



Strategic Leadership: Growth & Liquidity

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What if I told you there was a way to...

Enhance
the way your
bank manages its
liquidity position



Grow
deposit relationships
In any rate
environment



Agenda

- What is an Alternative Deposit Market?
- Bank Networks
- Enhancing Balance Sheet Liquidity
 - Freeing Up Pledged Collateral
 - Managing Deposits On-And-Off Balance Sheet
 - Tapping into Diverse Source of Contingency Funding
- Contingency Liquidity
- Listing Service Deposits
- Brokered CDs and Sweeps
- Municipal Advisor Relationships



BEFORE WE BEGIN...

We've entered a new world order in terms of liquidity

Banks and credit unions of all sizes need to

- Constantly review and manage at their liquidity
- Think outside of the box – can no longer just depend on selling assets or borrowing
- Be flexible with deposits – keep as much dry powder as possible



...in times of uncertainty, you want to have excess capital and liquidity to either defend the bank against market or economic disruptions or be well positioned to take advantage of these disruptions...

— Western Alliance Bancorporation CEO
April 22, 2025

...capital and liquidity are going to continue to be a top priorities for [bank regulators] as the leaders of these individual agencies are formally confirmed here. And that is good for everybody....

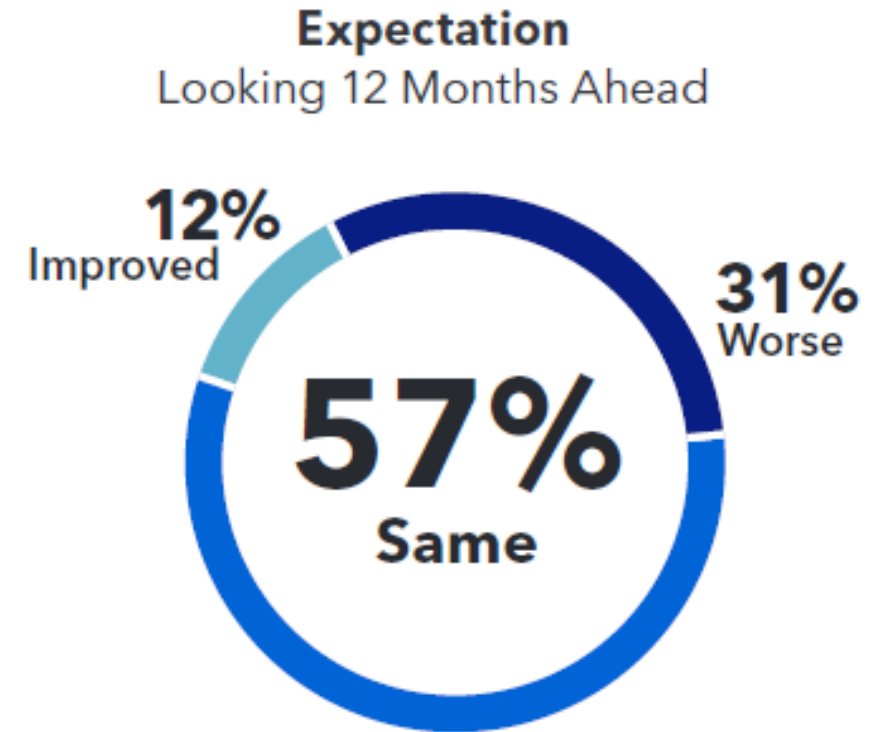
— Fifth Third Bancorp Chairman, April 17, 2025

...there is a lot of economic uncertainty on the horizon, and I mentioned the importance of liquidity and capital...

— Commerce Bancshares CEO, April 25, 2025

Banker Perspectives Deposit Competition

Bankers continue to believe the deposit competition will remain at elevated levels (57% or will tighten further (31%) over the next 12-months.

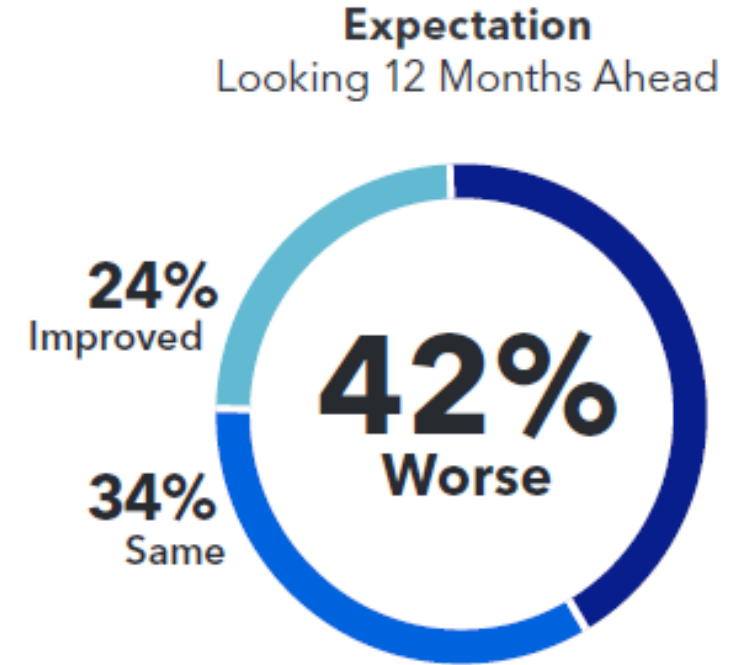


Source: IntraFi's Q1 2025 Bank Executive Business Outlook Survey.



Banker Perspectives Economic Outlook

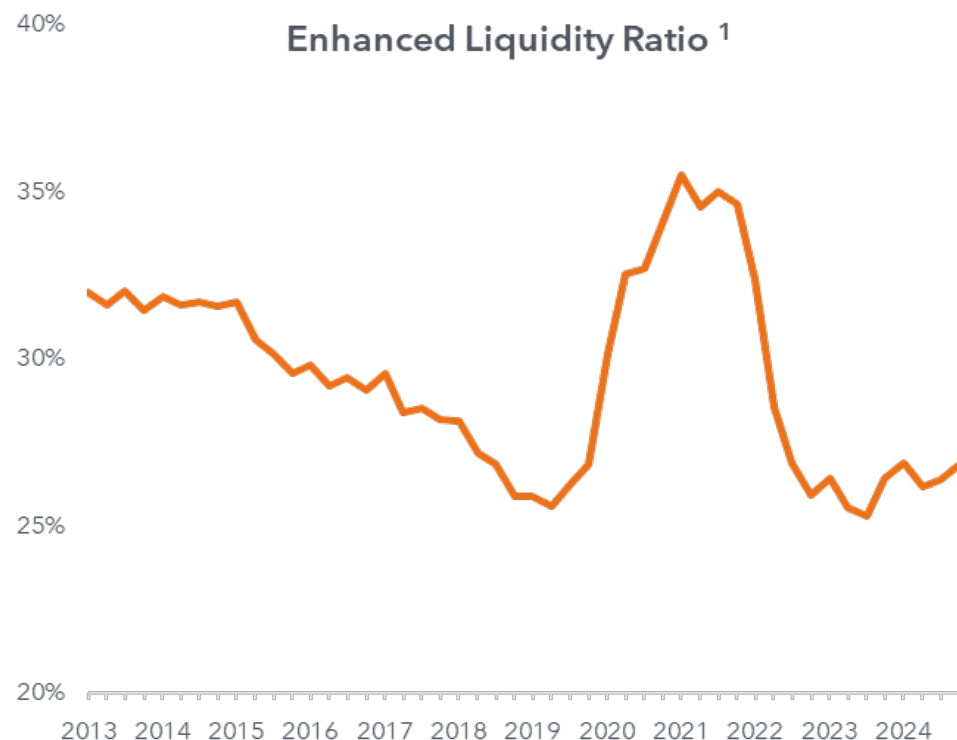
Since last quarter there was 24-point increase in bankers who expected overall economic conditions to worsen (42%), and a commensurate 19-point decrease in those who expected conditions to improve (24%).



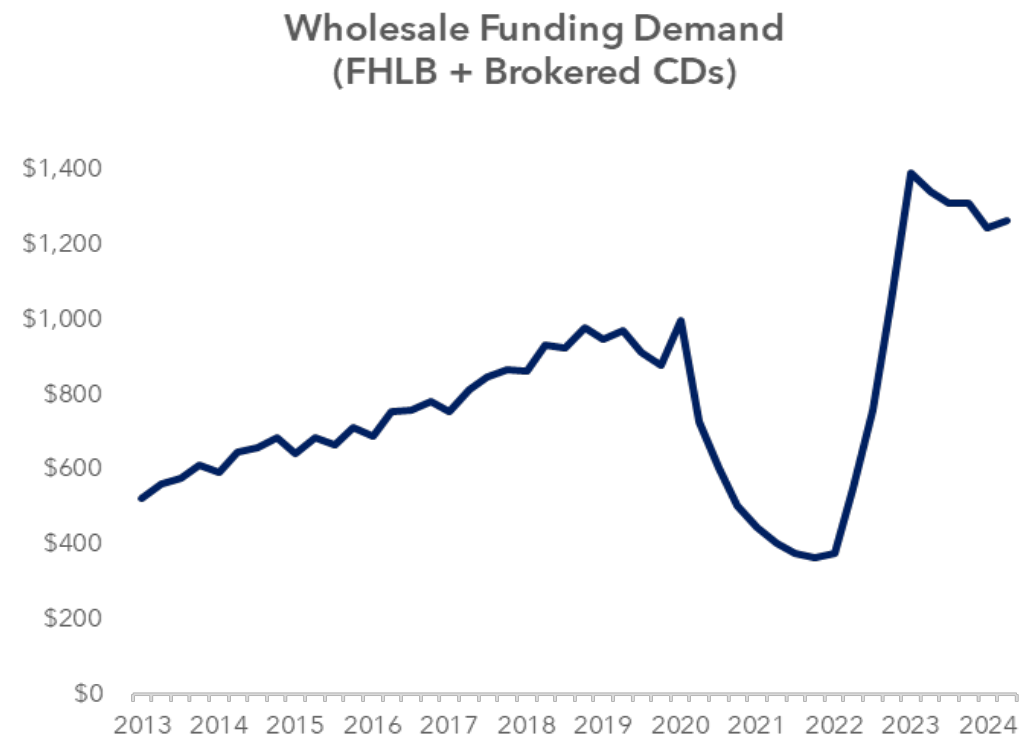
Source: IntraFi's Q1 2025 Bank Executive Business Outlook Survey.



Liquidity metrics returning to normal, but banks still reliant on noncore funding



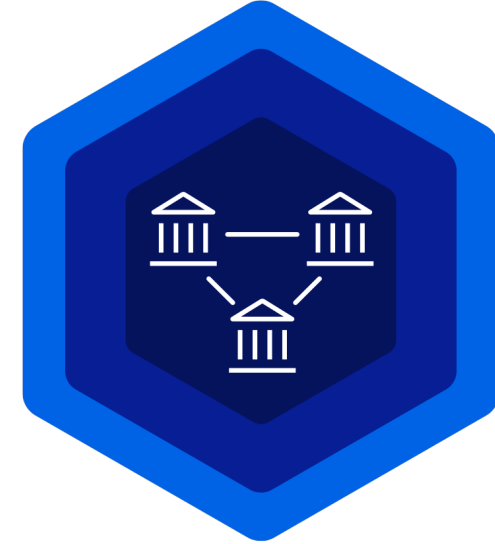
Enhanced Liquidity Ratio (an indicator that measures bank liquidity) suggests bank liquidity levels have already reverted to pre-COVID levels



Bank demand for wholesale funding dramatically increased post regional-bank failures as rising rates drove increased competition for deposits and higher-rate nondeposit alternatives. Banks also sought to build excess liquidity reserves post-bank failures.



What is an alternative deposit market?



- List service deposits
- Brokered CDs/Sweeps
- Municipal advisor relationships
- Bank deposit networks



Bank deposit networks | How do they work?

Customer deposits
funds at network
Relationship Bank



Bank 1



<250,000
in principal
and interest

Bank 2



<250,000
in principal
and interest

...Bank n



<250,000
in principal
and interest

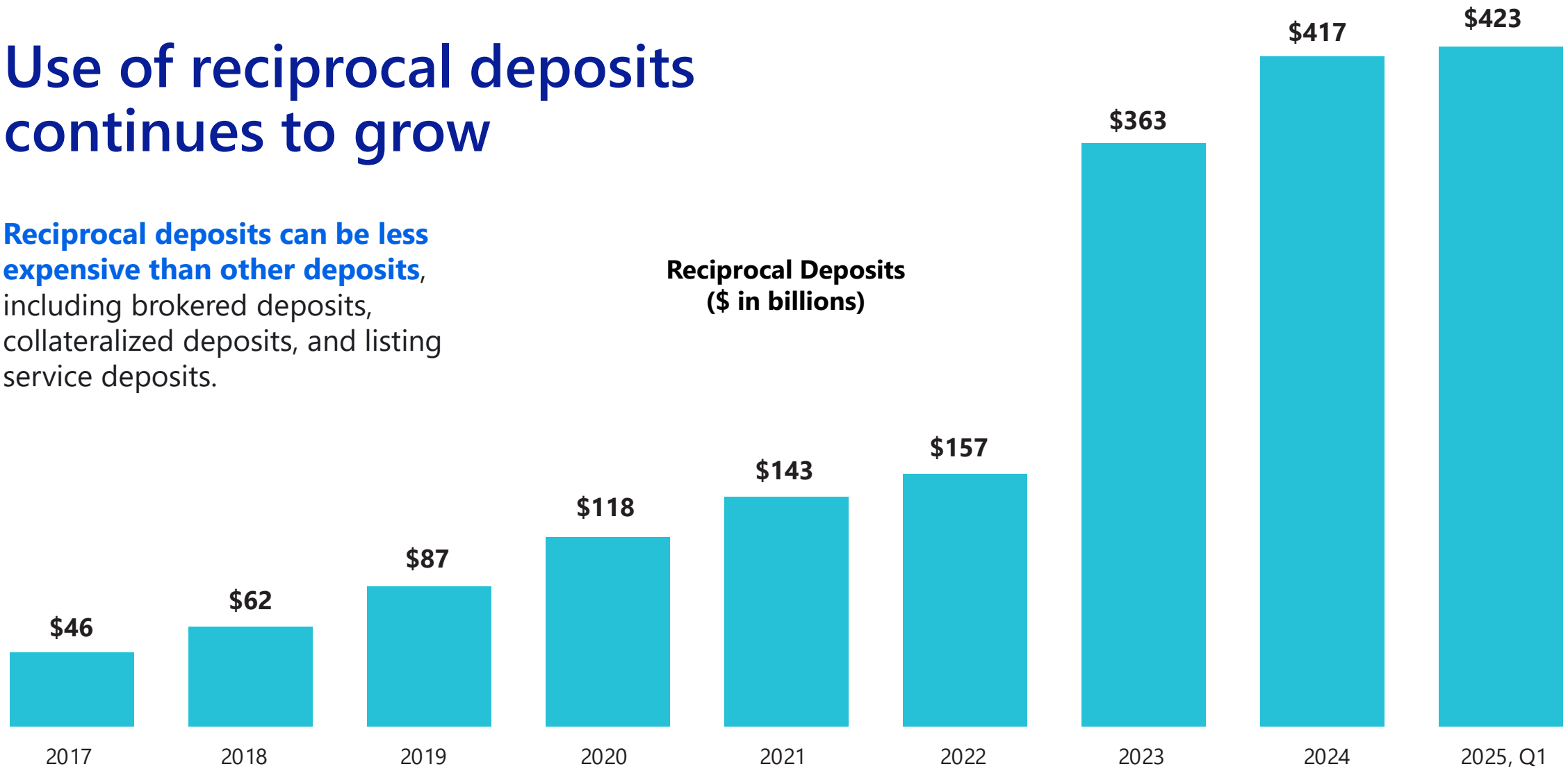
- Financial institutions can place customer funds through a network to offer **access to large-dollar FDIC insurance coverage across network banks**.
- Banks can elect to place customer funds on a **reciprocal basis**, so the financial institution receives matching deposits (the full amount of the deposit back on its balance sheet) to lend, buy securities, etc.
- For well-capitalized banks, **most reciprocal deposits are reportable as non-brokered**, up to the lesser of \$5 billion or 20% of a bank's liabilities¹

IntraFi is not an FDIC-insured bank, and deposit insurance covers the failure of an insured bank. A list identifying IntraFi network banks appears at <https://www.intrafi.com/network-banks>. Certain conditions must be satisfied for "pass-through" FDIC deposit insurance coverage to apply.

[1] Reciprocal deposits over these amounts are allowed but are treated as brokered.

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.

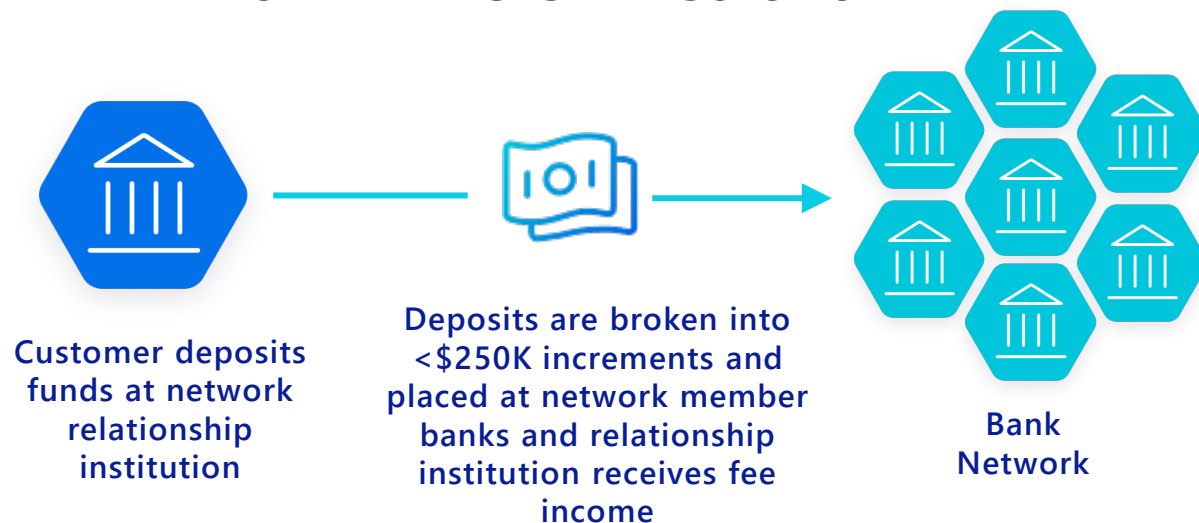


Note: Prior to the second quarter of 2018, Reciprocal Deposits represents Call Report line "Reciprocal Brokered Deposits." From the third quarter of 2018 onwards, it represents Call Report line "Total Reciprocal Deposits." Includes U.S. Commercial Banks, Savings Banks, and Savings and Loan Associations.



Bank deposit networks | Sell deposits

OFF BALANCE SHEET SOLUTION



BNY — CUSTODY, SETTLEMENT, RECORDKEEPING

- **Accommodate larger customers** that would otherwise impact deposit concentration limits
- **Shrink the balance sheet** around certain asset thresholds (\$500mm / \$1bb / \$10bb) or quarter-end/year-end
- **Improve ROA, LTD, and capital ratios**
- **Earn incremental fee income** in connection with One-Way Sell placements



Bank deposit networks



Buy deposits



- **Bank can bring in wholesale deposits from other institutions that have excess liquidity**
- The form it comes in depends on the network – but could be overnight, fixed rate, floating rate, etc.
- Complements other forms of wholesale funding the bank has access to – brokered CD, FHLB, Fed Funds, etc.
- Funds received are uncollateralized



What are the benefits of using these networks?

-  **Reducing pledged collateral**
PUDs, repo sweeps, etc.
-  **Liquidity Management**
Offer the ability to keep funds on balance sheet or sell funds for noninterest income as needed
-  **Contingency funding**
Gaining access to an additional source of liquidity





Family-owned and operated
community bank since 1885

4

branch locations in Minnesota

680M+

in assets

60M+

deposits in ICS and CDARS

5.0 Out of
5 Stars

overall rating of 44
3rd-party reviews

CASE STUDY | Reducing pledged collateral

- 60% of Elk River's investment portfolio was pledged against municipal and public unit deposits
- By using a bank deposit network, they reduced their amount of pledged securities down to 5% of total securities, freeing up liquidity for the bank to lend out.
- "Access to the FDIC coverage is a very big deal for our public-unit customers," says CFO LeRoy Lindenfelser.
- Reciprocal deposits are eligible to be used by public funds / municipalities in all 50 states



We reduced the percentage of investments tied up in pledging municipal deposits down to 4% or 5%.

—LeRoy Lindenfelser, CFO

Source: *Enhancing Balance Sheet Flexibility at The Bank of Elk River*, IntraFi.com





OPEN DISCUSSION

How does your bank handle pledging collateral?

- FHLB line of credit
- Pledged securities
- Reciprocal deposit services

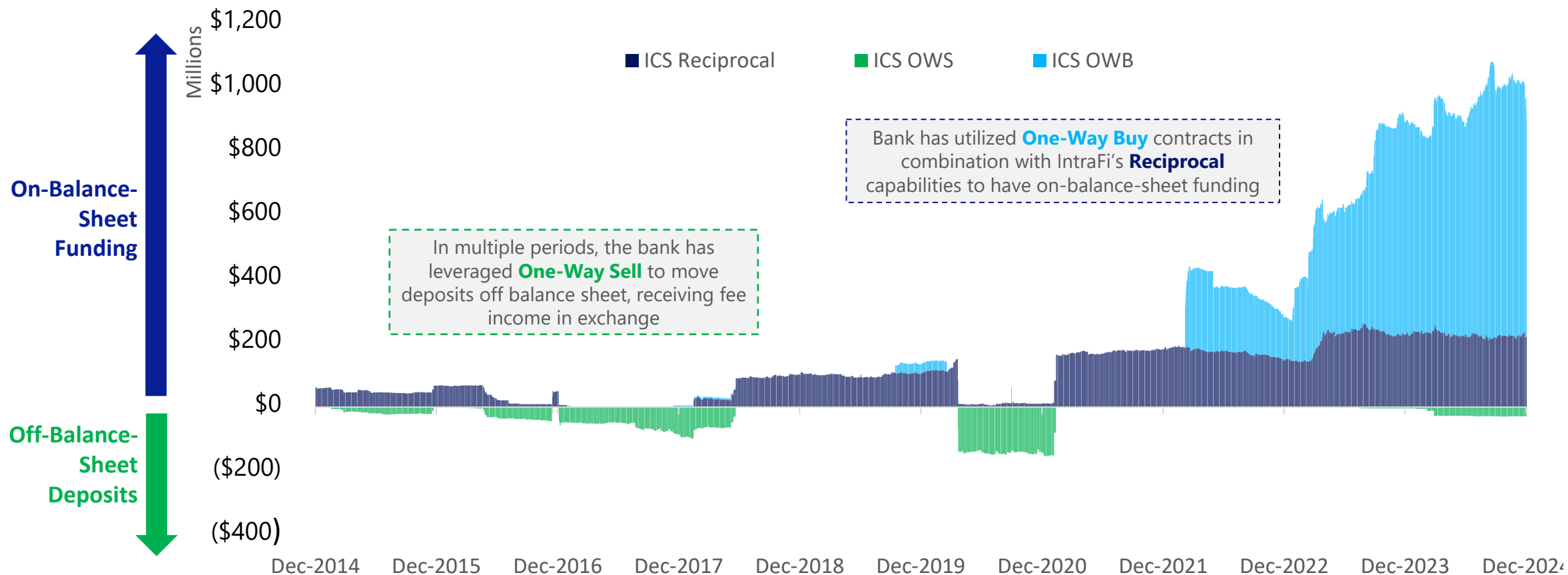


*...at this point, the shrinkage of the balance sheet is really dependent upon a couple of things. First, we're obviously monitoring the securities book. We did shrink that somewhat. It represents about 16% right now of total assets. That's on kind of, I would say, the lower end of the range for where we want to be **to maintain what we feel are appropriate levels of liquidity to maintain pledging for our public funds and such.** So, I don't see us necessarily shrinking that.*

— WesBanco CFO, April 30, 2025



CASE STUDY | Liquidity Management



A bank utilizing IntraFi's services to dynamically switch between having deposits on balance sheet (**ICS Reciprocal**) and move them off balance sheet (**ICS One-Way Sell**) for fee income when there is a surplus. Bank also uses wholesale funding (**ICS One-Way Buy**) to supplement its deposit needs.



OPEN DISCUSSION

How does your bank think about moving depositors on- or off-balance sheet?

- Using investment alternatives like money market mutual funds?
- Tell depositors to move their cash elsewhere?
- Use reciprocal and sell through bank deposit networks?





CASE STUDY

Sourcing Contingency Funding



- Bank's loan growth was 15 – 20% YOY, but deposit growth was only 10%
- Wanted to add wholesale deposits (as opposed to borrowings) to better manage its loan-to-deposit ratio
- Bank was able to add \$50mm in variable-rate funding, which matched the index used for their commercial loans

Source: *Supporting Rapid Loan Growth at Texas Security Bank*, IntraFi.com





OPEN DISCUSSION

**How does your bank think
about sourcing
contingency funding?**

- Borrowing at FHLB?
- Tap into deposit brokers?
- Correspondent banking relationships?
- Testing at least annually?



Accessing Contingency Liquidity – Understanding Restrictions

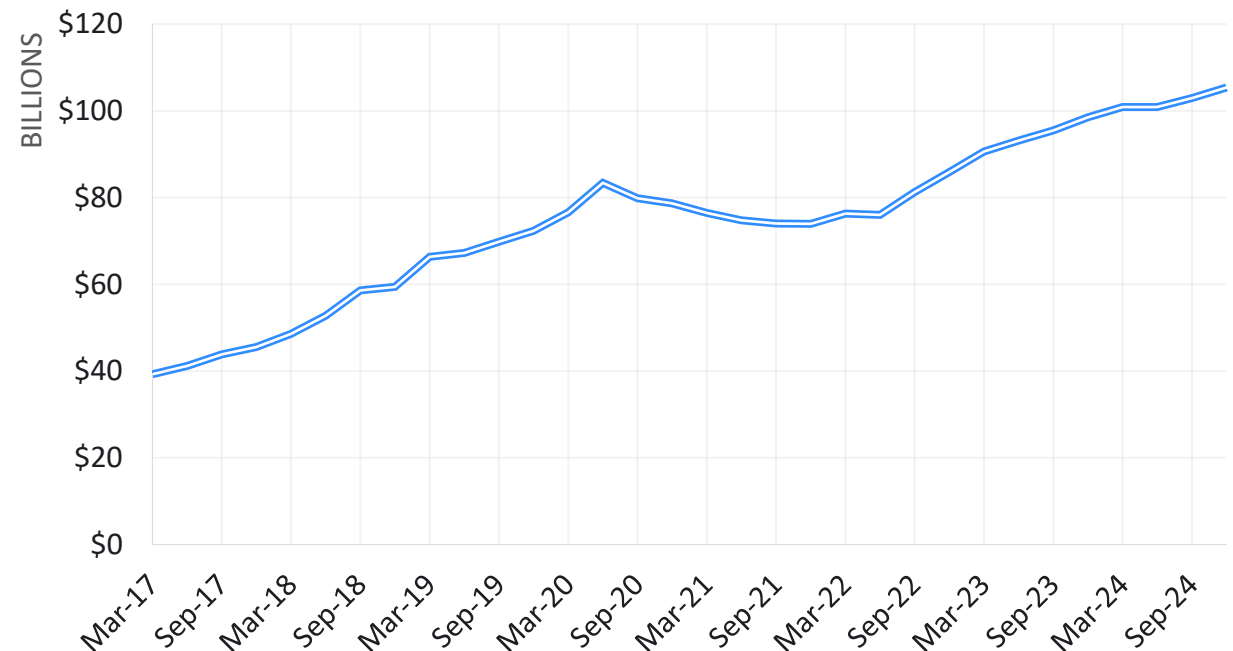
- Comingling of operating and contingency liquidity
- Banks need to understand limitations
 - Fed issues, FHLB stuff (negative tangible equity)
- What could cause these markets to be constrained – CAMELS ratings
- Contingency funding is only useful if you can access it



Alternative Deposit Markets – Listing Service Deposits

- Brings additional wholesale deposits to the bank and can be treated as core funding
- Some examples include QwikRate, DepositAccounts.com, National CD Rateline, and Nerd Wallet
- Money generally flows to the highest paying institutions
- Funds received are uncollateralized

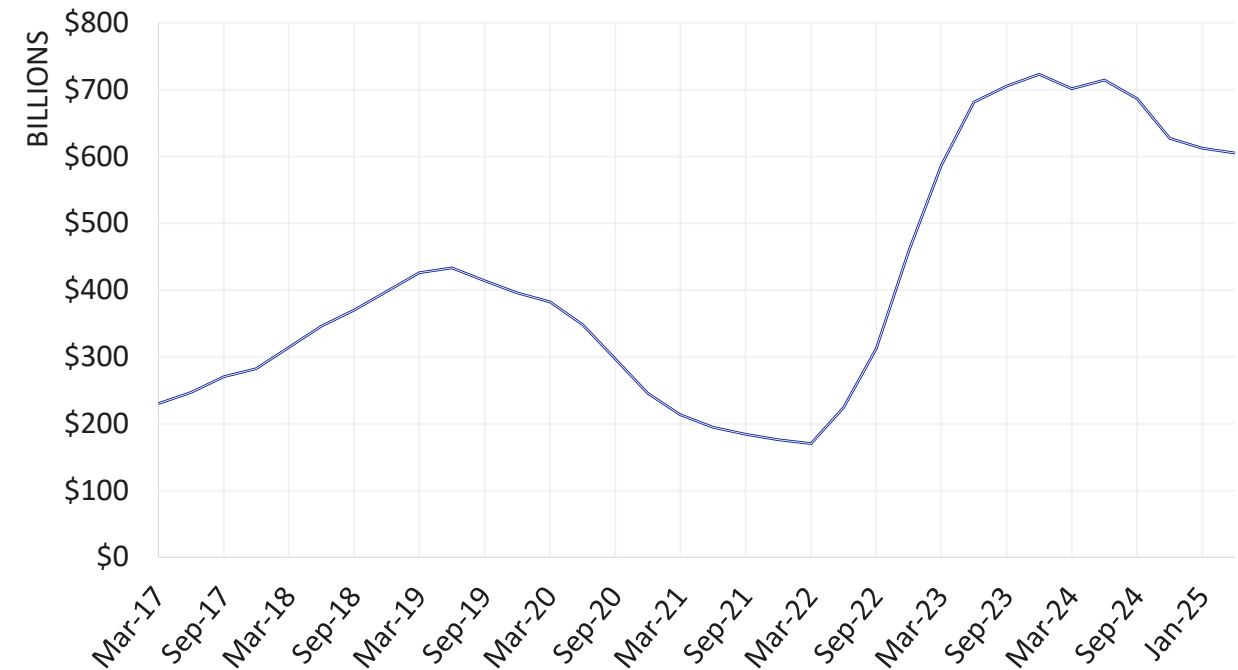
LIST SERVICE DEPOSITS



Alternative Deposit Markets – Brokered CDs and Sweeps

- Allows banks to bring wholesale deposits in from retail brokerage clients
- CDs give you a fixed-rate option, settling in 5-7 business days
- Sweeps give you a floating-rate option, and can take several weeks/months to ramp up to a target balance
- Can help solidify a relationship with a particular broker
- Funds received are uncollateralized

BROKERED CDS



Alternative Deposit Markets

– Direct Relationships with Municipal Advisors

- There are firms in the marketplace that establish relationships with municipal accounts, and work to place those deposits at banks
- Examples include PMA, PTA, PFM
- They manage local government investment pools, as well as separately managed accounts with municipalities
- Those funds need to be collateralized, but banks can avoid that by using a reciprocal deposit network
- Can these be counted as core? Or should they be brokered?





Q&A



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Thank You

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