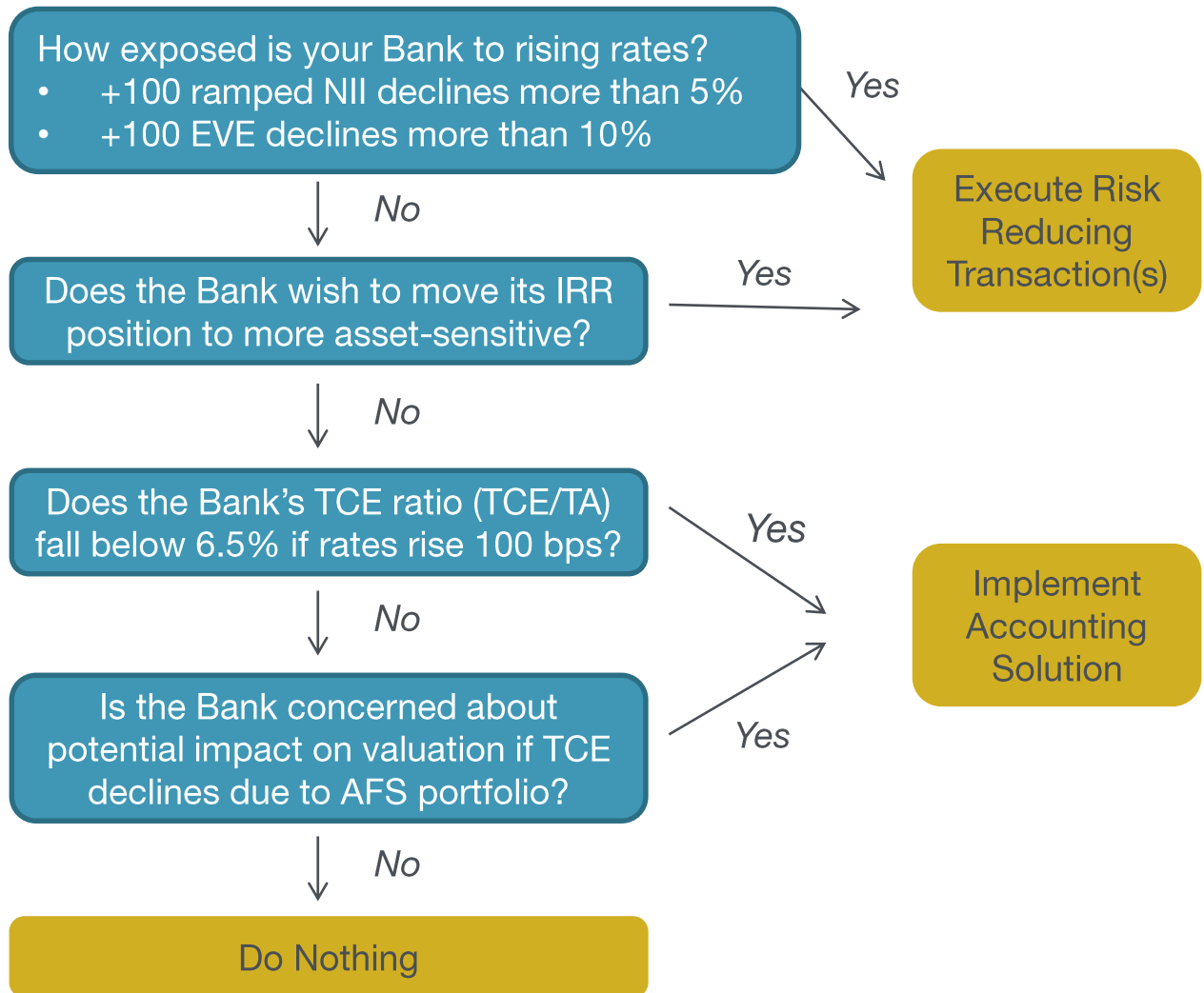
- Create a 3-5 page actionable ALCO summary deck
- Equate sensitivity to rate changes to something that will get your committee’s attention
 - BPS of NIM, ROA, EPS, etc.

AFS and unrealized losses

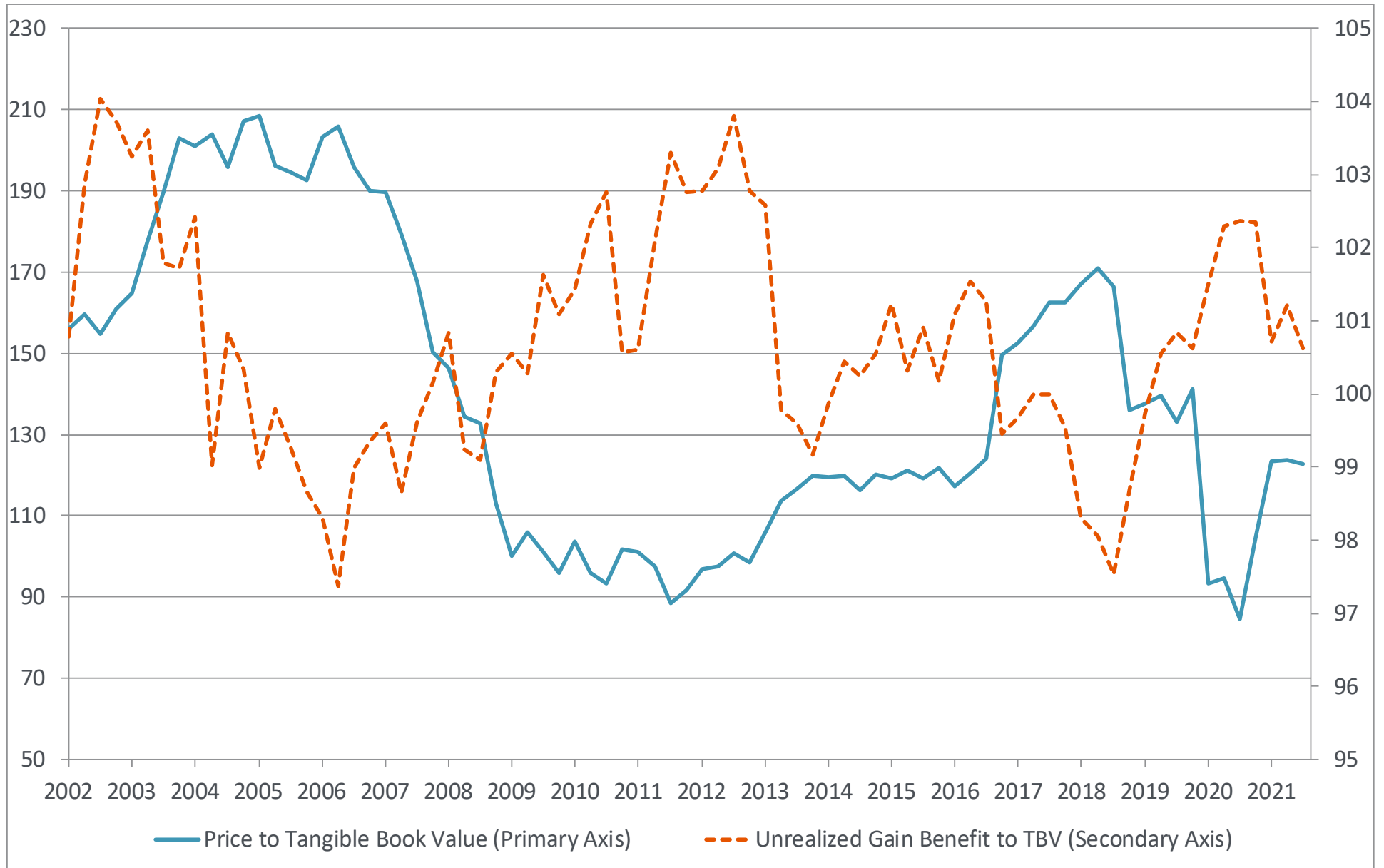
Key considerations:

- Sensitivity to TCE & TBV
- Liquidity profile (and various measurements)
- Realized vs. unrealized mark-to-market
- Accounting vs. economic solutions
- Bond valuation vs. bank valuation, etc.

Decision tree on rate protection



AFS/HTM OCI protection debate: bank valuation vs. bond valuation



Source: S&P Global Market Intelligence.
Includes public banks \$1bn to \$10bn in assets (median metrics)

Scenario overview: key considerations

	HTM	Sell Bonds	Hedge Assets	Hedge Funding
Earnings	No impact	Take loss; reinvest dictates earn back	Reduce current earnings	Reduce current earnings
Accounting	Accounting solution, not economic	Remove/ reduce exposure	Fair value partially hedged	Cash flow hedge marked through OCI (symmetry)
Other Considerations	Target AFS /Assets... not HTM /Bonds	Already flush with liquidity	Bond cash flows dictate structure	Limited items to hedge with the prolonged liquidity surge
	Reduced flexibility		Can forward start	Can forecast future funding
	CECL implications			

Common mistakes

- View bond portfolio in a vacuum
- Confusing unrealized with actual losses
- Short memories
- Rate predictions
- Pause security purchases
- Purchase only shorter assets
- Ignoring where your entire balance sheet is exposed
- Ignoring exposure to multiple parts of the curve
- Confusing tactics for strategy

Actionable strategies

- Allocating cash on the parts of the curve you are NOT heavily exposed to
- Caps and cap corridors...why and when?
- Too much exposure to the fed – Receive fix swaps may make sense
- Floors, don't embedded them – pay for them
- Costless collars are back- who does it make sense for

Key Takeaways

- Don't confuse sight for vision
- Understand the risk of balance sheet mix changes
- Don't confuse yield curve risk for interest rate risk
- Make sure credit risk is compensating you!
- This volatility allows for the best ALCOs to differentiate themselves

Appendix

Scott Hildenbrand



Tel: +1 212-466-7865

Email: scott.hildenbrand@psc.com

Scott Hildenbrand is a managing director and the head of the financial strategies group at Piper Sandler. Hildenbrand also runs Piper Sandler Hedging Services, LLC, which is registered as a swap introducing broker with the Commodity Futures Trading Commission and is a member of the National Futures Association.

Previously, Hildenbrand was a principal and chief balance sheet strategist of Sandler O'Neill + Partners, L.P. He headed the balance sheet analysis and strategy group, working with financial institutions on balance sheet strategy development, which includes interest rate risk management, investment portfolio strategy, retail and wholesale funding management, capital planning, budgeting, and stress testing. Hildenbrand also worked closely with the firm's investment banking group to identify and develop strategic opportunities for clients involved in mergers and acquisitions.

Hildenbrand previously worked in Sandler O'Neill's interest rate products group, focusing on developing and implementing structured wholesale funding strategies for financial institutions. He spent his first four years at the firm in the asset/liability management group. Prior to joining Sandler O'Neill in 2004, Hildenbrand worked as a financial analyst in asset/liability management at Tower Federal Credit Union in Maryland.

In 2021 Hildenbrand was elected to the Financial Managers Society board of directors. Additionally, he serves as treasurer on the board of directors for Liam's Room, a non-profit organization that focuses on pediatric palliative care, a specialized approach to medical care for children with serious illnesses.

Hildenbrand holds a Master of Business Administration degree in finance from Loyola College in Maryland and a bachelor's degree with a concentration in accounting and finance from Gettysburg College. He is a frequent speaker at industry conferences and seminars.

Avi J. Barak

Managing Director, Financial Services Investment Banking



+1 212 466-7908

Avi J. Barak is a managing director within financial services investment banking at Piper Sandler.

Barak advises the boards and senior management of financial institutions on strategic matters including capital raising, mergers & acquisitions, balance sheet restructurings & optimizations, and asset/liability management. He also works with institutional clients, including private equity firms, hedge funds and money managers in both evaluating and executing equity and debt investments in financial institutions. Barak has worked on dozens of capital raises and mergers, ranging in value from the single-digit millions, to nearly one billion. Barak represents clients of all sizes in the financial services space.

Previously, he was a managing director in the investment banking group of Sandler O'Neill + Partners, which he joined in 2003. Prior to joining the investment banking group, Barak served as a managing director in equity research, focused on regional and community banks and the banking industry. In 2006, Barak was recognized by Forbes.com/StarMine as the #2 stock picker for the commercial banks industry. From 2007 through 2009, Barak was the winner of the SNL Dartboard Challenge, the only three-time winner since the inception of the contest. As an analyst, Barak spoke at various bank industry conferences, and was routinely quoted in the business news media including *The Wall Street Journal*, *The American Banker*, and *SNL Financial*.

Barak began his career in the equity research department of Prudential Securities, where he focused on regional banks and the banking industry.

Barak graduated from Cornell University with a double major in economics and psychology. He resides in Rockland County, New York with his wife and four children.

Risk Considerations of Hedging with Derivatives

While derivative transactions hedging future liabilities have many benefits, they also require the Management and Board of Directors to carefully review the associated risks and considerations.

SOME OF THE RISK FACTORS MANAGEMENT AND THE BOARD SHOULD CONSIDER INCLUDE:

Market risk

- Risk that market moves in the opposite direction of the hedge leading to “buyer’s remorse” and a net cost to the hedge over its life

Counterparty risk

- Risk that counterparty defaults and derivative’s value must be written off
- Risk that counterparty margin posted does not cover market value
- Chance of counterparty default may put hedge accounting treatment in jeopardy

Accounting risk

- If hedge accounting is jeopardized through some misalignment between the hedge and the hedged item, the derivative market value of the hedge may be forced to flow through earnings and regulatory capital

Regulatory risk

- Policies and procedures for monitoring initial and ongoing risk most scrutinized
- Minimal risk when derivative strategy is used for hedging and not speculative use

Liquidity Risk

- Management must evaluate the effect an interest rate derivative strategy may have on liquidity calculations when collateral calls and periodic hedge payments are considered

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