

BankDirector.

**Lunch & Learn Session 1:
Who is Using Your
Liquidity and Capital &
Are You Getting Paid
for It?**

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#A0BA24



WHITE CLAY

Who's Using Your Liquidity and Capital & Are You Getting Paid for It?

AOBA 2024

January 28, 2024



About White Clay

17 years



18,000+ active bankers



23+ Million accounts managed



Banks from **\$600MM – \$200B**
use our solution daily.



AMERICAN BANKER

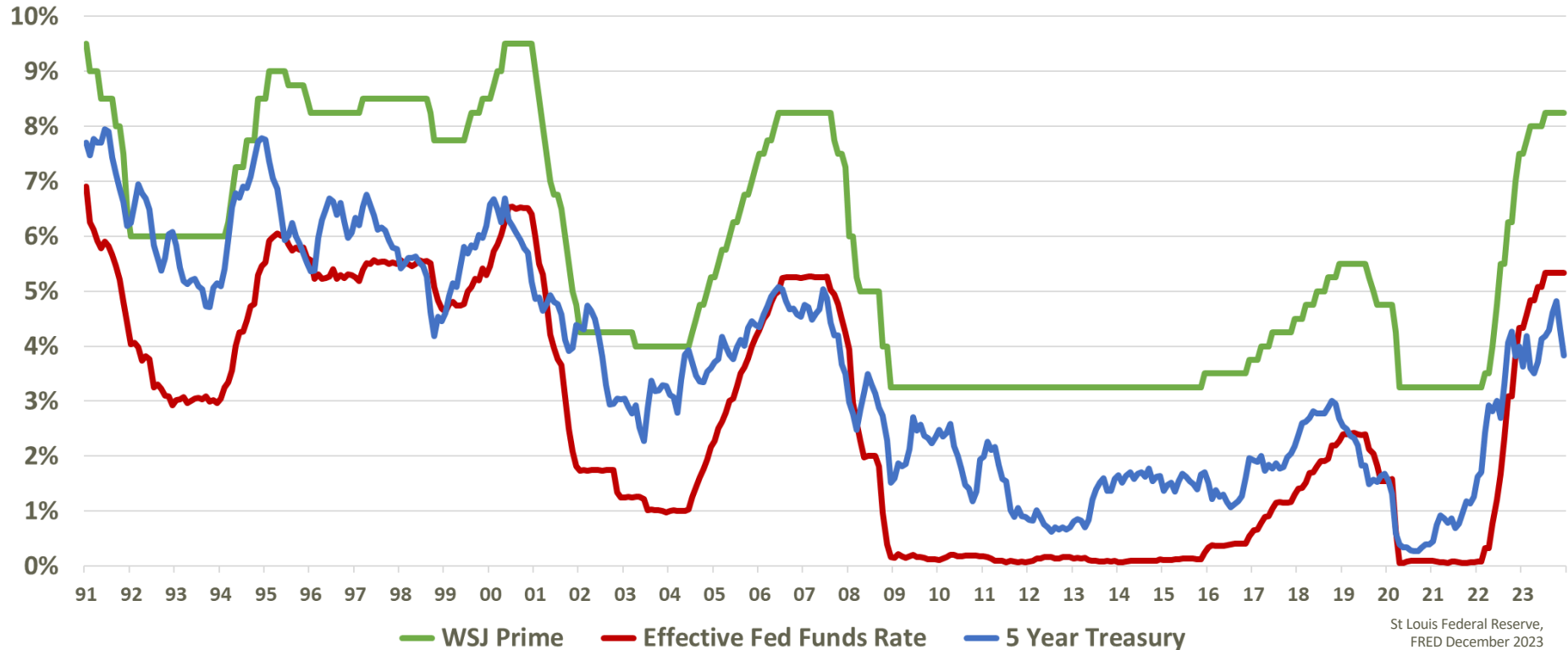
**2023 Best Places to
Work in Fintech**

#10 White Clay

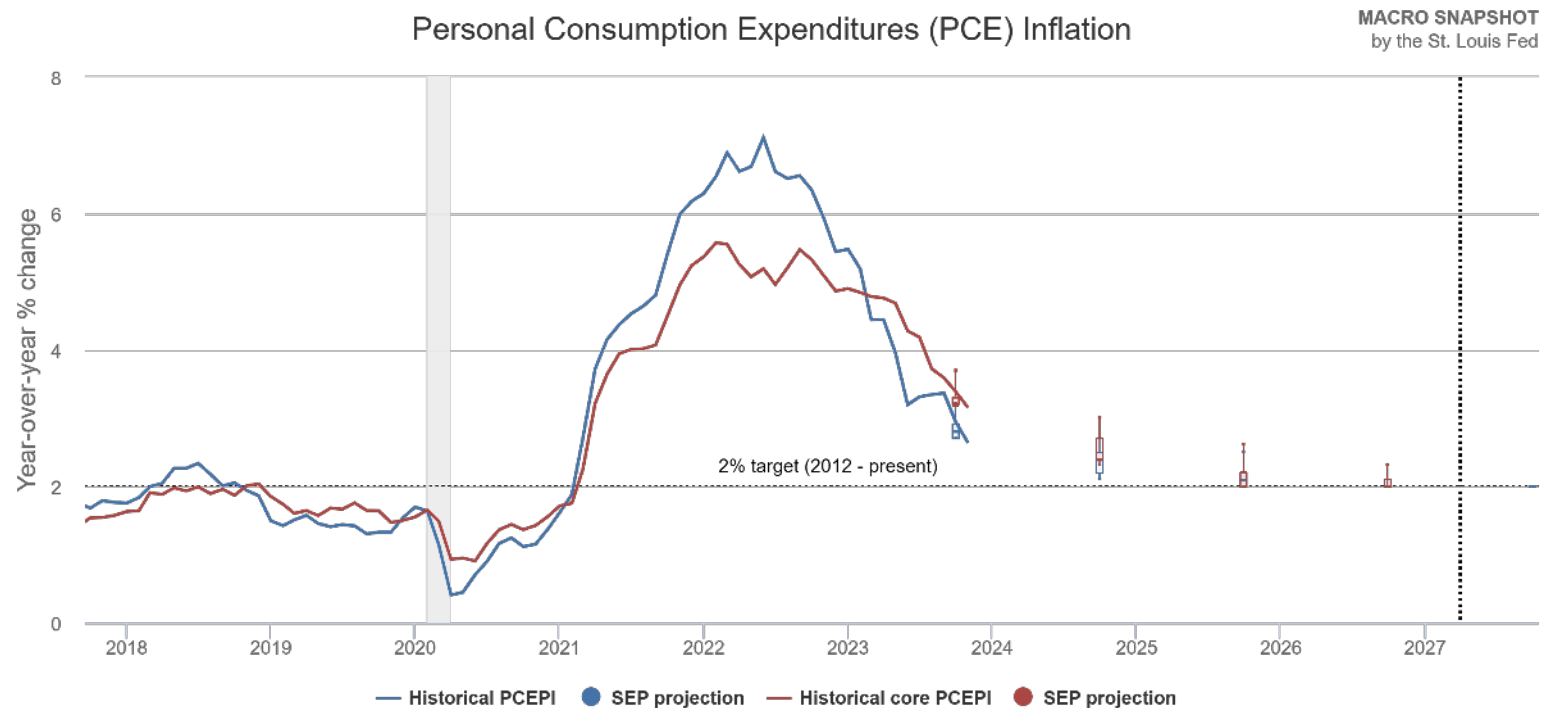


**Banks can ensure that
shareholders are paid for
each client's use of the
bank's liquidity and capital.**

Interest Rates Have Risen, but for How Long...



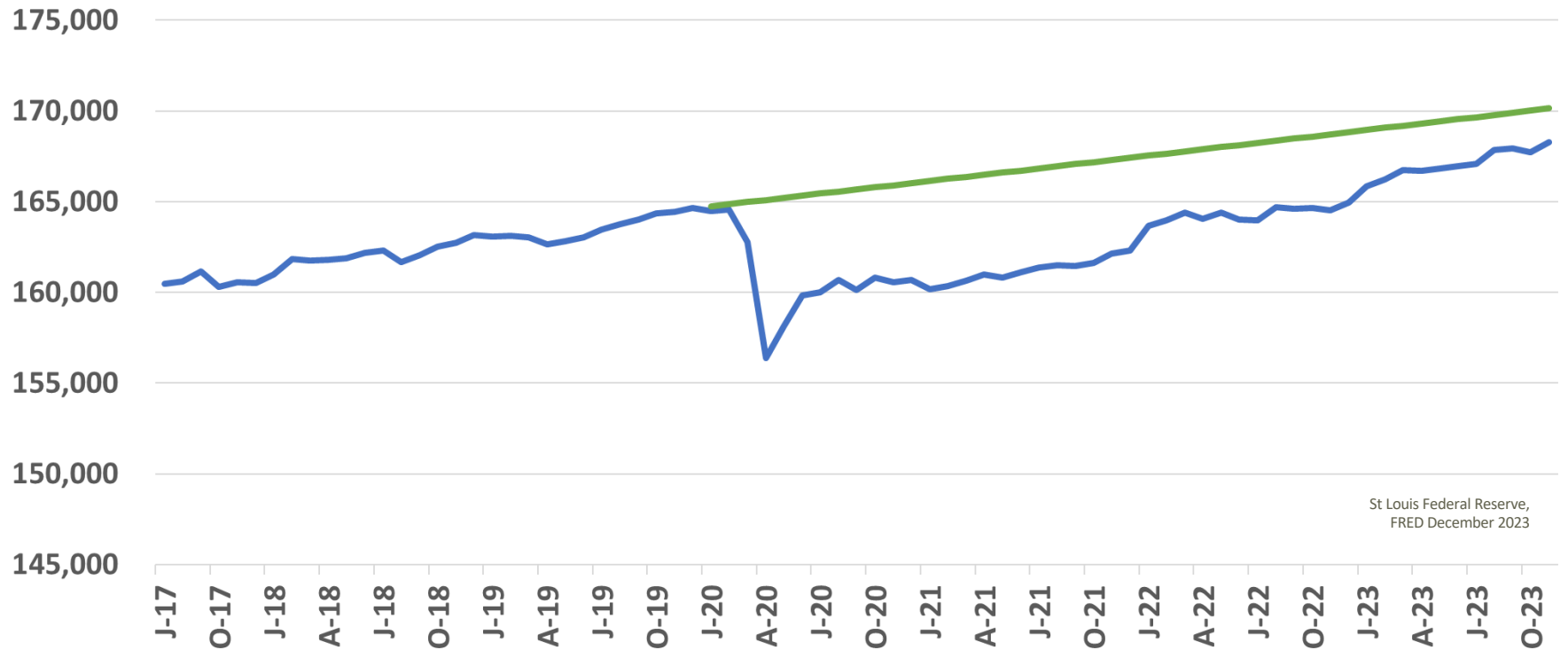
Inflation Is Slowing but Persistent....



Seasonally adjusted. Projections are from the latest SEP. Recessions are shaded. Source: Bureau of Economic Analysis. Powered by FRED.

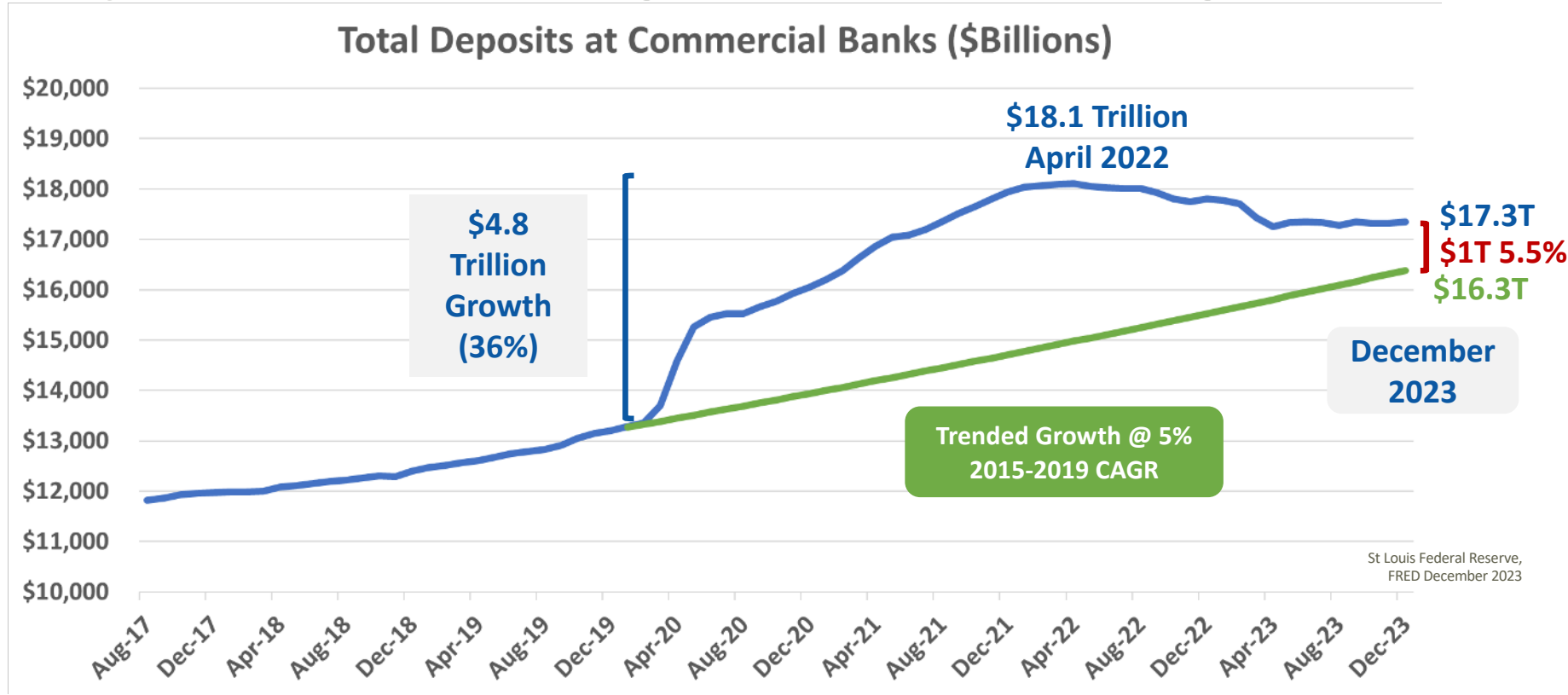
St Louis Federal Reserve,
FRED December 2023

Workforce Is Still Short 1.9M Workers....

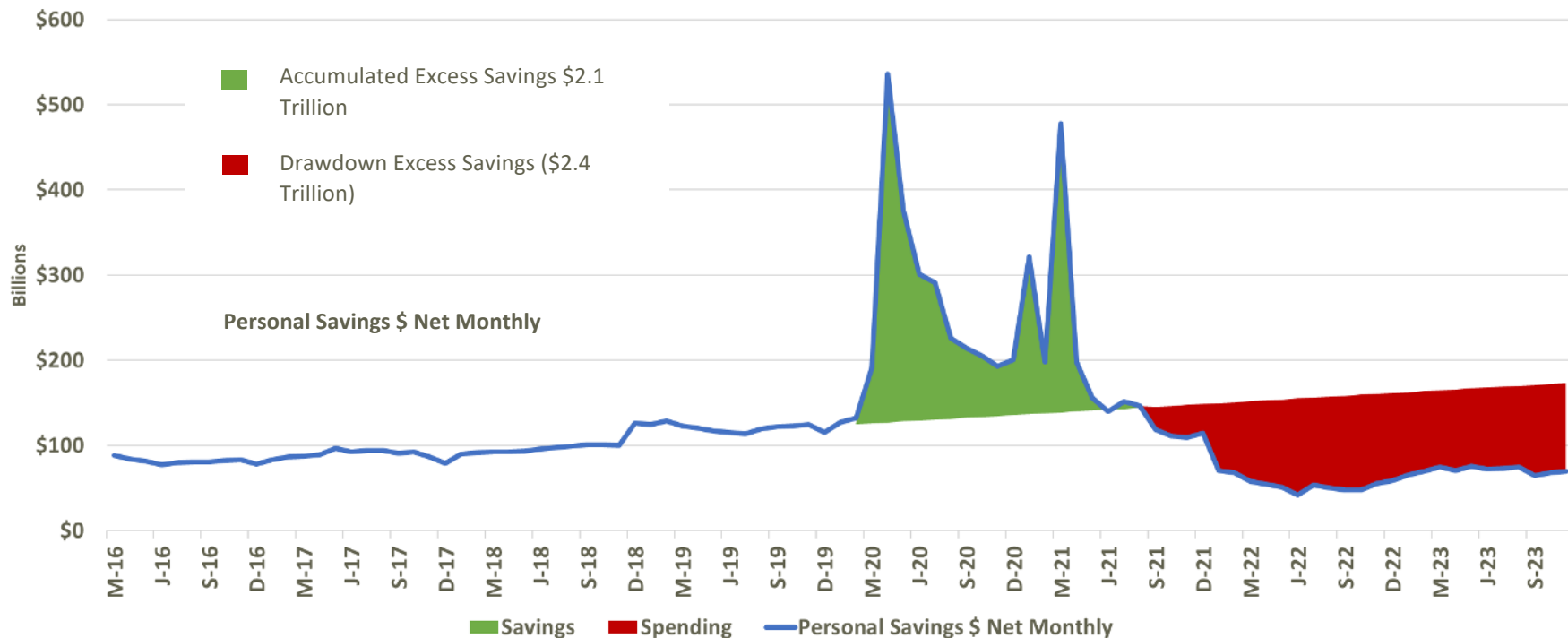


St Louis Federal Reserve,
FRED December 2023

Deposits Are Shrinking with \$1 Trillion to go....

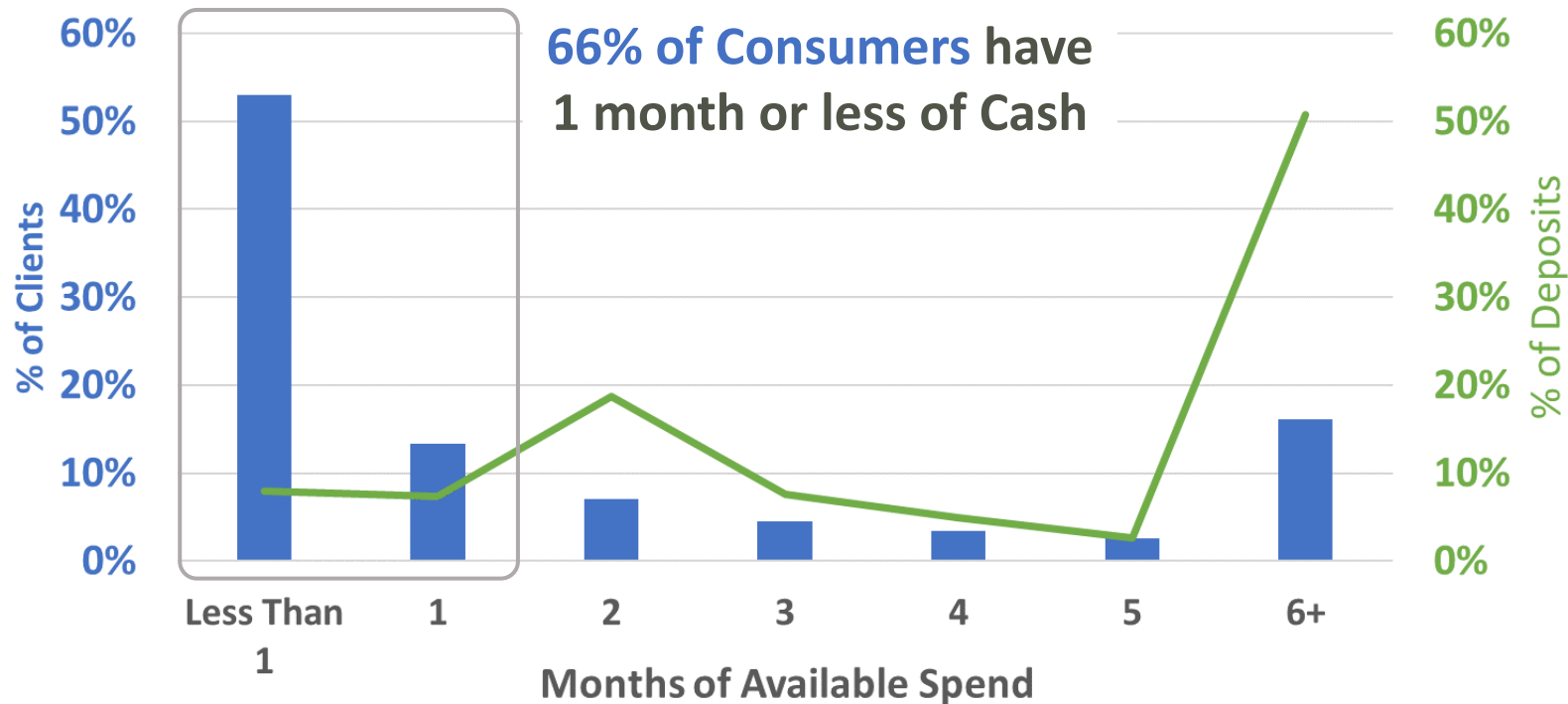


Aggregate Personal Savings versus the Pre-Pandemic



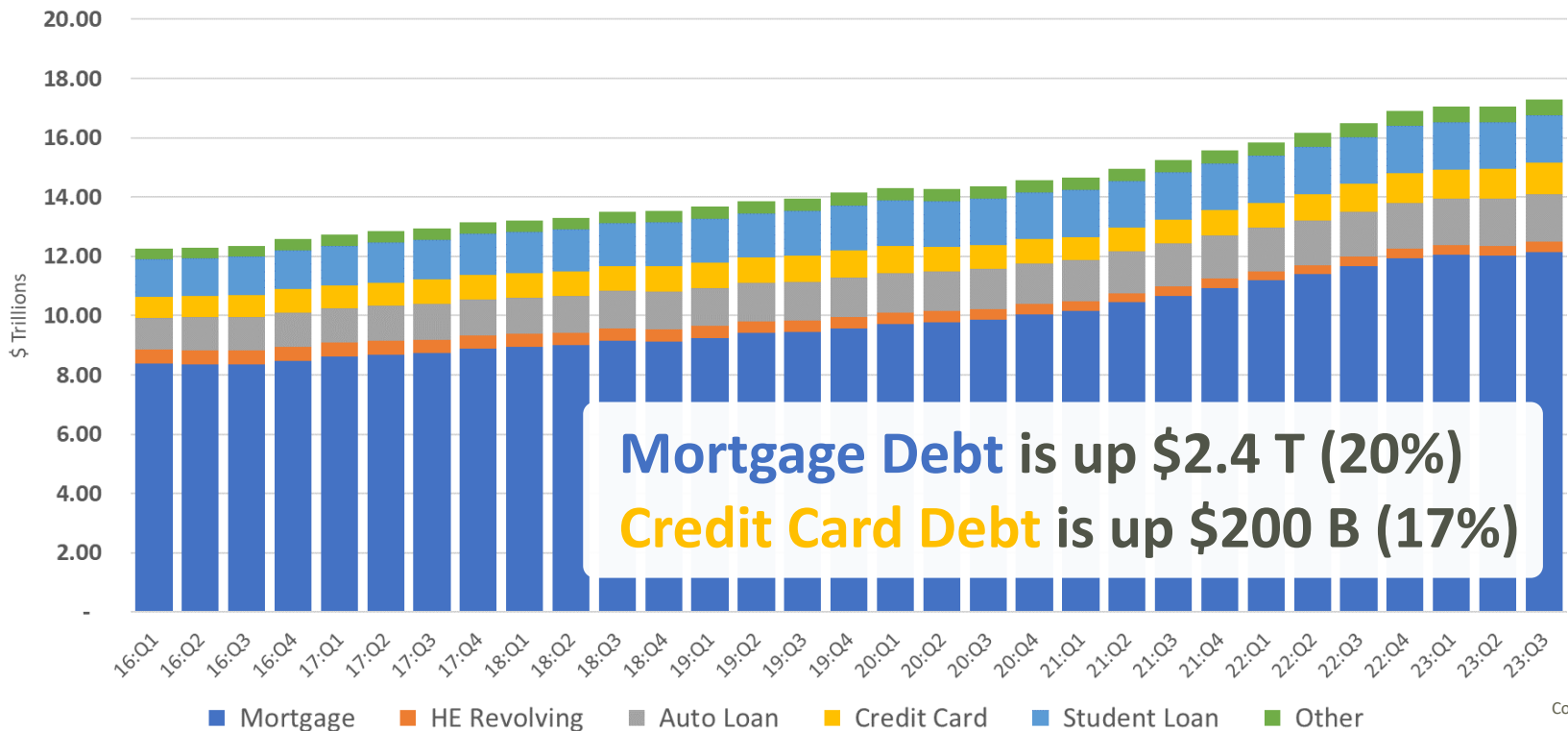
San Francisco Federal Reserve – Excess No More? Dwindling Pandemic Savings August 16, 2023 (Updated November 30, 2023, BEA Data)

Consumers Are Running Out of Cash...



White Clay Study, 2023

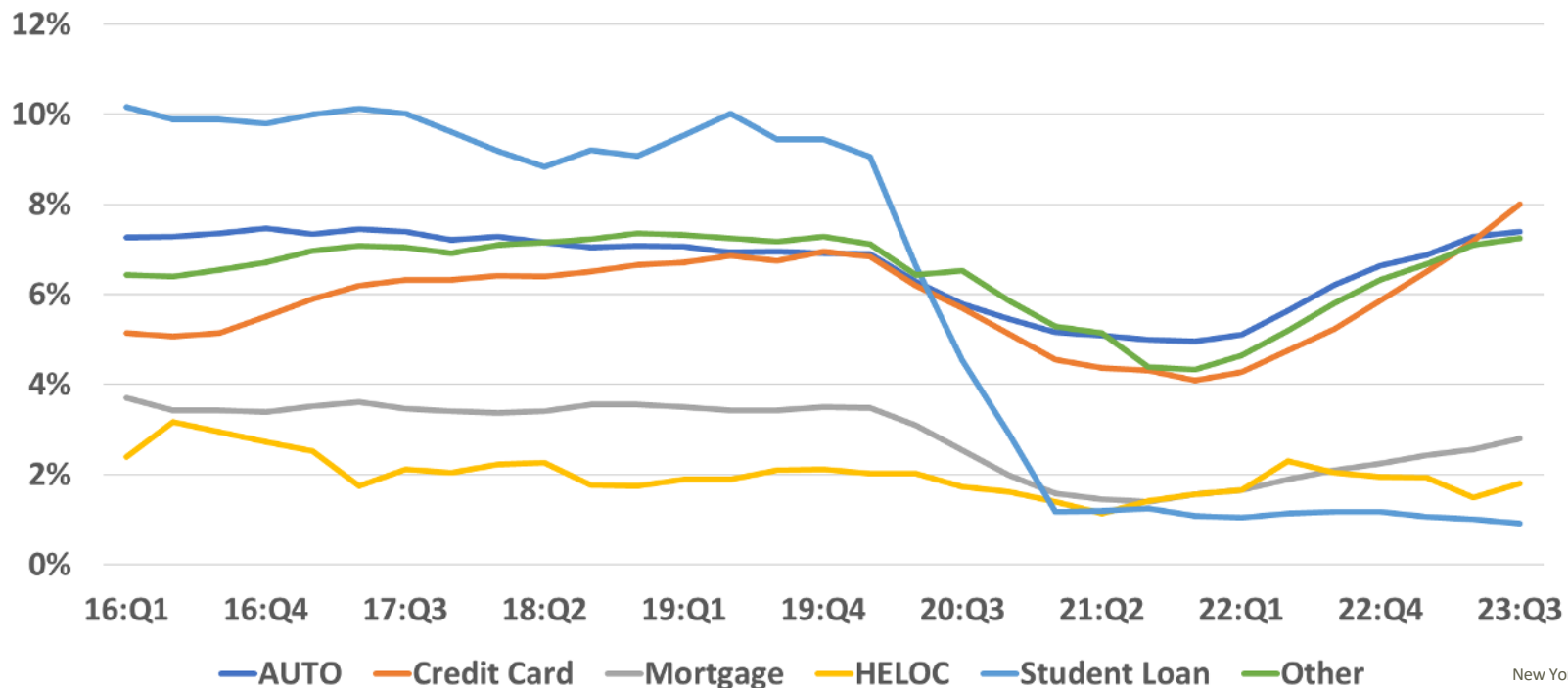
We Grew \$3T in Consumer Debt Since March 2020



New York Fed
Consumer Credit
Panel Q3 2023

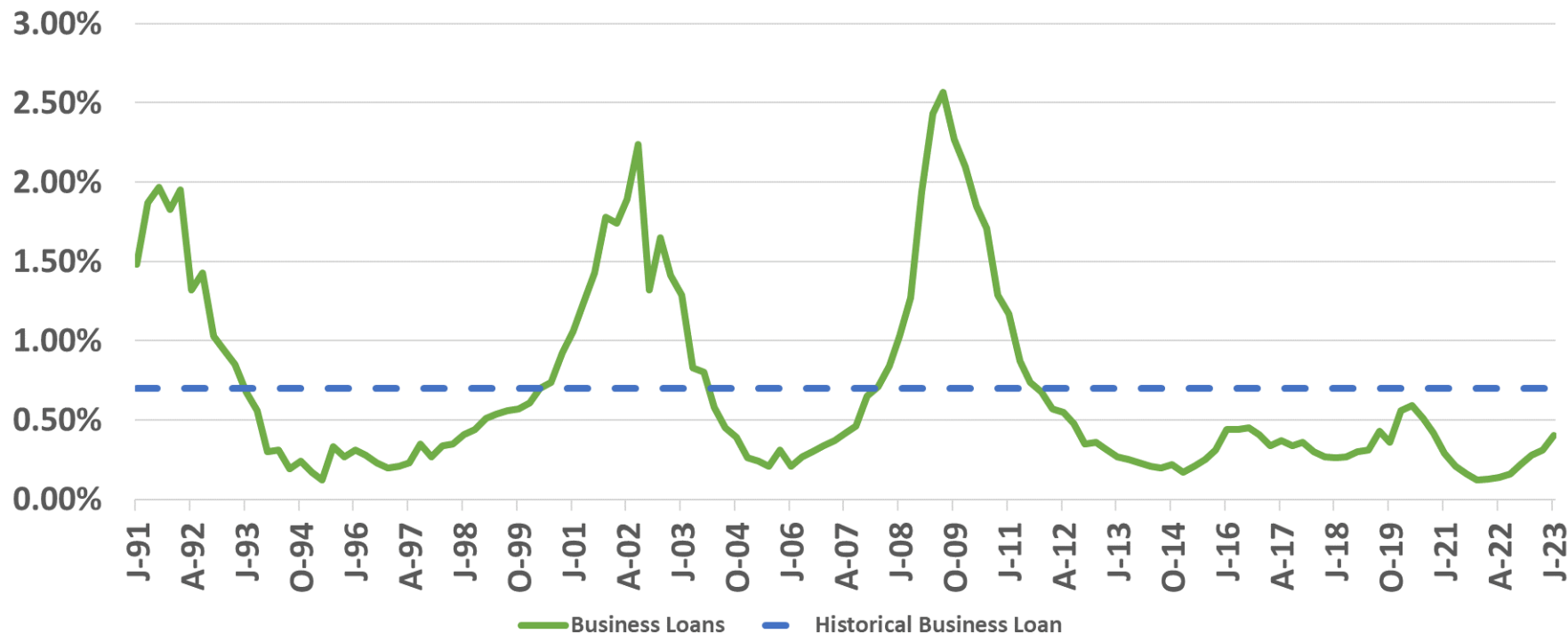
Consumer Delinquencies Are Accelerating....

30 Days Delinquency %



New York Fed Consumer Credit
Panel Q3 2023

Business Loan Net Charge Offs Are Growing...



St Louis Federal Reserve,
FRED December 2023

What Are Community Bank Priorities in 2024?

2023 Q4	Extremely Important	Very Important	Total	2022 Q4	Extremely Important	Very Important	Total
Net Interest Margin	42.8	46.1	88.9	Net Interest Margin	34.8	53.4	88.2
Cost of Funds	46.8	40.1	86.9	Economic Conditions	32.8	51.2	84.0
Core Deposit Growth	39.4	44.4	83.8	Loan Demand	29.6	48.4	78.0
Regulation	32.3	48.8	81.1	Cost of Technology	26.5	50.9	77.4
Economic Conditions	26.7	53.4	80.1	Regulation	29.3	47.5	76.8
Cost of Technology	20.4	53.8	74.2	Workforce Attraction	22.0	46.3	68.3
Loan Demand	17.2	43.9	61.1	Speed of Technology	14.3	45.9	60.2
Competition	12.1	48.2	60.3	Competition	13.6	44.1	57.7
Workforce Attraction	13.0	46.9	59.9	Cost of Funds	13.8	34.2	48.0
Speed of Technology	11.7	47.0	58.7	Core Deposit Growth	10.3	28.1	38.4
Climate	2.6	11.3	13.9	Climate	1.2	8.9	10.1

Findings from the 2023 CSBS Annual Survey of Community Banks Presented at the 11th Annual Community Banking Research Conference Oct. 4-5, 2023

The Business of Banking has Changed

Banking 2009 - Yesterday

- Fed Funds was near 0%
- Deposits were free
- Capital was cheap at 10%
- Net Charge Offs were low
- Banks grew earnings by originating more loans and adding fees
- Banks cut costs by automating and delivering digital channels

Banking Today

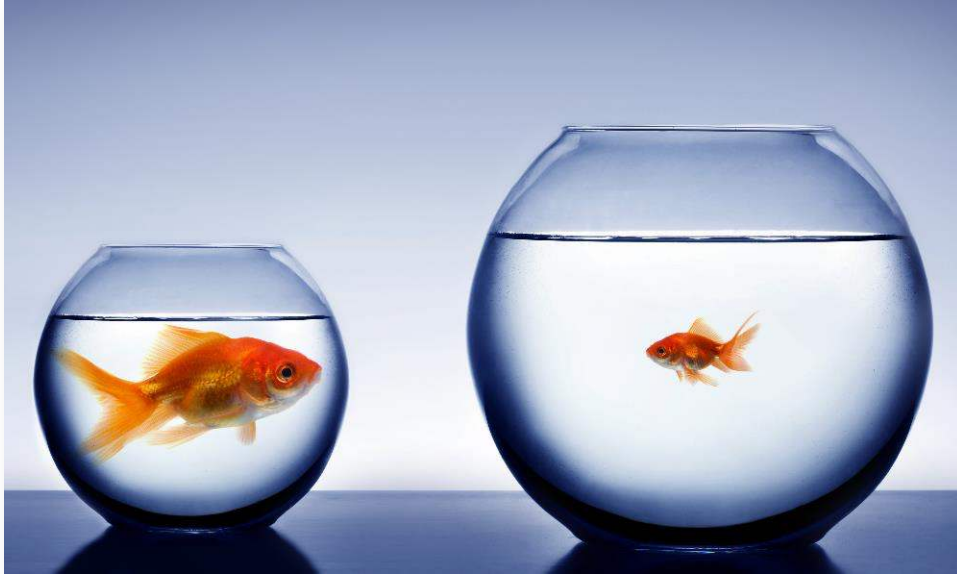
- Fed Funds is at 5.5% and growing
- The cost of Deposits is growing
- The cost of Capital is 15%
- Net Charge Offs will grow
- Deposit Balances are shrinking
- Loan Balances will shrink
- Banks will need to optimize their return on liquidity and capital to grow earnings

Preparing for the Challenging Economy

- Liquidity and Capital will become more scarce and more valuable as total deposits shrink, deposit rates increase, and loan losses materialize.
- Do you know who is using your liquidity and capital? Are you getting paid for it?



Observed Pitfalls In Relationships at Your Bank



**BIG... but
not profitable**

Big...But Not Profitable



Pitfall Pricing

Product	Balance	Int Rate	FTP Rate	Spread	Fees	Revenue	Economic Capital	Marginal RAROC %
Muni Checking	\$11,997,139	4.30%	4.34%	0.04%	\$0	\$4,821	\$1,680	-999.9%

Optimized Pricing

Product	Balance	Int Rate	FTP Rate	Spread	Fees	Revenue	Economic Capital	Marginal RAROC %
Muni Checking	\$11,997,139	3.50%	4.34%	0.84%	\$0	\$101,244	\$35,272	65.3%
Variance						\$96,423	\$33,592	1065.2%



Discounted to Death

Discounted to Death

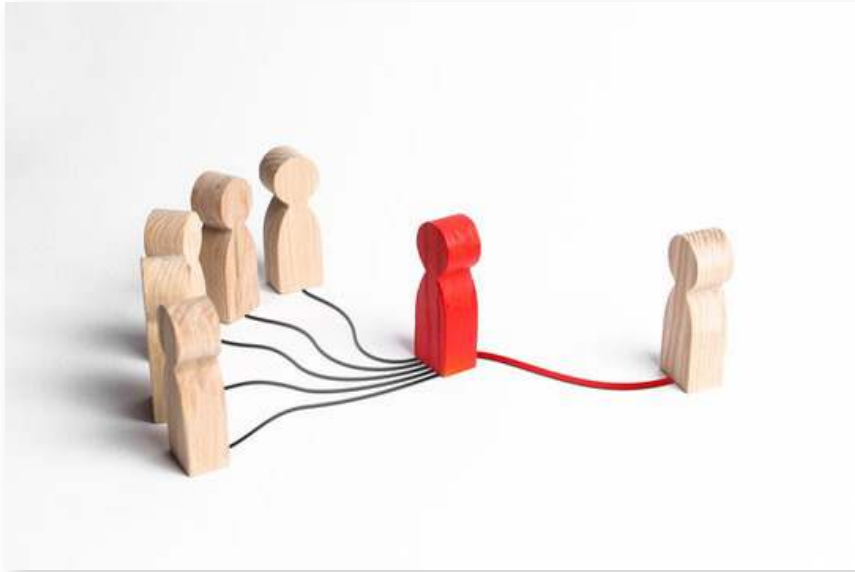


Pitfall Pricing

Product	Balance	Term	Int Rate	FTP Rate	Spread	Fees	Revenue	Economic Capital	Marginal RAROC %
CRE Loan	\$2,000,000	60	5.75%	4.25%	1.50%	\$0	\$30,624	\$118,269	11.8%
Checking Acct	\$500,000		3.70%	4.34%	0.64%	\$0	\$3,215	\$1,120	9.7%
Cash Mgmt Fees						\$0	\$0	\$0	0.0%
Total						\$0	\$33,839	\$119,389	11.8%

Optimized Pricing

Product	Balance	Term	Int Rate	FTP Rate	Spread	Fees	Revenue	Economic Capital	Marginal RAROC %
CRE Loan	\$2,000,000	60	7.00%	4.25%	2.75%	\$500	\$55,914	\$127,292	26.6%
Checking Acct	\$500,000		2.00%	4.34%	2.34%	\$0	\$11,754	\$4,095	167.2%
Cash Mgmt Fees						\$1,800	\$1,800	\$630	226.4%
Total						\$2,300	\$69,477	\$132,017	31.9%
Variance							\$35,638	\$12,628	20.1%



Just Passing Through

Just Passing Through



Pitfall Pricing

Product	Balance	Int Rate	FTP Rate	Spread	Fees	Revenue	Economic Capital	Marginal RAROC %
1 Free Checking	\$1,000	0.00%	4.34%	4.34%	\$0	\$44	\$15	-181.8%
2 Free Checking	\$1,000	0.00%	4.34%	4.34%	\$0	\$44	\$15	-181.8%
...
59 Free Checking	\$1,000	0.00%	4.34%	4.34%	\$0	\$44	\$15	-181.8%
60 Free Checking	\$1,000	0.00%	4.34%	4.34%	\$0	\$44	\$15	-181.8%
Total	\$60,000				\$0	\$2,640	\$900	-181.8%

Optimized Pricing

Product	Balance	Int Rate	FTP Rate	Spread	Fees	Revenue	Economic Capital	Marginal RAROC %
1 Analysis Checking	\$1,000	0.00%	4.34%	4.34%	\$3,000	\$3,058	\$1,065	220.6%
2 Analysis Checking	\$1,000	0.00%	4.34%	4.34%	\$3,000	\$3,058	\$1,065	220.6%
...
59 Analysis Checking	\$1,000	0.00%	4.34%	4.34%	\$3,000	\$3,058	\$1,065	220.6%
60 Analysis Checking	\$1,000	0.00%	4.34%	4.34%	\$3,000	\$3,058	\$1,065	220.6%
Total	\$60,000				\$180,000	\$183,480	\$63,900	220.6%
Variance						\$180,840	\$63,000	402.4%



Unused Lines of Credit

Unused Lines of Credit



Pitfall Pricing

Product	Exposure	Balance	Int Rate	FTP Rate	Spread	Unused Line Fees	Revenue	Economic Capital	Marginal RAROC %
Lines Of Credit	\$2,000,000	\$0	8.50%	5.25%	3.25%	\$0	\$0	\$67,822	-11.7%

Optimized Pricing

Product	Exposure	Balance	Int Rate	FTP Rate	Spread	Unused Line Fees	Revenue	Economic Capital	Marginal RAROC %
Lines Of Credit	\$2,000,000	\$0	8.50%	5.25%	3.25%	\$10,000	\$9,316	\$71,322	0.0%
Variance						\$10,000	\$9,316	\$3,500	11.7%



Unknown Best Clients

Unknown Best Clients



Product	Exposure	Balance	Int Rate	FTP Rate	Spread	Fees	Revenue	Economic Capital	Marg RAROC %
Real Estate Term Loan	\$1,500,000	\$1,500,000	7.00%	4.25%	2.75%	\$0	\$41,477	\$95,309	26.3%
Business #1	\$1,500,000	\$1,500,000				\$0	\$41,477	\$95,309	26.3%
Line of Credit	\$500,000	\$450,000	8.50%	5.25%	3.25%	\$0	\$13,298	\$23,500	29.9%
Business Checking		\$250,000	1.00%	4.34%	3.34%	\$0	\$8,389	\$2,923	182.4%
Merchant Svcs						\$1,200	\$1,206	\$420	222.7%
Treasury Mgmt						\$600	\$603	\$210	226.4%
Business #2	\$500,000	\$700,000				\$1,800	\$23,496	\$27,053	50.9%
Personal Checking		\$50,000	1.00%	4.34%	3.34%	\$0	\$1,678	\$585	174.2%
CD		\$500,000	4.75%	5.10%	0.35%	\$0	\$1,748	\$609	158.5%
Personal Accounts	\$0	\$550,000				\$0	\$3,426	\$1,194	166.2%
Relationship Total	\$2,000,000	\$2,750,000				\$1,800	\$68,399	\$123,556	33.0%

How Can You Prevent the Pitfalls?



Aggregate full relationships.



Determine profitability of accounts and relationships.



Price based on relationships and data.



Deliver actionable information to front line bankers.

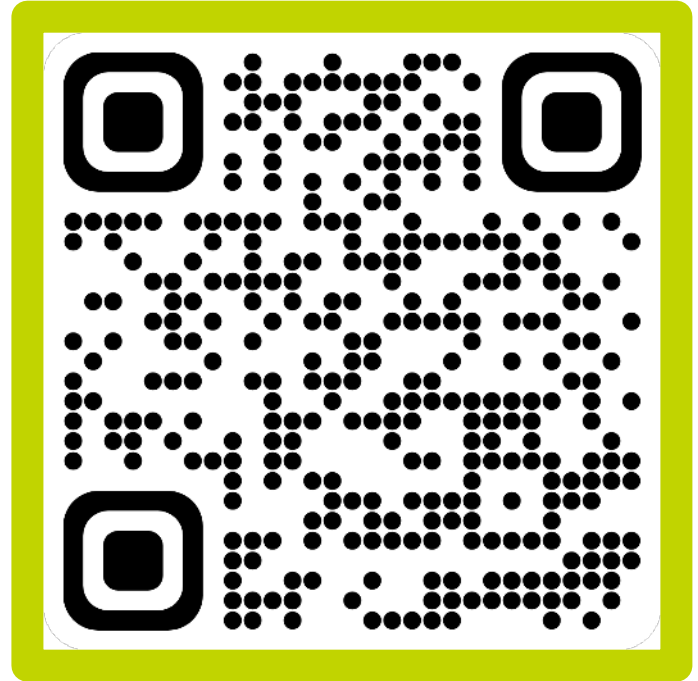
Scan to receive today's
presentation and
supporting document:

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Scan here to fill out
the evaluation for
this session.



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