

BankDirector

Breakout 1: **Driving Deposit Growth Through Treasury Management Services**

Lauren Bray

TruStage Compliance Solutions

Amy Ferguson

TruStage Compliance Solutions

Erin Simpson

Encore Bank

#A0BA24

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Driving deposit growth through Treasury Management Services

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TruStage™ is the marketing name for TruStage Financial Group, Inc. its subsidiaries and affiliates. Corporate headquarters are located in Madison, Wis.

Our presenters



Lauren Bray
Product Specialist &
Counsel, TruStage



Erin Simpson
EVP, Chief Operations
Officer, Encore Bank



Amy Ferguson
Sales Support Manager,
TruStage

Agenda

- **Introduction to Encore Bank and TruStage™ Compliance Solutions**
- **Encore Bank's treasury-focused deposit growth strategy**
- **TruStage's approach to supporting treasury services**
- **Panel questions**
- **Audience Q&A**

Overview of Encore Bank

- **\$4 billion** asset bank holding company headquartered in Little Rock, AR
- **Recapitalized** through a **\$57 million common equity raise** by current management team in March 2019; raised an additional **\$139 million and \$172 million in common equity** through private placement offerings in 2021 and 2022, respectively
- **20.2% ownership** amongst all **insiders**⁽¹⁾
- **Branch-lite, low FTE** business model with **concierge banking** approach and **commercial lending** focus
- **Organic growth strategy** by recruiting experienced banking teams in attractive metro markets
- **Experienced management team** with focus on recruitment and culture
- Rapidly **improving profitability** and **operating leverage**
- **Utilizing digital innovations** to enhance the delivery of our products and services for a better client experience

Encore's Office Footprint



(1) Ownership data as of 8/22/23; Includes all shares owned and controlled and unvested restricted shares; Excludes Patriot Financial Partners, L.P. ownership

(2) Lease signed on permanent office space; Construction in process

(3) Building leadership in market

Overview of TruStage™ Compliance Solutions

Embedded warranted compliance content through technology.

- Consumer lending
- Commercial lending
- Small Business Administration (SBA)
- Deposits
- Tax-favored accounts
- Treasury Management
- Mobile deposits

35+ in-house attorneys

15k regulations monitored daily

5,400 active clients

30+ years of compliance maturity

API-first delivery through 80+ partner platforms



Encore Bank

DEPOSIT Strategy @ ENCORE

Lead with Treasury



RATES REMAIN UP-Where do we go now?

FRED  Federal Funds Target Range - Upper Limit



WHAT IS PROPER FUNDING? THREE LEGS TO THE STOOL



STABLE

- Relationship-based deposits
- Operating deposits
- Duration matters
- Granularity - limited lumpiness



DIVERSE

- Consumer, commercial deposits, and high transaction/deposit industries
- Insured vs uninsured
- Industry diversification



COST EFFECTIVE

- Market aligned standard rates
- Non-Indexed rates
- Client level value-based rate strategy

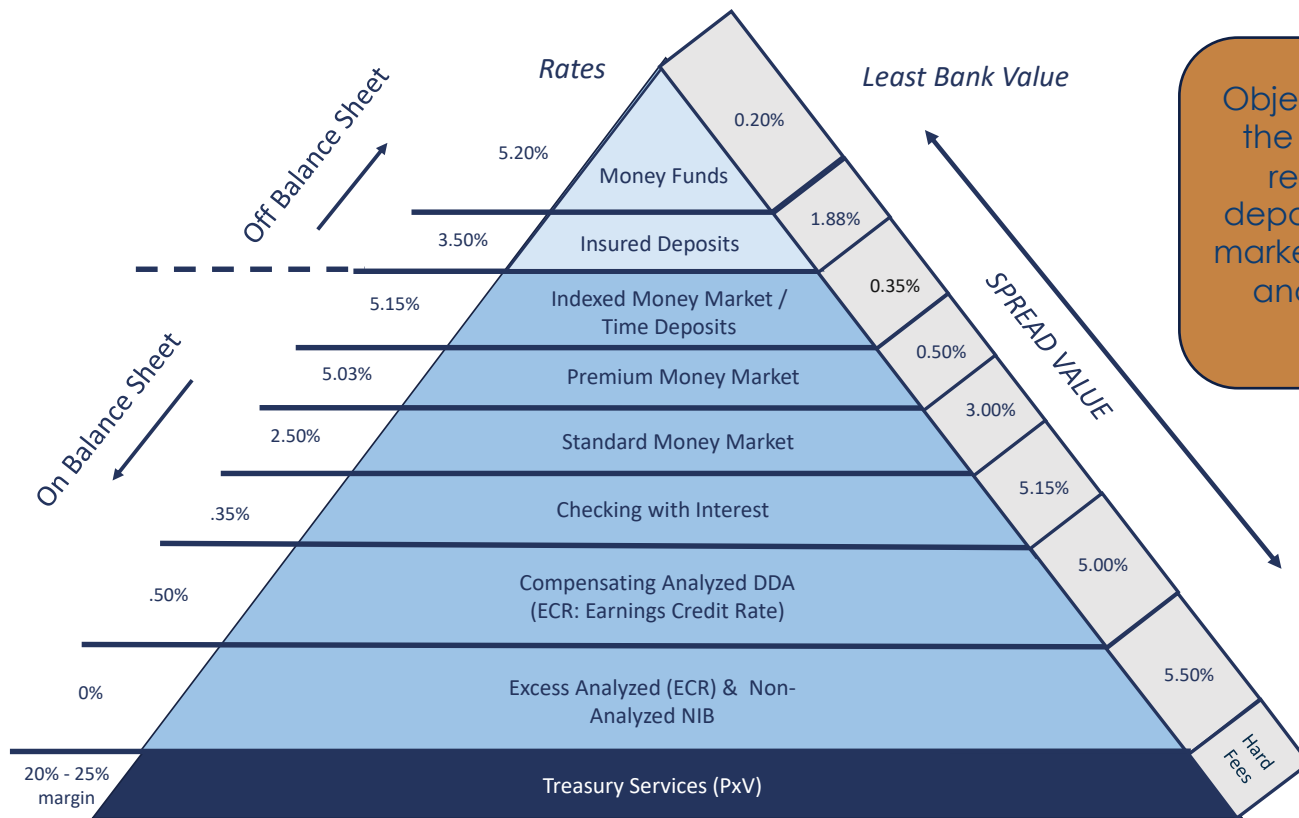


PROPER FUNDING – TYPES OF BANK FUNDING

FUNDING TYPE	CHARACTERISTICS
Core Funding	<ul style="list-style-type: none">• Non-Interest Bearing and Interest Bearing• Consumer or commercial client• Available for lending
Contingency Core Funding Note: represents deposits that have limits or ALCO monitoring requirements	<ul style="list-style-type: none">• Interest Bearing• Consumer or commercial client• Available for lending• Highly rate sensitive(and/or indexed), sizeable in nature, minimal extended relationship value or opportunity• Examples: Financial Institutions, Public Funds, Broker Dealer, Reciprocal Insured (IntraFi ICS, Reich & Tang), Listing Services• Relationship Brokered Deposits
Wholesale Funding	<ul style="list-style-type: none">• Obtained via a deposit broker (Brokered Deposits), Deposit Aggregator or the Federal Home Loan Bank• Bank lines of credit• Usually used for regulatory and soundness purposes (i.e. contingency, emergency access)• Available for lending

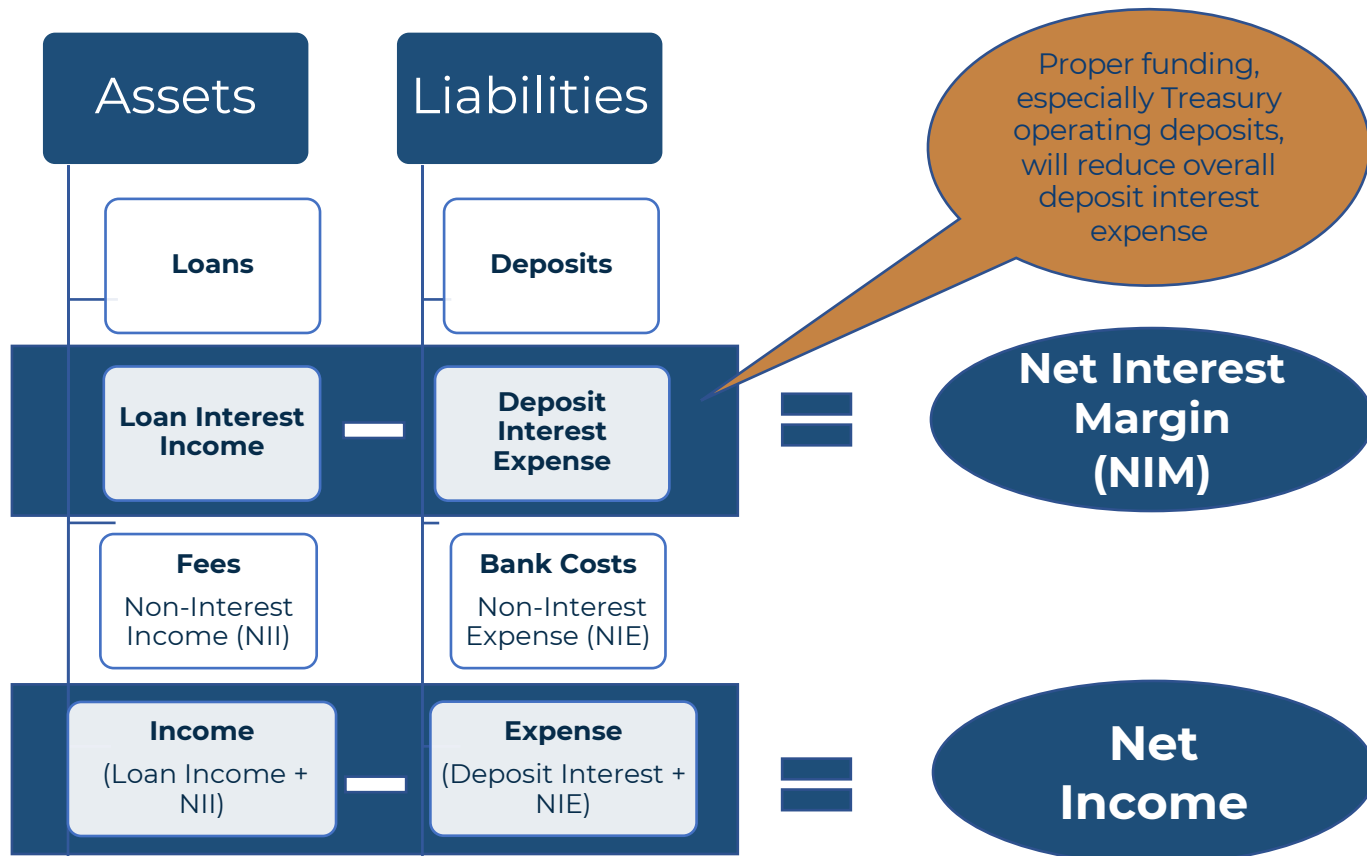


PROPER CORE FUNDING – DEPOSIT PYRAMID OF PREFERENCE

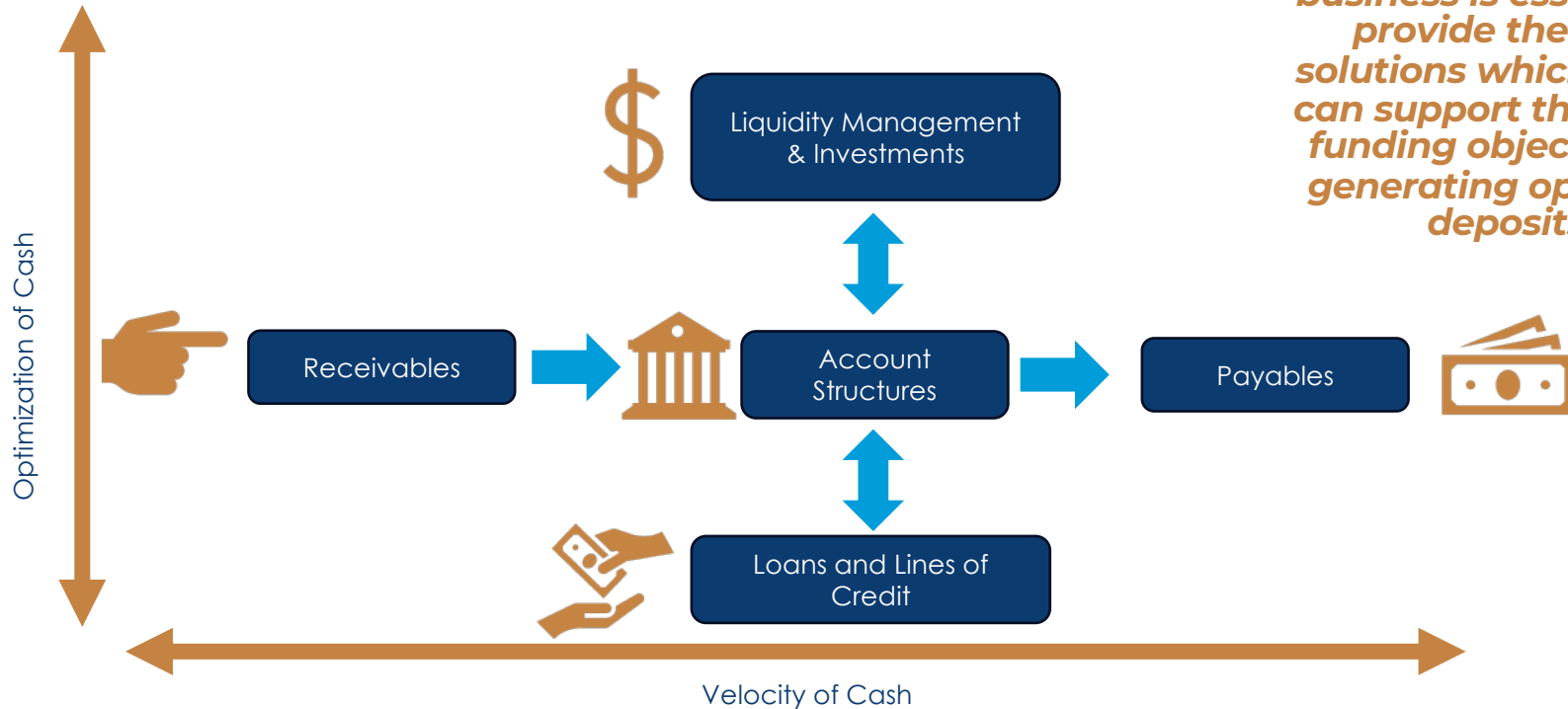


Objective: Properly fund the bank's assets with relationship-driven deposits that are stable, market price competitive and align with client needs.

DEPOSIT VALUE: THE BALANCE SHEET SIMPLIFIED



A CLIENT'S VIEW OF FLOW OF FUNDS...



A robust Treasury business is essential to provide the right solutions which in turn can support the bank's funding objectives by generating operating deposits.

WHAT NEEDS TO BE TRUE TO PROPERLY FUND A BANK?



FOCUS and DISCIPLINE

Everyone must care about deposits and make it a part of the daily focus.

Operating Deposits must be #1 deposit priority.

Disciplined relationship-based deposit pricing is essential.



PRODUCT & DELIVERY

A robust treasury product platform and sales team are key.

Need an amazing client experience that creates promoters.

Need to be easy to do business with.



BRAND

Clients need to see us as a client centric bank, meeting all their needs.

Clients should understand the value of well priced stable deposits to their bank relationship.

Need to see our bank as and believe we are a treasury centric bank.



Why support Treasury Management docs?

Simply put: our clients asked for it. But they specifically asked for a solution that could help them with:



Speed & Efficiency. Our clients wanted to be able to manage their treasury documents on their own, when they want to, without having to bring in outside counsel or a third-party docs vendor whenever they update their treasury offerings. They wanted to be able to update their documents quickly and easily.



Cost & Risk. When they contract with outside counsel, banks are tasked with the burden of maintenance, tracking any regulatory changes and reengaging counsel to make changes when necessary. But hiring inside counsel is expensive and requires that the bank create their own content and ensure it is up to date. Both options are costly, and both expose financial institutions to a considerable amount of risk.



Customization. No two banks are the same, so why would they use the same treasury agreement language? Banks need to be able to customize their content so that it accurately represents their offerings, allowing them to better position themselves against their competitors.

Streamlined treasury management services

Drive deposits and attract (and keep) a broader customer base



- Commercial customers need convenient cash management and payment processing solutions.
- Manual onboarding of treasury relationships is error-prone and extremely time-consuming. It's crucial to have a streamlined process to help gather the right information for each relationship and each transaction.
- Commercial customers that are engaged with you for treasury services could funnel large amounts of money through your institution with minimal day-to-day costs to you.
- Banks need to be able to spend more time engaged in white-glove treatment for their high net-worth commercial clients.

Move away from the old paradigm

Attorney prepared service agreements



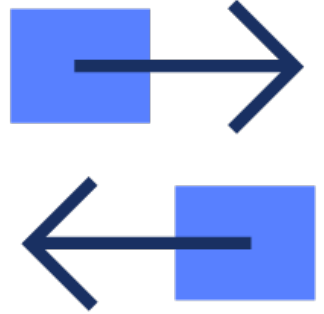
- Maintenance is an issue – regulations change over time and you need to remember to re-engage outside counsel for review and know what will trigger a review.
- Hiring in-house counsel is expensive and tasks your financial institution to build content from scratch and continuously manage and update the documents while keeping an eye out for any compliance issues or updates.
- Many financial institutions have fragmented service agreements vs one standard, which makes version management a challenge.
- All of this exposes your financial institution to a considerable amount of risk.

And take a new approach

Technology partnerships

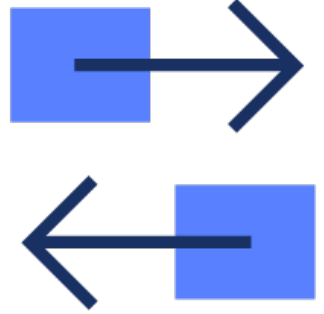


- Build your own customized treasury services agreements with compliance guardrails in place.
- Start with warranted boiler-plate content and modify to meet the needs of your financial institution and your customers.
- Consistent language across your treasury services with a master services agreement rather than individual agreements for each service.
- Share and promote custom, bank-defined content that describes the treasury services you offer to commercial customers in a single master services agreement that can be shared in brand or online.



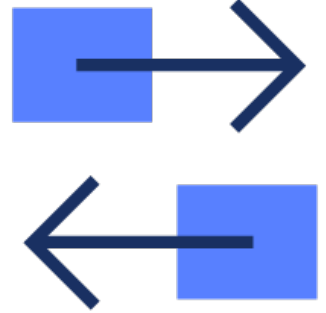
Question one

What should a bank consider when starting to build out their treasury offerings?



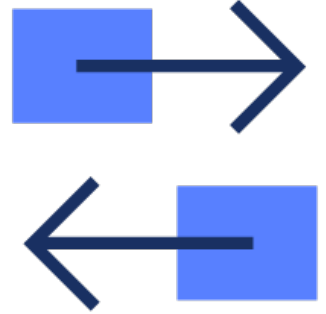
Question two

What should a bank look for when they're shopping around for a technology partner for treasury?



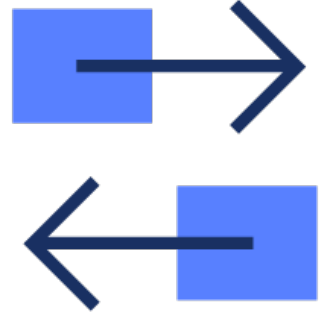
Question three

What does project scope look like for building treasury services?



Question four

Is it worth it? What's the return on the investment here?



Q&A



Thank you.



Contact

Compliance Solutions

compliancesolutionssales@trustage.com

Erin Simpson

Erin.Simpson@bankencore.com

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