

BankDirector.

Breakout 2: Managing Your Balance Sheet Through a Not- Your-Average Recession

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#A0BA24



Managing Your Balance Sheet Through a Not Your Average Recession

Bank Director Acquire or Be Acquired

January 29, 2024

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Managing Director

A Quick Setting Of The Stage





What Am I Missing?

Importance of Comprehensive Strategy For the ENTIRE Balance Sheet



**FRAMING YOUR
CONVERSATION**

Tie-Breakers

Current Earnings
Interest Rate Sensitivity
Liquidity Risk
Liquidity Optics
Capital Ratios
Etc.



**Important
to position business
for success
beyond
current operating environment.**

Agenda



Balance Sheet
Management Thoughts,
Considerations & Strategies

What's On Your Mind?

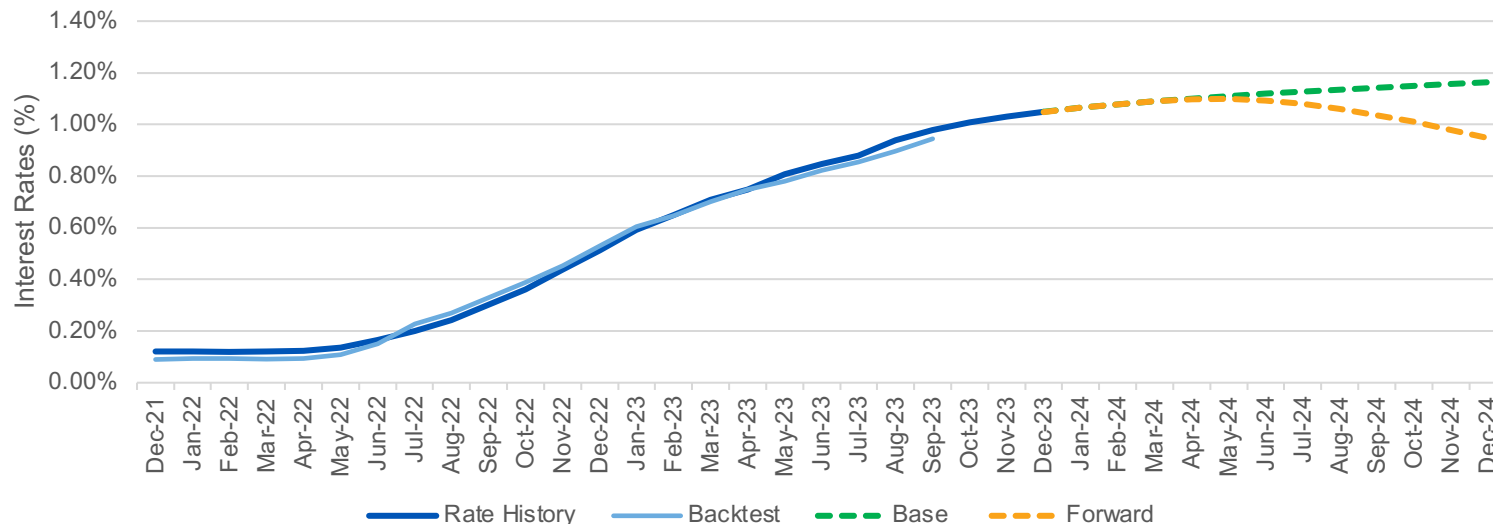
Balance Sheet Strategy

A rectangular inset image with a dark blue background. Three bright spotlights from above illuminate the scene, creating a glowing horizontal band across the bottom. The text "Spotlight on Deposits" is centered in white.

Spotlight on Deposits

NMD Industry Rate Forecast

NMD Rate History & Forecast



	NMD Avg Int Rate (End Rate)		
	12/31/2023	6/30/2024	12/31/2024
Base	1.05%	1.12%	1.16%
Forward	1.05%	1.09%	0.95%

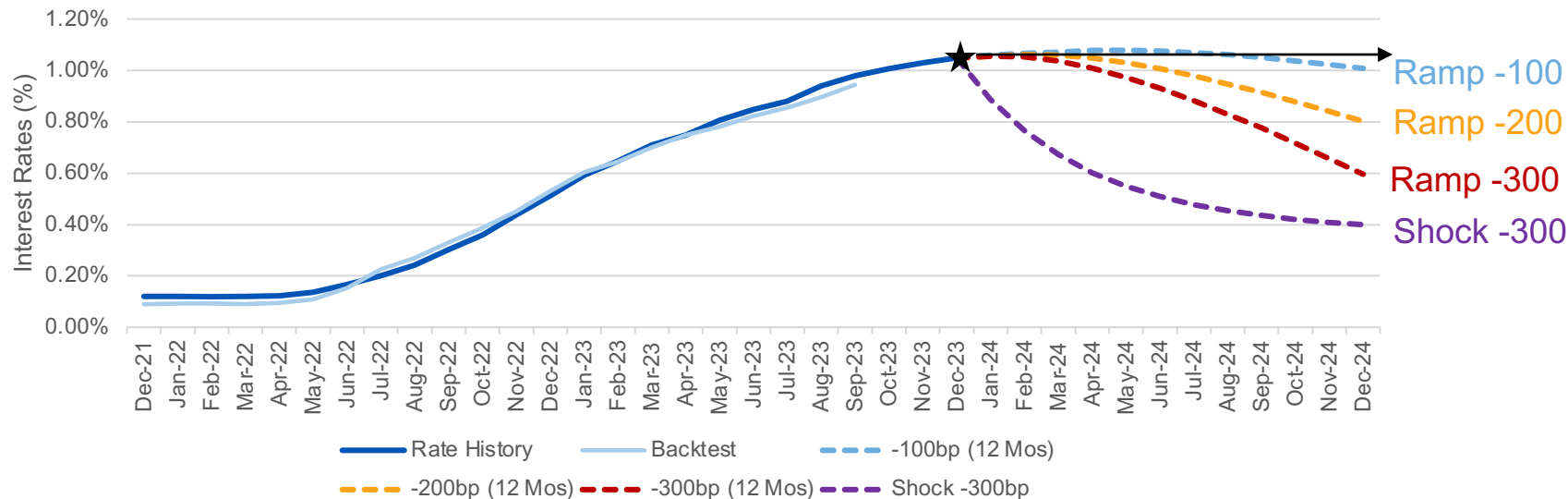
Year Over Year	
Bps Δ From Starting Rate	
	+11 bps
	-10 bps

- ***Base:** Market rates remain static at Q4 '23 levels
- ***Forward:** Market rates remain static at Q4 '23 levels until Q1 '24. From Q1 to Q4 '24, EFF -150bps & 5YR CMT -25bps
- Forecast derived from Deposits360® - Industry NMD Rates above are balance weighted averages w/outlier removal

Source: Deposits360°

NMD Industry Rate Forecast (Falling Rates)

NMD Rate History & Forecast



Scenario	# of Months Until Avg Rate Falls Below Current Level
-100bp (12 Mos)	10
-200bp (12 Mos)	5
-300bp (12 Mos)	3
Shock -300bp	0

Source: Deposits360°

➤ Forecast derived from Deposits360°® - Industry NMD Rates above are balance weighted averages w/ outlier removal

CD Thoughts & Outlook

2023 CD results:

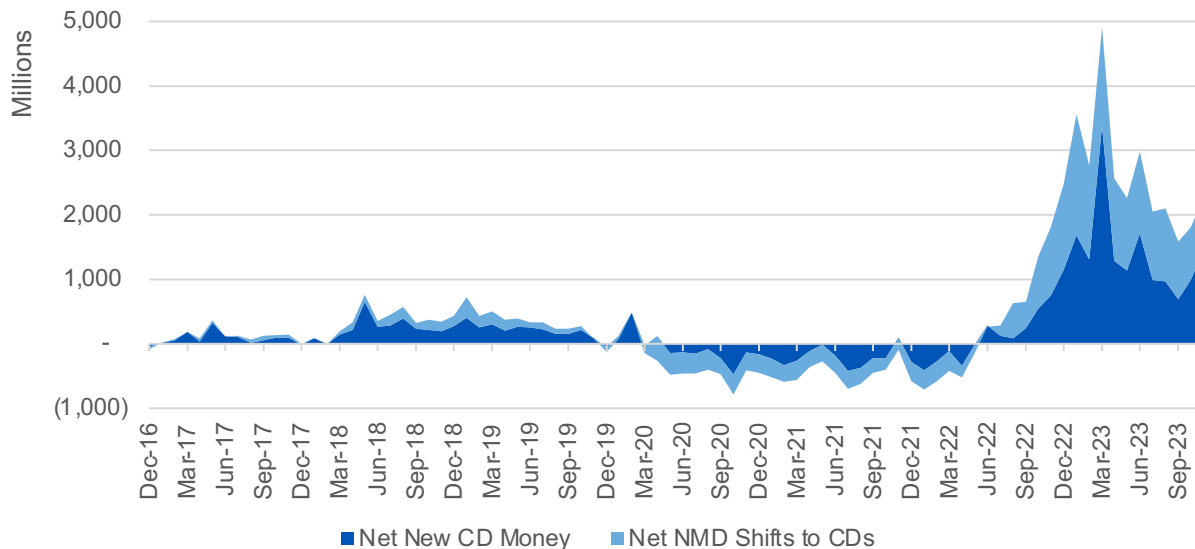
◆ 45% Growth

◆ 46% Cannibalization

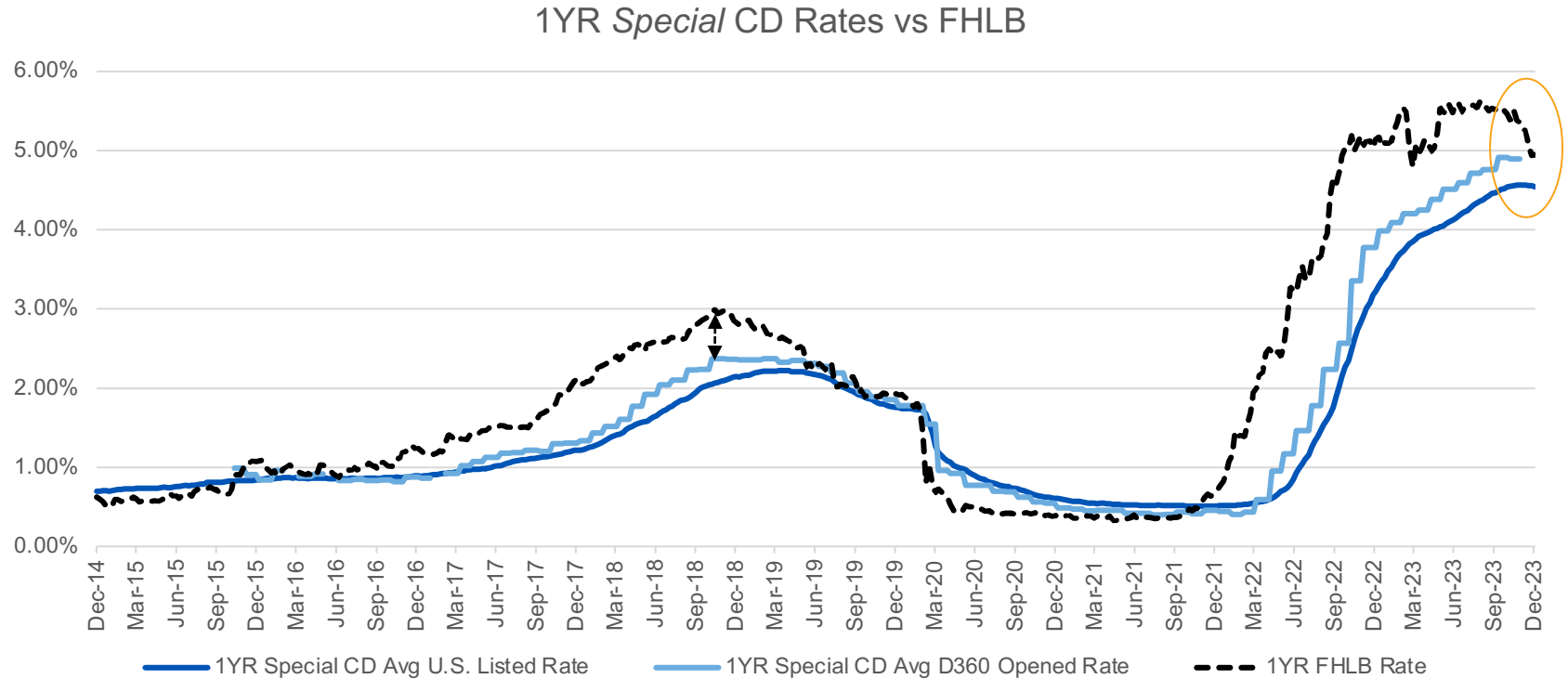
52% of CDs are maturing in 1H of '24 at WAR of 3.90%

Average CD Portfolio Activity 12/31/22 – 11/30/23

CD - Net Balance Inflow / Cannibalization

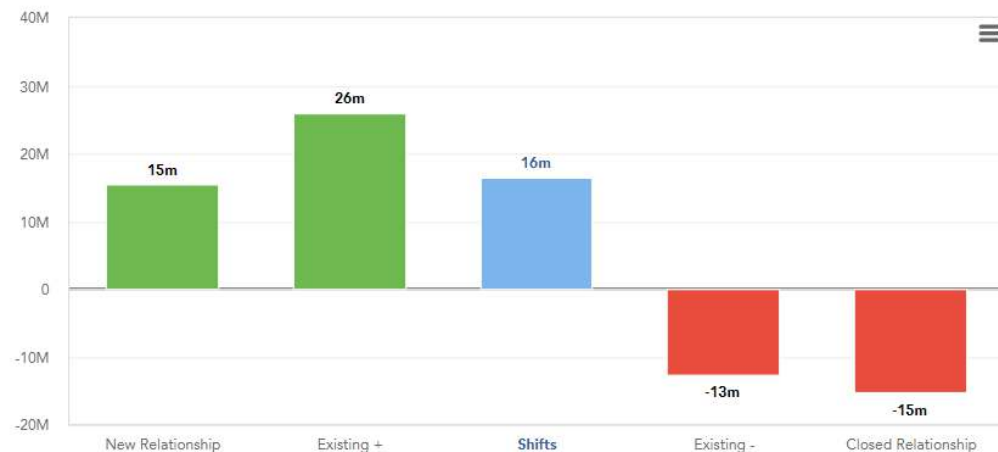


1YR CD Special Rate vs FHLB



Source: Deposits360®

CD Activity w/ High Cannibalization (example)



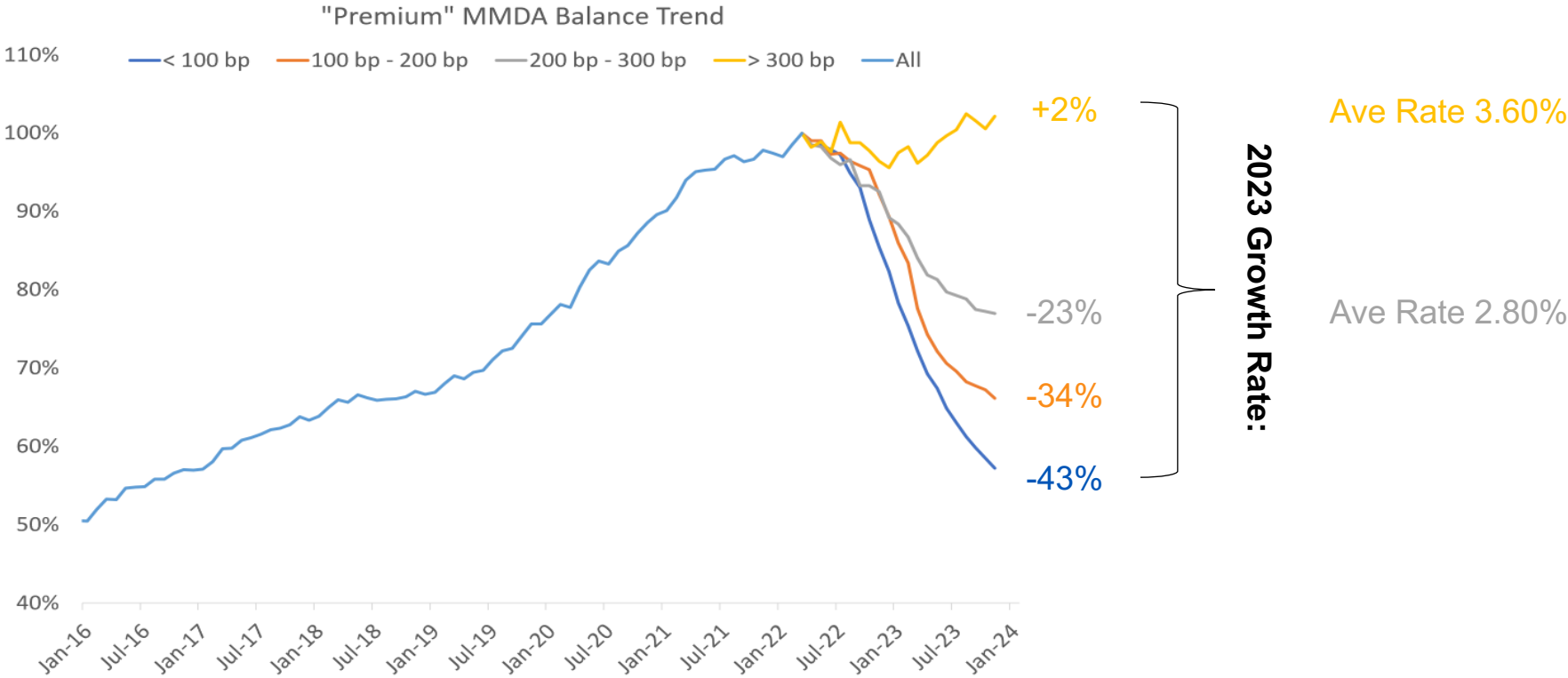
MCOF	-
8.06%	
Cannibalization	
55%	

Migration Summary for
2023-09-30 - 2023-11-30

	Balance	Rate	# Rel.
Starting Balance	678,725k	3.01	8,446
INFLOW	41,391k	4.26	3,551
New Relationship	15,362k	4.12	110
Existing +	26,029k	4.34	3,441
SHIFTS	16,485k	0.92	2,223
DDA	4,967k	0.00	715
NOW	7,029k	1.52	875
SAV	1,562k	0.05	383
MMDA	2,927k	1.50	250
OUTFLOW	-27,994k	3.05	518
Existing -	-12,703k	3.00	405
Closed Relationship	-15,291k	3.10	113
Ending Balance	708,608k	3.22	8,643
NET CHANGE	29,883k	0.21	197

Source: Deposits360®

MMDA Price Elasticity



Deposit Takeaways



CD Planning

- Track Cannibalization & Pricing vs Wholesale
- Bifurcate CD Offerings
- Leader or Laggard? An ALCO Perspective



NMD Attrition Strategy

- Boots-on-the-Ground Approach
- Comeback Campaigns
- Discover The Right MMDA Pricing Level



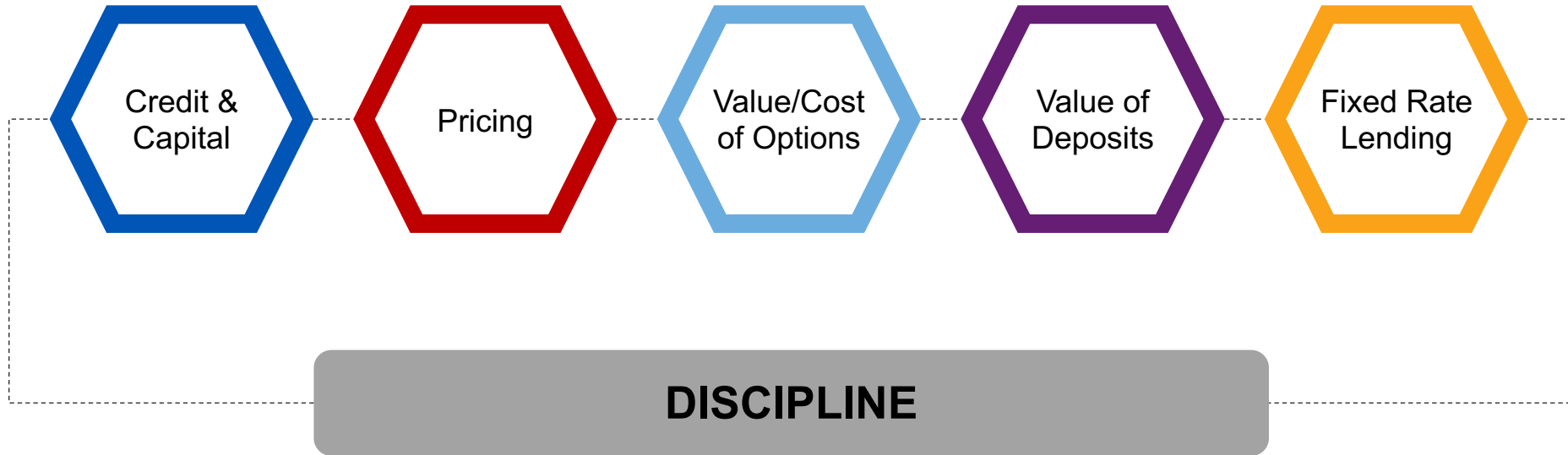
Fed Easing Playbook

- Fed Cuts 25, 50, 100 bps, What's The Move?
- Stratify Customer Base
- Understand The Cost of Foregoing a Rate Cut

Balance Sheet Strategy

Some Thoughts on Lending

Lending Issues & Realities: CRE



Lending: A Few Additional Comments



Balance Sheet Strategy

Some Thoughts on Investments &
Wholesale/Capital Markets

Investment Portfolio Conundrum



- ◆ *Inverted* Yield Curves & Volatility
- ◆ Greatest Price Risk Behind us? Opportunity to Average in Higher Yields
- ◆ Unrealized Loss Fatigue
- ◆ ***Elevated*** Regulatory & Market “Scrutiny”
- ◆ Loss Sales: Economics vs. Optics
- ◆ Fed Easing followed by Bond Rally

FUD is Driving Sub-Optimal Investment Decisions...

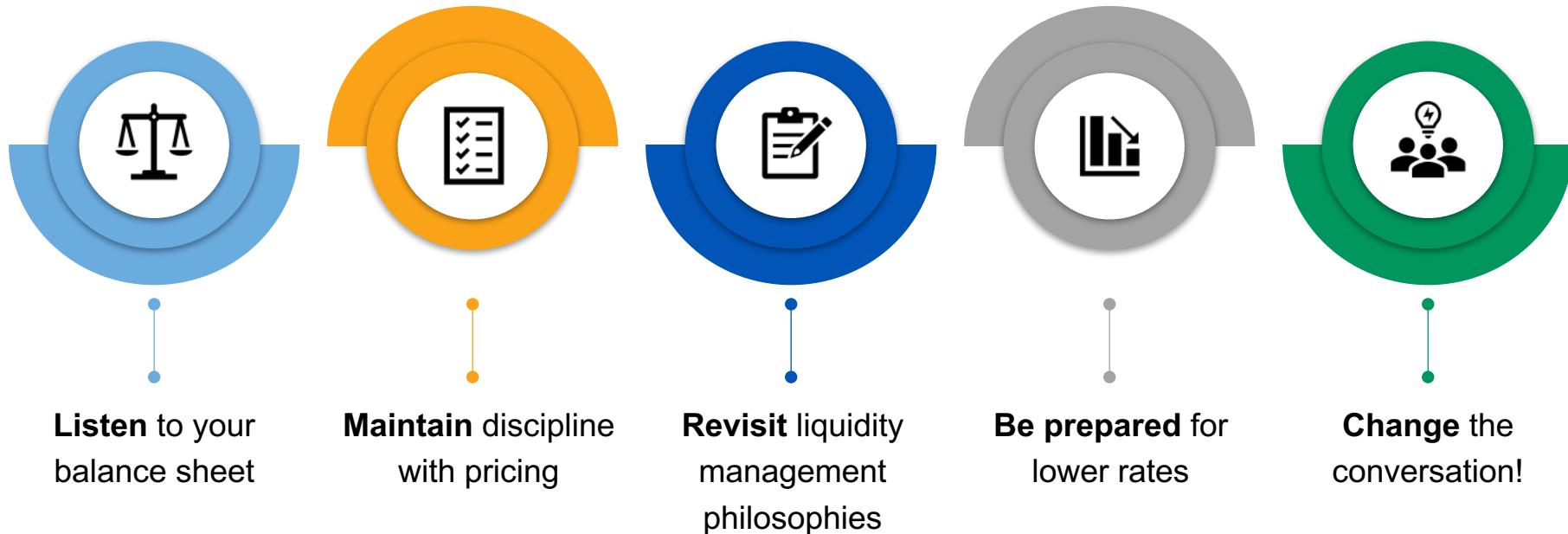
A Few Comments on Wholesale Funding & Liquidity Management



A Few Quick Thoughts on the Role of Derivatives



Concluding Thoughts



What's on Your Mind?



Thank you!



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