

Managing Liquidity in 2025 What's the Plan?

OCTOBER 2024



Today's Agenda

- Market Environment – What We Are Hearing From Our Network Banks Now; Impact of Falling Rates
- Strategies for Growing Profitability with Deposits
- Wholesale Funding Options Today
- Q&A

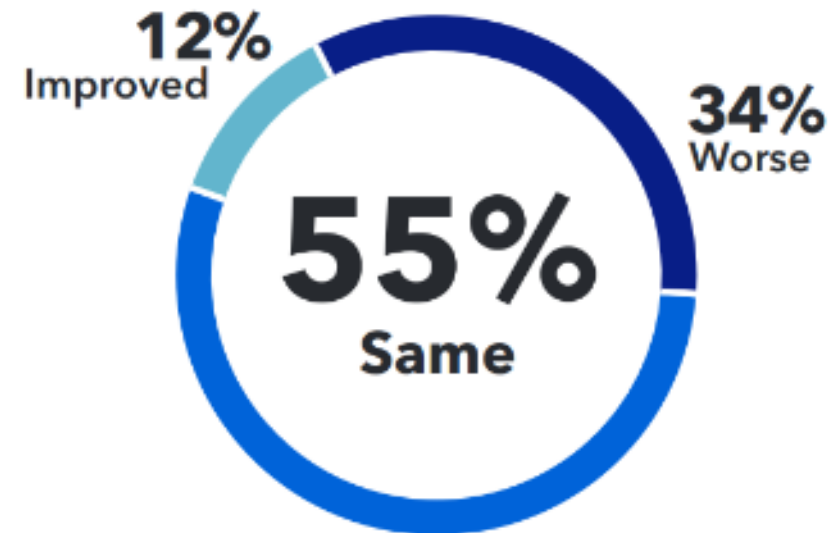
Market Environment – What We Are **Hearing**

Banker Perspectives Deposit Competition

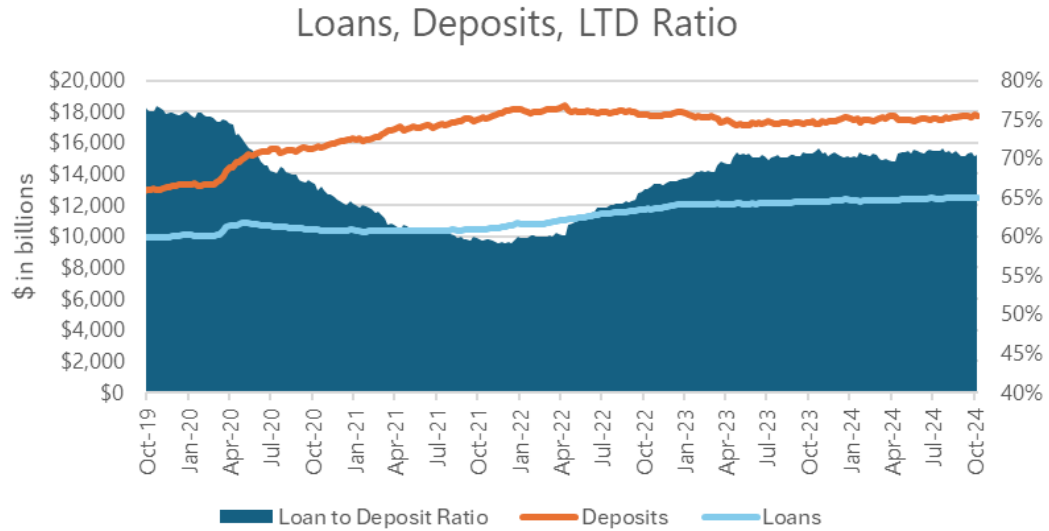
Bankers continue to believe the deposit competition will remain at elevated levels (55%) or will tighten further (34%) over the next 12 months.

Source: Q3 2024 Bank Executive Business Outlook Survey.

Expectation
Looking 12 Months Ahead

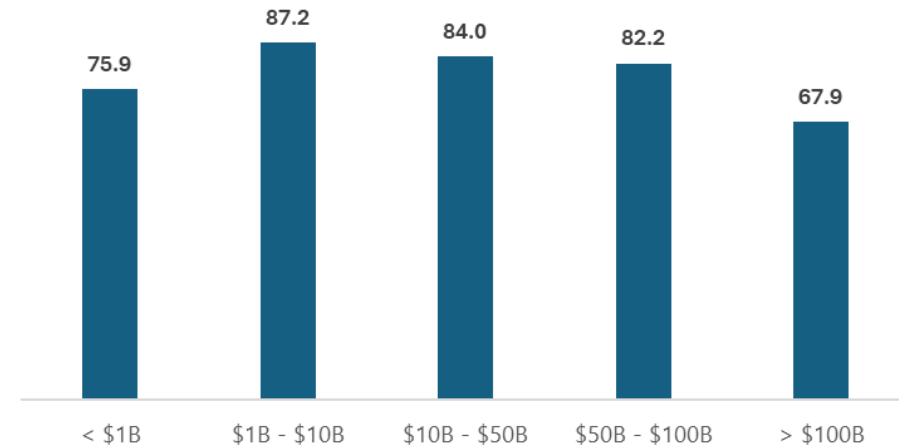


Industry deposit and loan growth remains flat



FRED (H.8 Statistical Release, Not Seasonally Adjusted)

% Loan to Deposit by Assets (Q2 2024)¹



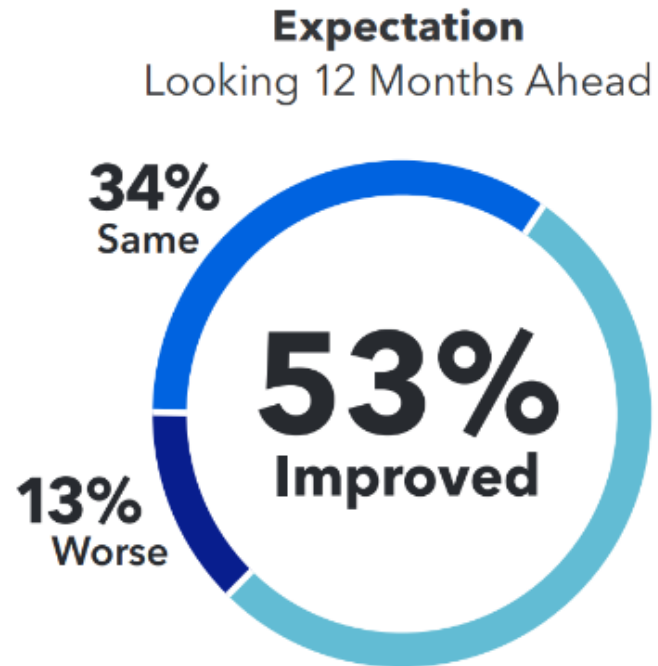
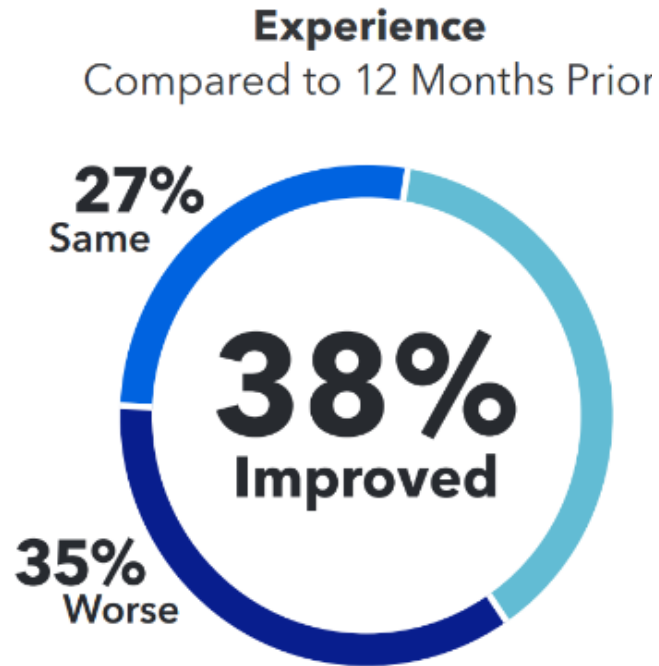
S&P Capital IQ Pro

- The loan-to-deposit ratio has been flat throughout 2024, with minimal changes in both loans and deposits.
- The largest banks still weigh heavily on the aggregate industry loan-to-deposit ratio.

1. LTD ratio calculated by taking the average of LTDs across each asset class



Banker Perspectives: Loan Demand



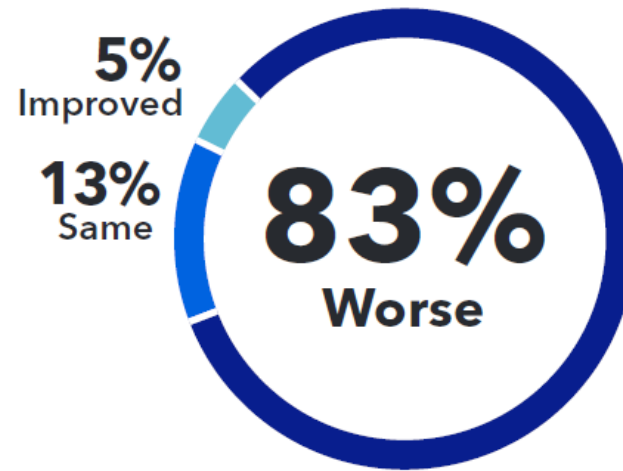
For Western banks

- 42% expect improvement
- 42% expect the same
- 16% expect worse

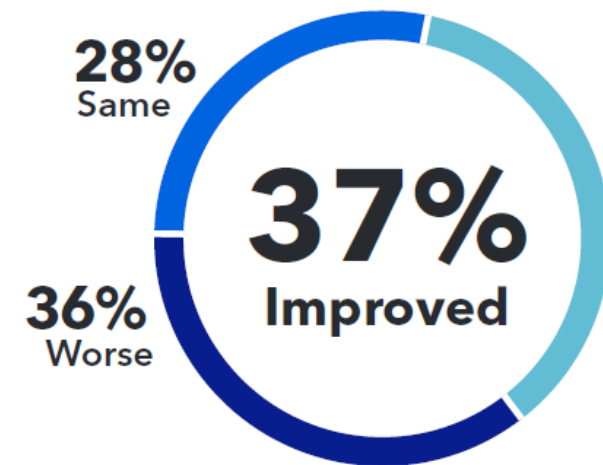


Banker Perspectives Funding Costs

Experience Compared to 12 Months Prior



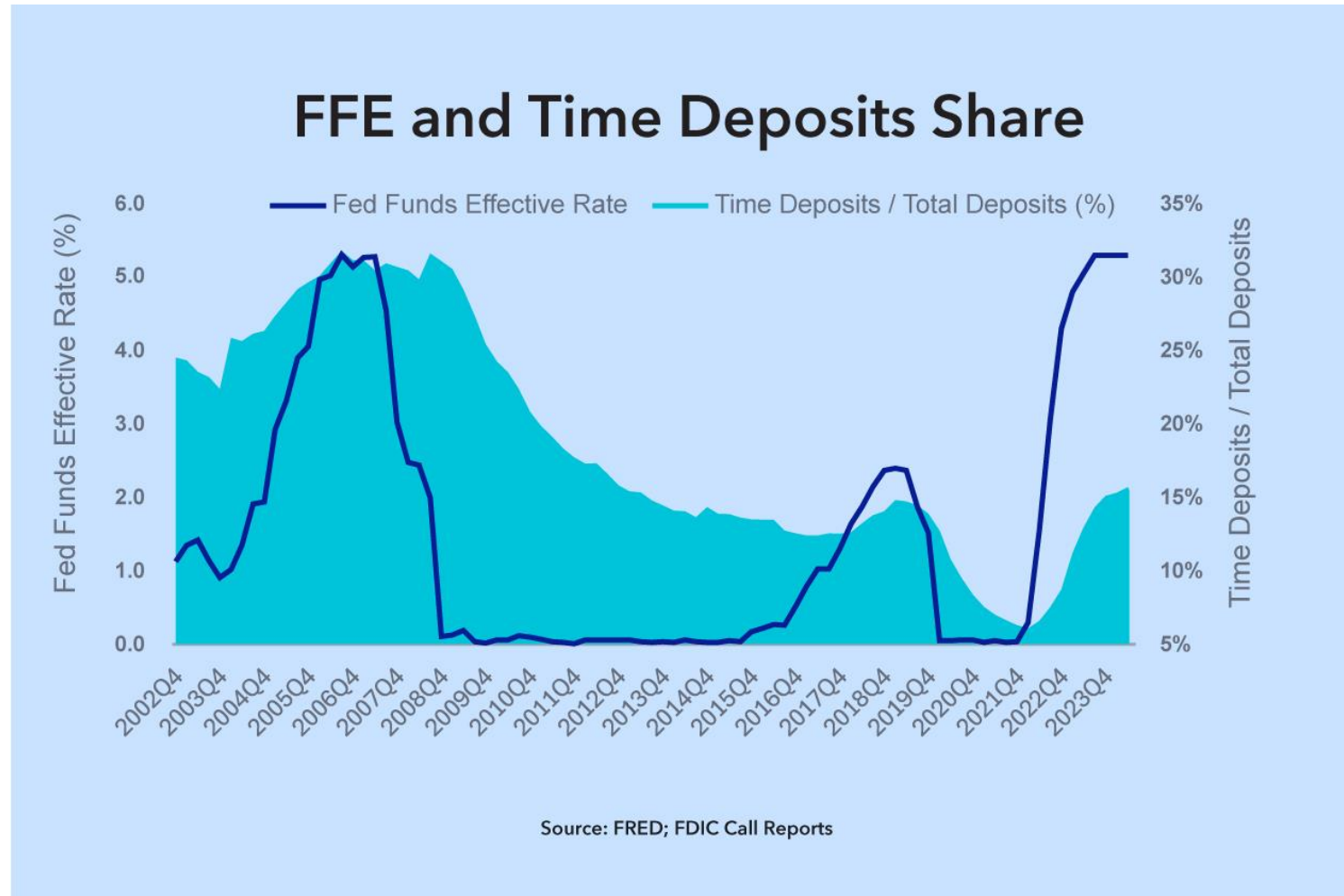
Expectation Looking 12 Months Ahead



Source: Q3 2024 Bank Executive Business Outlook Survey.

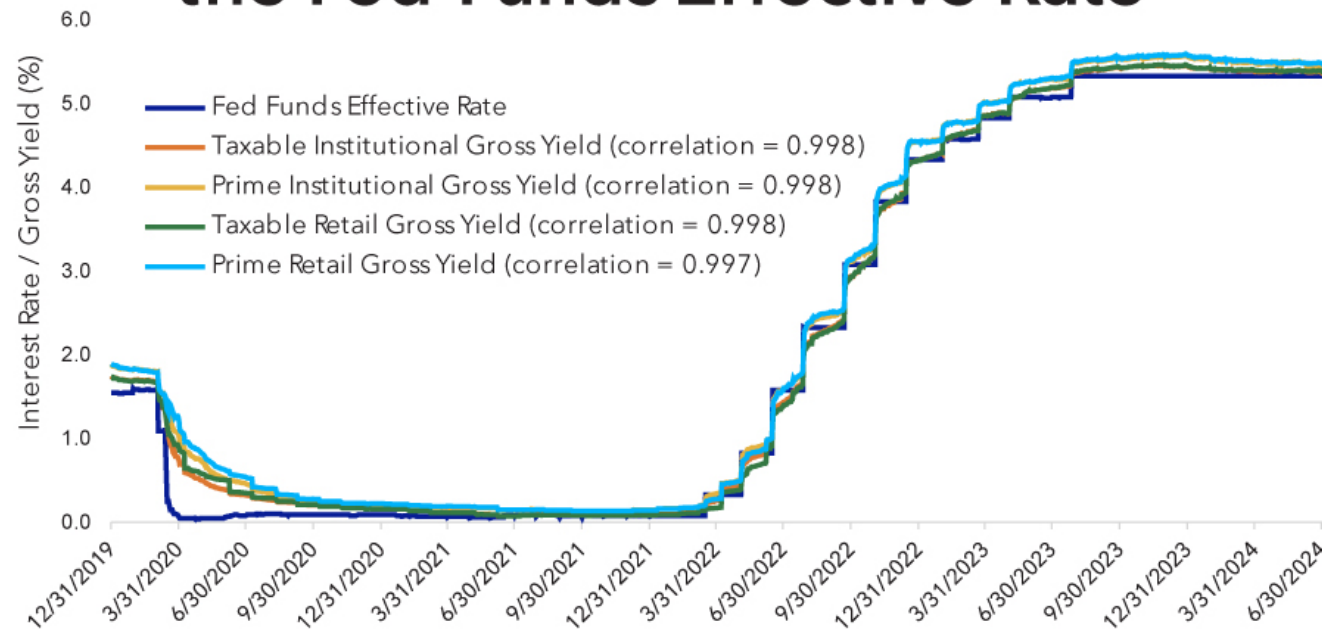


What History Shows: Funding Mix Shift Coming?



What History Shows: Money market funds may be quicker to lower rates

MMFYields are Highly Correlated with the Fed Funds Effective Rate



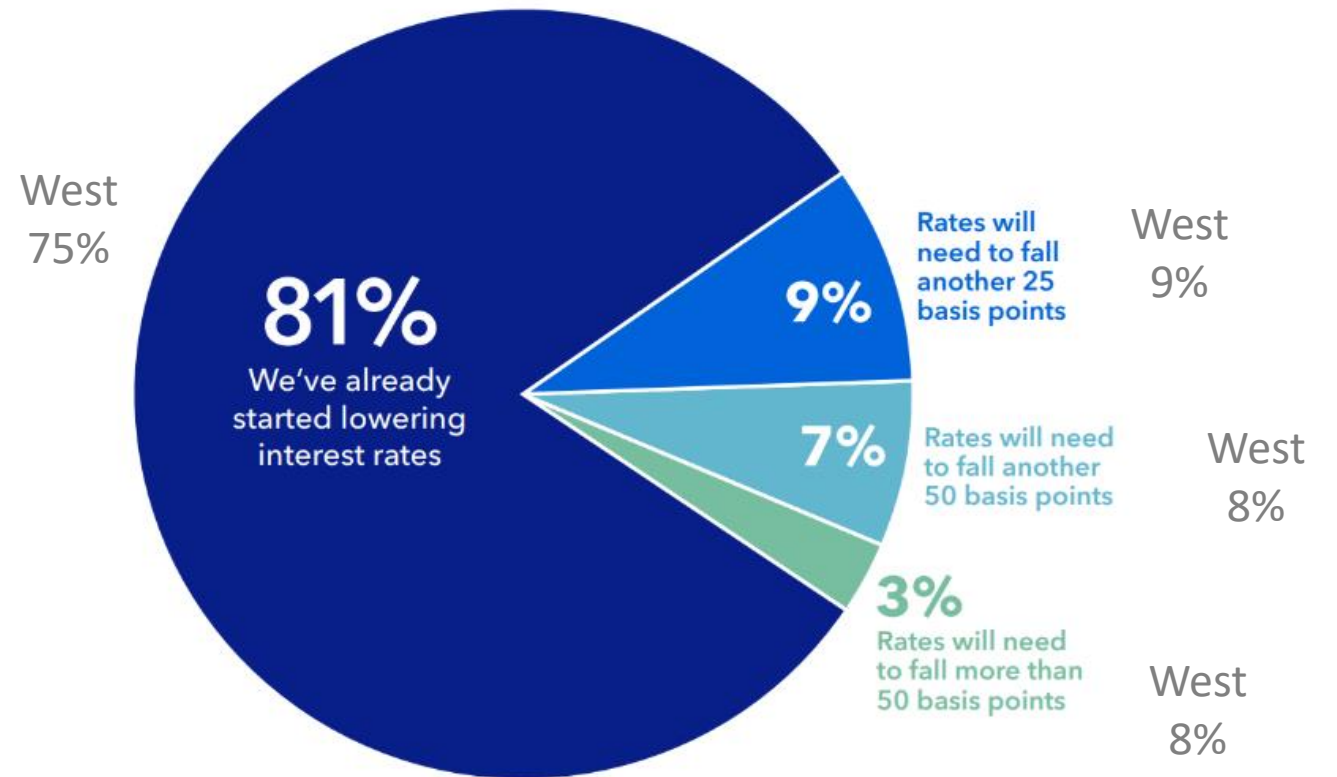
Source: FRED, Crane Data



Banker Perspectives

How far do rates need to fall before your bank lowers its interest-bearing deposit rates?

Reaction to 50 bps Rate Cut



Source: Q3 2024 Bank Executive Business Outlook Survey.



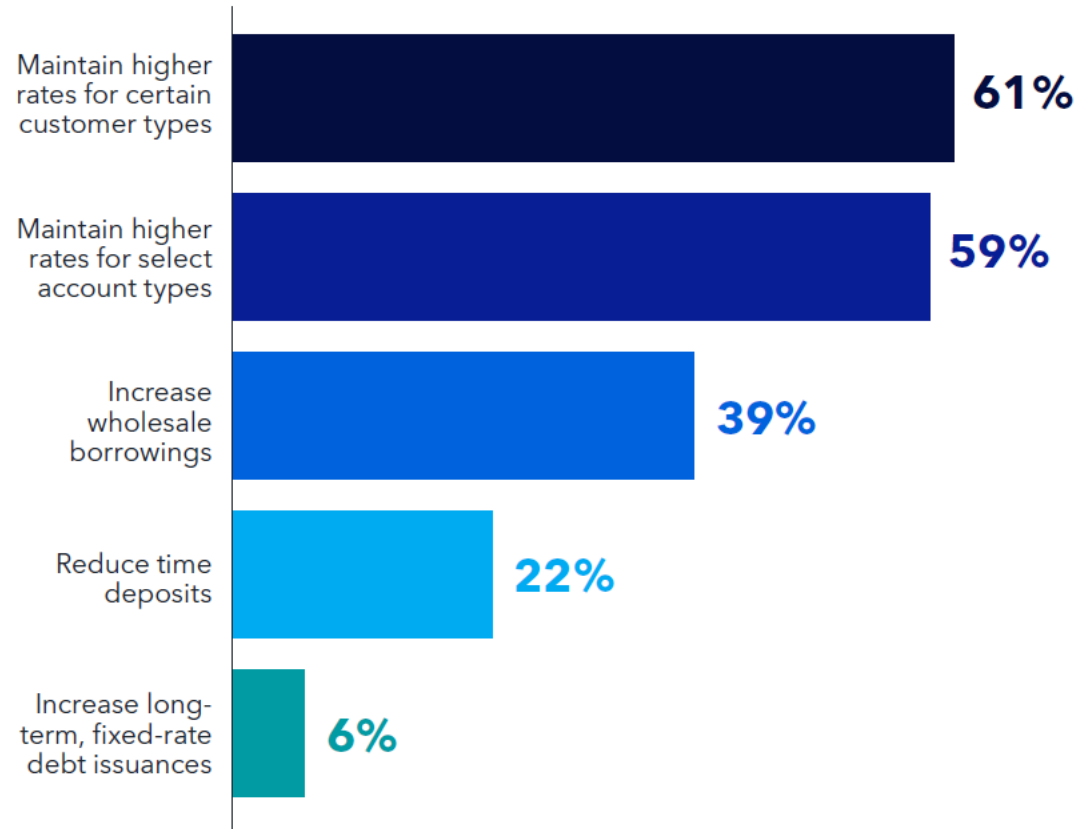
Banker Perspectives Planned responses

Fifty percent of survey respondents believe they are facing deposit outflows.

Source: Q3 2024 Bank Executive Business Outlook Survey.

Do you plan to pursue any of the following in response to potential deposit outflow?

(Select all that apply)





Strategies for Your
Growing Profitability
with Deposits

Examine and Reprice Short-Term Liabilities

- Falling rates will impact profitability. To counterbalance, banks will need to reprice a portion of their liabilities, reducing interest paid to some depositors.
- While some customer runoff will be inevitable, bankers should prudently consider their approach, as cutting rates too swiftly (or for too many customers) could lead to unexpectedly large losses in funding.
- Thoughtfully consider which classes of customer will be prioritized for rate cuts.
- Use short-term funding solutions or sell deposits that can help maintain desired funding and optimal liquidity levels.



Attract and
Retain Less-
Price-
Sensitive
Customers
with a
Deposit
Placement
Network



For many customers, safety of funds is a top priority—build loyal customer relationships by offering deposits eligible for FDIC insurance in amounts greater than \$250,000 through a deposit network solution.

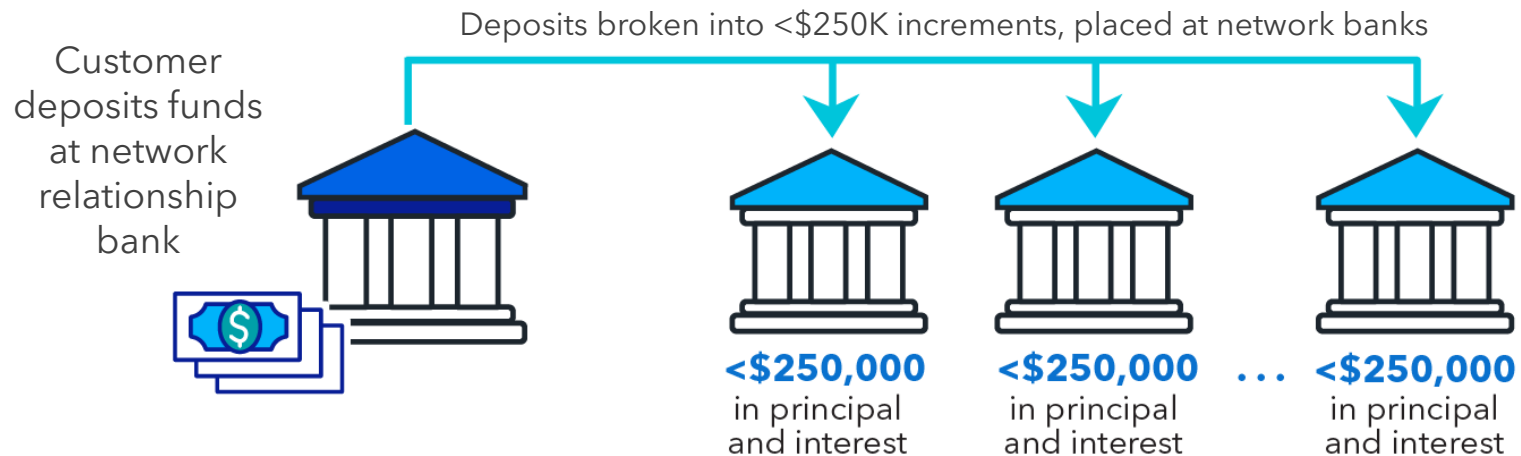
Customers appreciate the convenience of access to millions in FDIC insurance from deposit network banks through a single bank relationship.¹

[1] A network is not an FDIC-insured bank, and deposit insurance covers the failure of an insured bank. Certain conditions must be satisfied for “pass-through” FDIC deposit insurance coverage to apply.



How Deposit Placement Networks Work

Example: With IntraFi Cash Service®, or ICS®, and CDARS®, your bank can provide customers with returns and protection for their cash balances directly through one bank relationship—yours—for deposits placed into demand deposit accounts, money market deposit accounts, and CDs.

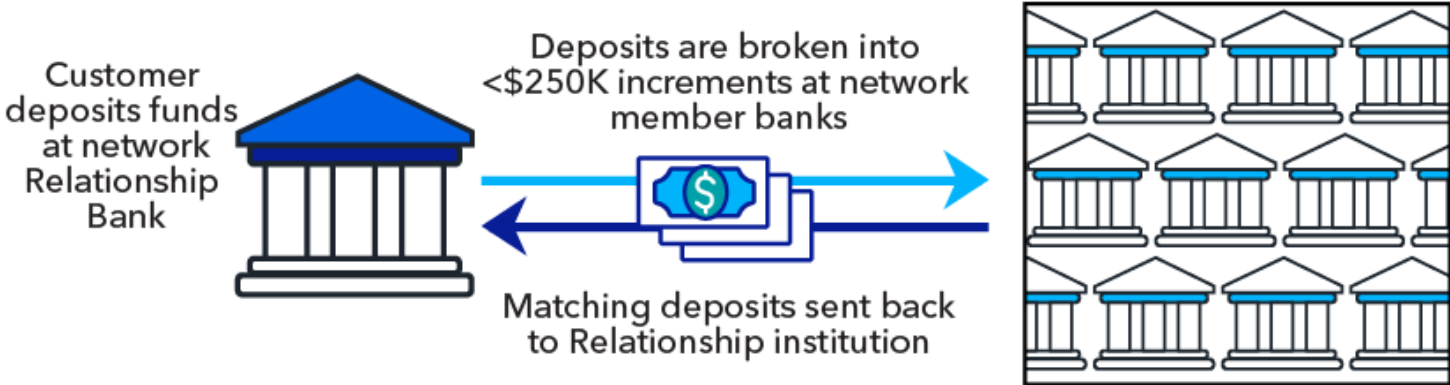


Note: Deposits are placed in demand deposit accounts or money market deposit accounts when using ICS, or CDs when using the CD option.

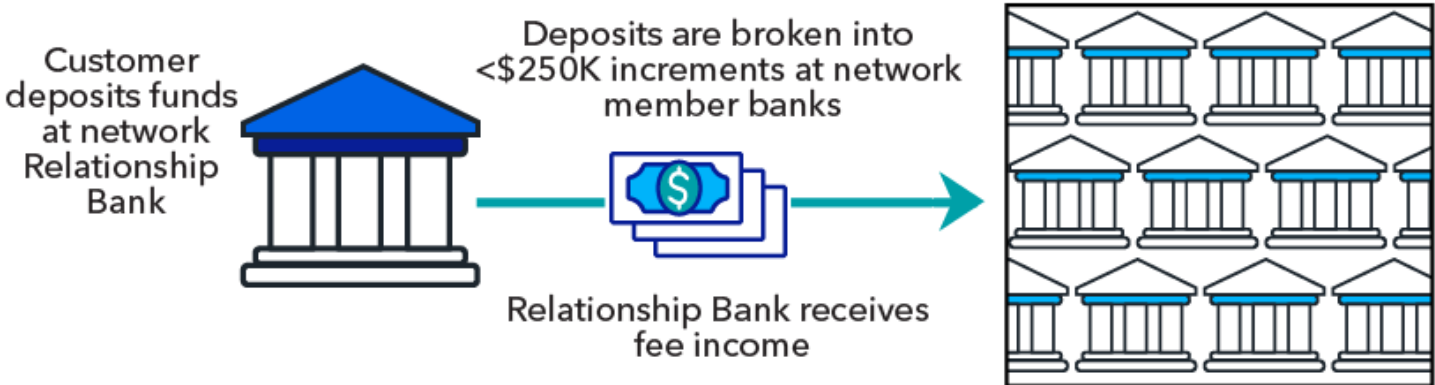
A list identifying IntraFi network banks can be found at www.IntraFi.com/network-banks. Deposit placement through an IntraFi service is subject to the terms, conditions, and disclosures in applicable agreements. IntraFi is not an FDIC-insured bank, and deposit insurance covers the failure of an insured bank. Deposits placed through CDARS and ICS are placed at FDIC-insured banks in IntraFi's network and are eligible for FDIC deposit insurance coverage at network banks. Deposits that are placed through an IntraFi service at FDIC-insured banks in IntraFi's network are eligible for FDIC deposit insurance coverage at the network banks. The depositor may exclude banks from eligibility to receive its funds. To meet conditions for pass-through FDIC deposit insurance, deposit accounts at FDIC-insured banks in IntraFi's network that hold deposits placed using an IntraFi service are titled, and deposit account records are maintained, in accordance with FDIC regulations for pass-through coverage. Although deposits are placed in increments that do not exceed the FDIC standard maximum deposit insurance amount ("SMDIA") at any one bank, a depositor's balances at the institution that places deposits may exceed the SMDIA before settlement for deposits or after settlement for withdrawals. The depositor must make any necessary arrangements to protect such balances consistent with applicable law and must determine whether placement through an IntraFi service satisfies any restrictions on its deposits. The IntraFi logo, IntraFi, ICS, and CDARS are registered service marks, and the IntraFi hexagon is a service mark, of IntraFi LLC.

Choose a Flexible Deposit Network

On Balance Sheet Solution



Off Balance Sheet Solution

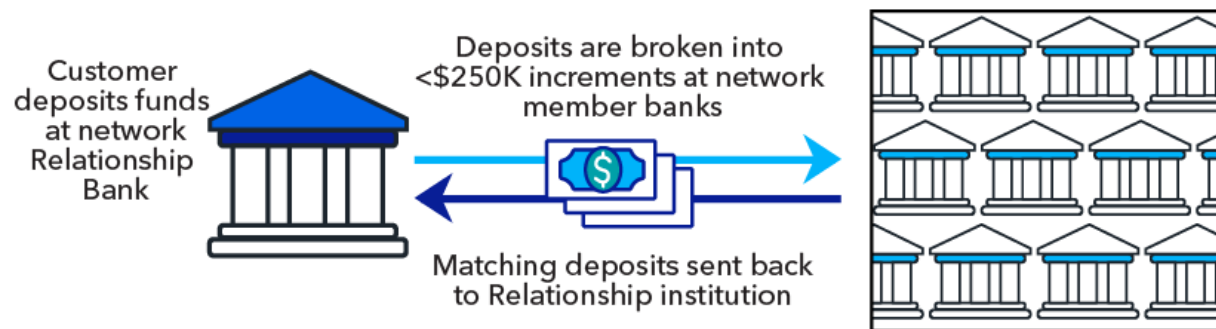


BNY Mellon – Custody, Settlement, Recordkeeping



Enhance Franchise with Reciprocal Deposits, which Tend to be "Sticky"

On Balance Sheet Solution



BNY Mellon – Custody, Settlement, Recordkeeping



Most reciprocal deposits are reportable as core.

Since they tend to be lower-cost deposits that come in large increments from local customers, reciprocal deposits can help your bank grow franchise value.



Customers Finding Peace of Mind with Reciprocal Deposits have been in the news

“

“It hit close to home, and it really made us think,” said **Tom Whittaker, president and CEO of Blue Modus** digital agency. “We realized we’d never discussed what could happen if our own bank failed.”

“

“You cannot un-live SVB. There were two weeks there when I wasn’t sure if I was going to lose my company,” recalls **Russell Franks, co-founder and president of PredictAP**, a fin-tech start-up in Boston. “We were a customer of SVB and lost access to our money.”

“

Julian Mansfield, manager of the Village of Friendship Heights in Maryland, is the custodian for the town’s revenues and must operate within strict guidelines set by the state. “We really can’t do much with our money. It’s all got to be very safe and secure,” Mansfield said. “It is all about avoiding risk for the taxpayers.”

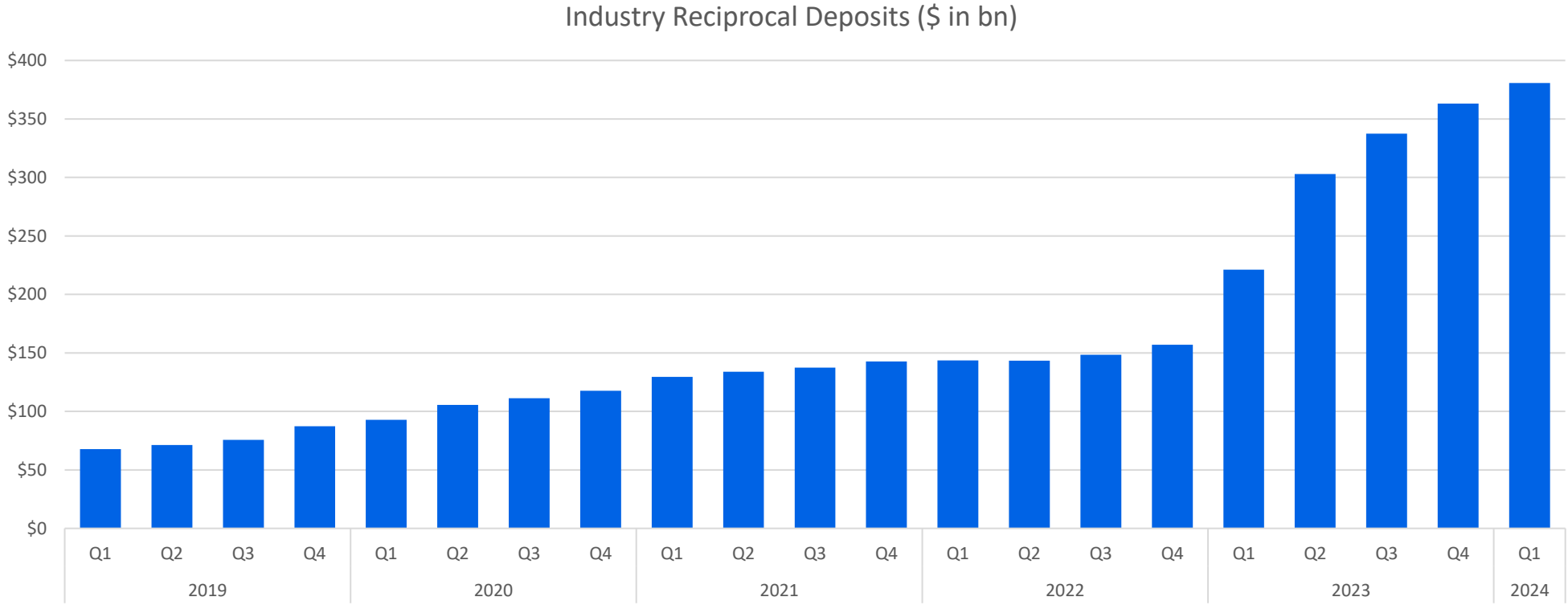
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Silicon Valley Bank’s failure last spring “pushed us over the edge,” **Phil Ruden, managing partner at Prodigy LLC** said. It was time to find a way to insure his clients’ funds without opening multiple accounts at various banks.



Use of Reciprocal Deposits Continues to Grow

Reciprocal deposits can be less expensive than other deposits, including brokered deposits, collateralized deposits, and listing service deposits

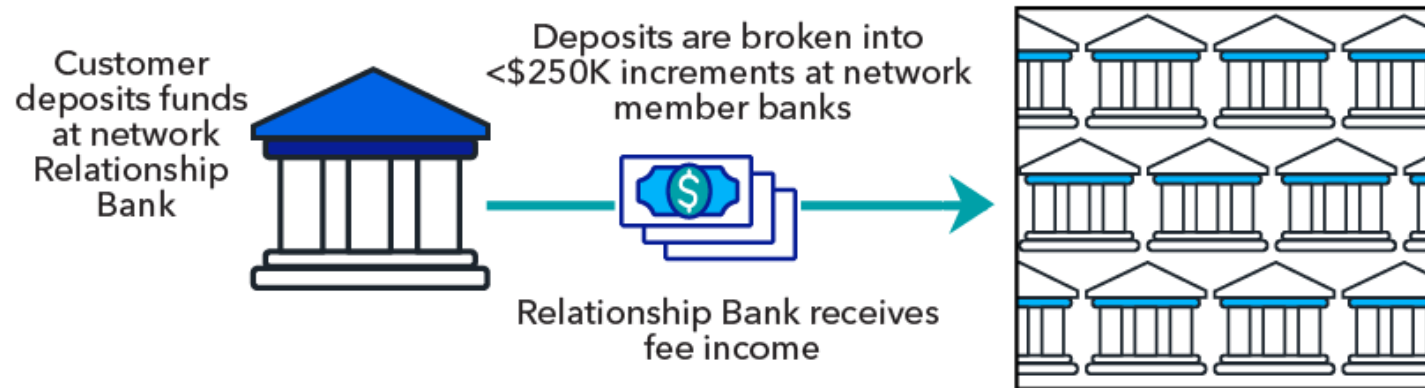


Note: S&P Call Report Data

Proactively Manage Liquidity

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Off Balance Sheet Solution



BNY Mellon – Custody, Settlement, Recordkeeping



Utilize One-Way Sell[®]

A One-Way Sell[®] feature can help your bank offer a higher rate to its most valued customers and **earn fee income without adding deposits to its balance sheet.**

Your bank can **say “yes” to valuable, franchise-building customers** and accept large deposits that it may have been reluctant to take before due to concentration risk or other balance sheet concerns.

Fee income can increase profitability, as well as return-on-assets and return-on-equity.



Replace Collateralized Deposits



If you have customers that currently require collateralization, consider replacing these deposits eligible for FDIC insurance. They are likely to appreciate the reduced collateralization burden.

Your customers can save time by eliminating the need to track changing collateral values on an ongoing basis or having to footnote uninsured deposits in financial statements.

Tip: Focus on security-backed public fund deposits. All 50 States have laws that enable public entities to protect taxpayer funds by using reciprocal deposits.

Pursue Business Deposits

A deposit placement network can help compete against the nation's largest banks.

- Take away perceived size advantages that safety-conscious customers may give larger banks by offering access to multi-million-dollar FDIC insurance through network banks
- Leverage marketing, account-opening, and other new customer acquisition costs over a larger average deposit size.
- Can help put the focus back on a local, hometown bank advantage.
- Benefit from cross-selling opportunities.
- Grow franchise value.

Reach Out to Customers with Balances Hovering Just Below the Standard FDIC Insurance Maximum

Leverage internal analytics to identify decision-makers with account balances between \$200,000 - \$250,000, and use a reciprocal deposit network provider's services to offer prospects access to FDIC insurance beyond \$250,000 through just your bank.

- Organize customer information by branch or by cost center for ease of dissemination and tracking purposes.
- Create a spreadsheet that includes each prospect's name, title, company/organization name (if applicable), city, state, zip code, phone number, email address, and other key information, like their amount of holdings and their main point of contact at the bank.
- Reach out with calls and direct mail materials if made available by your deposit placement network provider.

Wholesale Funding Options

Advantages of Funding from IntraFi

Traditional Wholesale Alternatives	IntraFi Wholesale Funding
FHLB Advances: overnight or term, secured borrowings	<ul style="list-style-type: none"> ▪ Counts as a deposit, not a borrowing ▪ Requires no collateralization or stock purchases ▪ Options: fixed- or floating-rate funding for overnight, custom, or standard terms
Brokered CDs: term, fixed-rate, unsecured deposits	<ul style="list-style-type: none"> ▪ Process is simple and quick (an at-will "auction"—request funds on Wednesdays, settle next business day) ▪ Price equals the all-in cost ▪ Scale of bank network tends to result in better market depth and breadth for terms less than 5 years ▪ Option: fixed-rate, fixed-term
Correspondent Banks: overnight line of credit	<ul style="list-style-type: none"> ▪ Counts as a deposit ▪ Does not require collateralization or establishment of a credit line ▪ Is not subject to fees or the counterparty risk associated with lines of credit ▪ Option: overnight
Subordinated Debt: fixed- to floating borrowing (can enhance capital ratios)	<ul style="list-style-type: none"> ▪ Offered at much lower cost—pricing is not subject to bank rating, and there are no advisor fees—and with faster settlement ▪ Options: fixed- or floating-rate funding for overnight, custom, or standard terms
Fed Funds Purchased: overnight, unsecured borrowing	<ul style="list-style-type: none"> ▪ Counts as a deposit ▪ Incurs no counterparty risk ▪ Settles late-day ▪ Option: overnight



In Summary

A falling rate environment can be difficult, but there are opportunities.

- Carefully re-price liabilities, considering the value of existing customers.
- Know that the new rate environment makes it a good time to strengthen relationships with your customers, to invite customers back who may have left for higher rates, and to reach out to classes of customers that may be re-evaluating their cash positions now.
- A deposit network solution offers benefits beyond rates that help build large, franchise-building relationships.
- Utilize off balance sheet deposit solutions and wholesale funding to manage your balance sheet.



Questions?



Max Damm

Managing Director, Pacific

(866) 776-6426, ext. 3361

mdamm@intrafi.com

Or a member of the IntraFi team, can be reached at (866) 776-6426 or contactus@intrafi.com.

Contact Information

IntraFi has built the largest network of its kind with financial institutions of all types and sizes.

Recognized & Trusted For Over 20 Years Throughout the Industry

Largest Deposit Network

~3,000

U.S. financial institutions as members of the network

Broad National Reach

10

largest U.S. banks by deposits¹

19

of the top 20 banks¹

93

of the top 100 banks¹

~90%

of U.S. banks above \$10bn in assets³

2,800+

community Banks²

200+

socially responsible financial institutions⁴

Working with FIs of All Types and Sizes...

76%

of CDFI⁵ banks

100%

of African American banks by assets

95%

of Native American banks by assets

95%

of Asian American banks by assets

82%

of Hispanic Banks By assets

[1] Bank asset sizes determined at the parent level as of 6/30/2023 (last call report data available). [2] Bank charters with less than \$10 billion in assets, [3] By number of bank charters. [4] Includes well-capitalized CDFI banks or thrifts (sourced from www.cdfifund.gov), Minority Depository Institutions (sourced from the FDIC website) and women-owned banks. [5] Designation given by the CDFI Fund to specialized organizations that provide financial services in low-income communities and to people who lack access to financing.



Upcoming Webinar

FDIC Deposit Insurance Coverage and Related Matters, 11/14/24 1:00 PM PT

- Designed for CPAs, financial advisors, and business professionals who would like to learn more about FDIC deposit insurance coverage and related matters.
- Upon completion attendees will have a thorough understanding of how FDIC insurance coverage works and other matters relating to FDIC insurance.
- Instructor is Joe DiNuzzo, former FDIC attorney.
- CPAs can receive 1 CPE credit. Approved for up to 1.2 CTP/CCM recertification credit by the Association for Financial Professionals.

https://intrafi.zoom.us/webinar/register/WN_-pKXUfhSSbWzuStq3yWypw#/registration

