Northern New England School of Banking

October 24,2018

Thomas Zuke, CPA

- Graduate of Bentley College (BS in Accountancy) in 1988
- Maine licensed CPA since 1990
- EVP/CFO & Treasurer – Kennebunk Savings Bank (Kennebunk, ME) 2016 - Present
- EVP/CFO – Androscoggin Bank (Lewiston, ME) 2009 - 2016
- EVP/CFO – Martin's Point Healthcare (Portland, ME) 2006 - 2008
- Director of Finance – Wentworth-Douglass Hospital (Dover, NH) 2000 - 2006
- Staff to Senior Manager at KPMG/Baker Newman (Portland, ME) 1988 - 2000
- Board Member – Maine Turnpike Authority 2017 - Present
- Board Member – Southern Maine Healthcare 2017-Present

Bank Financial Statements / Role of CFO

Today we will cover…..

- How do banks make money?
  - Balance Sheet
  - Income Statement
  - Sources of Revenue
  - Net-interest Expenses
  - Regulatory Capital
- Exercise on growth
- FDIC State Profile – Selected Data at June 30, 2018
- FDIC Deposit Market Share by State at June 30, 2018
- Role of Chief Financial Officer

Balance Sheet

In thousands (000's)

	Dec 31, 2015	Dec 31, 2016	% of Assets
Investments	$ 104,134	$ 136,077	12%
Loans - Gross	$ 810,351	$ 868,792	
Loan Loss Reserve	$ (7,000)	$ (7,354)	
	$ 803,351	**$ 861,438**	79%
Total Earning Assets	**$ 907,485**	**$ 997,515**	**91%**
Other assets	$ 74,004	$ 97,660	**% Change**
Total Assets	**$ 981,489**	**$ 1,095,175**	**11.6%**
DDA, NOW, MM & Savings	$ 785,019	$ 888,554	
Time Deposits	$ 76,413	$ 73,893	
Borrowings	$ 328	$ 1,411	
Total Funding	**$ 861,760**	**$ 963,858**	
Other Liabilities	$ 10,495	$ 15,399	
GAAP Capital	**$ 109,234**	**$ 115,918**	
Total Liabilities & Capital	$ 981,489	$ 1,095,175	

Key Ratios:		
Capital to Assets	11.13%	10.58%
Earning Assets to Total Assets	92.5%	91.1%

Income Statement

In thousands (000's)

	ACT 2015	ACT 2016	% of Avg Assets
Net Interest Income	$ 36,764	$ 37,927	3.59%
Other Non-interest Income	$ 9,726	$ 9,729	0.92%
	$ 46,490	**$ 47,656**	4.51%
Provision	$ (436)	$ 400	0.04%
Total Non-interest Expense	$ 36,850	$ 37,894	3.59%
Realized gain (losses)	$ 296	$ 517	0.05%
Pretax Net income	$ 10,372	$ 9,879	0.94%
Income Tax	$ 3,216	$ 2,673	0.25%
Net Income	**$ 7,156**	**$ 7,206**	0.68%

Key Ratios:		
ROA (Net Income/AA)	0.74%	0.68%
Efficiency Ratio (NIE/Ttl Revenue)	78.9%	79.5%
Expense to Avg Assets (NIE/AA)	3.80%	3.59%

Sources of Revenue

In thousands (000's)

	ACT 2015	Yield on EA	Percent Total Rev	
Interest Income - Loans	$ 36,732	4.48%		
Interest Income - Investments	$ 2,745	2.50%		
Total Interest Income (EA)	**$ 39,477**	**4.25%**		
Interest Expense (EA)	$ 1,550	0.17%		
Net Interest Inc - TE (EA)	**$ 37,927**	**4.08%**	**79%**	
Realized gain on investments	$ 517		**1%**	
Fee income on deposits	$ 4,448		**9%**	
Insurance Services	$ 2,432		**5%**	**Gross Revenue**
Investment Services	$ 1,775		**4%**	**Why important?**
Gain on sale of loans	$ 15		**0%**	
Life Insurance Income	$ 384		**1%**	
Other	$ 675		**1%**	
Total Non-interest Income	**$ 9,729**		**20%**	
Total Revenue	**$ 48,173**		**100%**	

Non-Interest Expense

In thousands (000's)

	ACT 2015	ACT 2016	% of Expenses	
Total Compensation & Benefits	**$ 21,294**	**$ 20,693**	54.6%	
Occupancy Costs	$ 2,931	$ 3,002	7.9%	
FF&E Expense	2,480	$ 2,606	6.9%	
Maintenance - Software (incl Depr.)	1,522	$ 1,478	3.9%	
Marketing/Advertising/Sales Promo/PR	621	$ 794	2.1%	
Donations	721	$ 788	2.1%	
IT Operating Costs	790	$ 716	1.9%	
ATM Fees Reimbursed	565	$ 595	1.6%	
Check Processing Costs	337	$ 396	1.0%	
Maintenance - Hardware	366	$ 383	1.0%	
Charge offs (Cash items,Reg E, Merchant)	157	$ 220	0.6%	
Maintenance - Facilities	127	$ 129	0.3%	
Other Expenses	4,792	$ 6,094	16.1%	
	$ 15,409	**$ 17,201**	**45.4%**	
Total Non-interest Expense	**$ 36,703**	**$ 37,894**	**100.0%**	***% Change*** **3.2%**

Regulatory Capital

Tier 1 Capital as of December 31, 2016:
In thousands (000):

GAAP Capital (net of AOCI) (AOCI = accumulated other comprehensive income)	**$115,918**
+/- AOCI – Net Unreal Loss (gain) on AFS securities (AFS = Available for Sale) (Treats bonds & Stocks differently)	807
+/- AOCI – Net Unrecognized Loss Retirement Plans	9,372
- Goodwill/other intangibles	- 901
Tier 1 Capital	**$125,196**
+ Allowance for Loan Losses (includes $344M commitments)	7,698
Tier 2 Capital	**$132,984**
	========
Tier 1 Leverage Ratio (Tier 1 Capital/Avg Assets)	**11.20%**

For the long-term

is focusing only on Growth

a good thing?

Balance Sheet

In thousands (000's)	BEFORE Dec 31, 2016	Add $100MM	AFTER Dec 31, 2016
Investments	$ 136,077		
Loans - Gross	$ 868,792		
Loan Loss Reserve	$ (7,354)		
	$ 861,438		
Total Earning Assets	**$ 997,515**		
Other assets	$ 97,660		
Total Assets	**$ 1,095,175**		
DDA, NOW, MM & Savings	$ 888,554		
Time Deposits	$ 73,893		
Borrowings	$ 1,411		
Total Funding	**$ 963,858**		
Other Liabilities	$ 15,399		
GAAP Capital	**$ 115,918**		
Total Liabilities & Capital	$ 1,095,175		
Net Income	$ 7,206		

Key Ratios:	
Capital to Assets	10.58%
ROA	0.68%

Balance Sheet

In thousands (000's)	BEFORE Dec 31, 2016	Add $100MM	AFTER 1-Jan 2017
Investments	$ 136,077	$ 100,000	$ 236,077
Loans - Gross	$ 868,792		$ 868,792
Loan Loss Reserve	$ (7,354)		$ (7,354)
	$ 861,438	**$ 100,000**	**$ 861,438**
Total Earning Assets	**$ 997,515**		**$ 1,097,515**
Other assets	$ 97,660		$ 97,660
Total Assets	**$ 1,095,175**		**$ 1,195,175**
DDA, NOW, MM & Savings	$ 888,554	$ 100,000	$ 988,554
Time Deposits	$ 73,893		$ 73,893
Borrowings	$ 1,411		$ 1,411
Total Funding	**$ 963,858**	**$ 100,000**	**$ 1,063,858**
Other Liabilities	$ 15,399		$ 15,399
GAAP Capital	**$ 115,918**		**$ 115,918**
Total Liabilities & Capital	$ 1,095,175	$ 100,000	$ 1,195,175
Net Income	$ 7,206		

Key Ratios:		
Capital to Assets	10.58%	**9.70%**
ROA	0.68%	

Balance Sheet

In thousands (000's)	BEFORE Dec 31, 2016	Add $100MM	AFTER 1-Jan 2017	
Investments	$ 136,077	$ 111,732	$ 247,809	
Loans - Gross	$ 868,792		$ 868,792	
Loan Loss Reserve	$ (7,354)		$ (7,354)	
	$ 861,438	**$ 111,732**	**$ 861,438**	
Total Earning Assets	**$ 997,515**		**$ 1,109,247**	Asset
Other assets	$ 97,660		$ 97,660	Growth
Total Assets	**$ 1,095,175**	**$ 111,732**	**$ 1,206,907**	**9.3%**
DDA, NOW, MM & Savings	$ 888,554	$ 100,000	$ 988,554	
Time Deposits	$ 73,893		$ 73,893	
Borrowings	$ 1,411		$ 1,411	
Total Funding	**$ 963,858**	**$ 100,000**	**$ 1,063,858**	
Other Liabilities	$ 15,399		$ 15,399	ROE
GAAP Capital	**$ 115,918**	**$ 11,732**	**$ 127,650**	**10.1%**
Total Liabilities & Capital	$ 1,095,175	$ 111,732	$ 1,206,907	
Net Income	$ 7,206		$ 11,732	

Key Ratios:		
Capital to Assets	10.58%	**10.58%**
ROA	0.68%	0.97%

FDIC State Profile

	Maine		New Hampshire		Vermont	
	Q2-18	Q2-17	Q2-18	Q2-17	Q2-18	Q2-17
Economic Indicators						
Employment Growth Rates/other indicators						
Unemployment Rate (% of labor force)	2.8%	3.4%	2.7%	2.9%	2.8%	3.7%
Single-Family Home Permits	0.4%	-11.6%	22.5%	-16.9%	13.3%	-21.6%
Banking Trends						
Asset Quality						
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.10%	1.22%	0.63%	0.68%	1.44%	1.86%
ALLL/Total Loans (median %)	0.88%	0.92%	0.91%	0.90%	1.07%	1.07%
Capital / Earnings						
Tier 1 Leverage (median %)	11.42%	11.40%	10.91%	10.38%	9.45%	8.93%
Return on Assets (median %)	0.88%	0.72%	0.54%	0.47%	0.78%	0.65%
Net Interest Margin (median %)	3.51%	3.52%	3.35%	3.39%	3.64%	3.43%
Overhead to Avg. Assets (median %)	2.88%	2.91%	2.91%	2.99%	3.40%	3.43%

June 2018 Deposit Market Share

Total Deposit Rank 2018	2017 Rank	Parent Company Name	Total Active Branches 2017	Total Deposits 2017 ($000)	Total Deposit Market Share 2017 (%)	YoY Deposit Growth 2017 (%)	Total Active Branches 2018	Total Deposits 2018 ($000)	Total Deposit Market Share 2018 (%)	YoY Deposit Growth 2018 (%)	5-Year Deposit CAGR 2018 (%)
Vermont											
1	1	People's United Financial Inc.	40	3,034,691	23.10	4.68	38	3,128,353	23.48	3.09	3.51
2	2	Toronto-Dominion Bank	31	2,678,267	20.39	5.76	28	2,657,397	19.94	(0.78)	0.68
3	3	Community Bank System Inc.	31	1,317,286	10.03	(3.19)	31	1,262,232	9.47	(4.18)	(0.82)
4	4	Citizens Financial Group Inc.	17	858,416	6.53	5.71	16	879,456	6.60	2.45	1.56
5	5	KeyCorp	11	799,557	6.09	(3.12)	11	821,253	6.16	2.71	2.96
6	6	Northfield Mutual Holding Co.	13	681,735	5.19	10.69	13	711,373	5.34	4.35	6.74
7	7	Community Bancorp.	12	534,194	4.07	13.70	12	527,926	3.96	(1.17)	3.47
8	8	Union Bankshares Inc.	12	490,945	3.74	2.93	13	500,963	3.76	2.04	4.39
9	10	Mascoma Mutual Financial Services Corp.	10	381,748	2.91	9.29	10	417,018	3.13	9.24	8.11
10	9	Passumpsic Bancorp	6	382,869	2.91	6.04	6	379,505	2.85	(0.88)	2.82
11	11	Berkshire Hills Bancorp Inc.	6	331,153	2.52	(1.03)	6	341,745	2.56	3.20	1.39
12	13	Middlebury National Corp.	7	297,580	2.27	5.41	7	303,827	2.28	2.10	3.85
13	12	Bar Harbor Bankshares	14	298,544	2.27	0.52	14	301,169	2.26	0.88	0.31
14	14	Community Financial MHC	5	279,057	2.12	3.21	5	284,712	2.14	2.03	5.75
15	15	Peoples Trust Co. of St. Albans	6	228,353	1.74	3.64	6	235,165	1.76	2.98	2.13
16	16	Brattleboro Savings & Loan Association	2	152,921	1.16	8.74	3	168,092	1.26	9.92	7.43
17	17	Wells River Savings Bank	6	140,913	1.07	4.54	6	137,586	1.03	(2.36)	0.89
18	18	NBT Bancorp Inc.	4	85,506	0.65	3.18	4	106,955	0.80	25.08	16.91
19	19	Ledyard Financial Group Inc.	1	76,629	0.58	1.25	1	76,280	0.57	(0.46)	1.75
20	20	First National Bank of Orwell	2	58,160	0.44	16.79	2	57,221	0.43	(1.61)	7.16
		Other Market Participants (5)	***3***	***28,816***	***0.22***	***-0.49***	***3***	***27,274***	***0.20***	***-5.35***	***-0.81***
		Market Total	***239***	***13,137,340***	***100.00***	***4.10***	***235***	***13,325,502***	***100.00***	***1.43***	***2.56***

June 2018 Deposit Market Share

Total Deposit Rank 2018	2017 Rank	Parent Company Name	Total Active Branches 2017	Total Deposits 2017 ($000)	Total Deposit Market Share 2017 (%)	YoY Deposit Growth 2017 (%)	Total Active Branches 2018	Total Deposits 2018 ($000)	Total Deposit Market Share 2018 (%)	YoY Deposit Growth 2018 (%)	5-Year Deposit CAGR 2018 (%)
New Hampshire											
1	1	Citizens Financial Group Inc.	72	7,683,114	23.23	(2.67)	67	8,007,858	23.26	4.23	3.37
2	2	Toronto-Dominion Bank	68	7,135,114	21.57	6.66	65	7,306,675	21.22	2.40	4.84
3	3	Bank of America Corp.	23	4,837,762	14.62	4.85	21	5,042,608	14.65	4.23	1.83
4	5	New Hampshire Mutual Bancorp	26	1,627,502	4.92	4.77	27	1,747,515	5.08	7.37	5.27
5	4	People's United Financial Inc.	26	1,619,740	4.90	7.42	26	1,652,549	4.80	2.03	4.71
6	6	BNH Financial	25	1,193,508	3.61	2.86	25	1,238,170	3.60	3.74	4.82
7	7	Banco Santander SA	17	1,004,808	3.04	4.03	17	1,061,729	3.08	5.66	4.47
8	8	Mascoma Mutual Financial Services Corp.	16	884,369	2.67	3.93	15	973,242	2.83	10.05	5.85
9	9	Bar Harbor Bankshares	21	791,810	2.39	(7.69)	21	751,170	2.18	(5.13)	(0.59)
10	10	Northway Financial Inc.	18	731,192	2.21	(2.14)	17	721,053	2.09	(1.39)	1.19
11	11	Bank of New England	6	676,363	2.04	24.71	6	605,875	1.76	(10.42)	11.53
12	12	Optima Bank & Trust Co.	5	405,100	1.22	13.15	6	474,219	1.38	17.06	16.71
13	16	Enterprise Bancorp Inc.	6	362,979	1.10	10.49	7	421,734	1.22	16.19	24.65
14	14	Franklin Bancorp MHC	8	379,511	1.15	5.74	8	408,450	1.19	7.63	7.52
15	17	Guaranty Bancorp Inc.	10	353,899	1.07	8.90	10	380,611	1.11	7.55	4.72
16	13	Eastern Bank Corp.	6	382,175	1.16	(10.00)	6	375,722	1.09	(1.69)	(12.30)
17	20	Provident Bancorp Inc (MHC)	5	271,225	0.82	25.85	5	331,617	0.96	22.27	12.36
18	18	Ledyard Financial Group Inc.	9	326,781	0.99	5.80	9	327,259	0.95	0.15	4.35
19	19	Claremont Savings Bank	4	290,156	0.88	2.48	3	298,085	0.87	2.73	2.67
20	19	Federal Savings Bank	5	255,783	0.77	2.88	5	266,321	0.77	4.12	7.12
		Other Market Participants (27)	***48***	***1,867,422***	***5.65***	***10.78***	***48***	***2,037,775***	***5.92***	***9.12***	***4.73***
		Market Total	***424***	***33,080,313***	***100.00***	***3.69***	***414***	***34,430,237***	***100.00***	***4.08***	***4.04***

June 2018 Deposit Market Share

Total Deposit Rank 2018	2017 Rank	Parent Company Name	Total Active Branches 2017	Total Deposits 2017 ($000)	Total Deposit Market Share 2017 (%)	YoY Deposit Growth 2017 (%)	Total Active Branches 2018	Total Deposits 2018 ($000)	Total Deposit Market Share 2018 (%)	YoY Deposit Growth 2018 (%)	5-Year Deposit CAGR 2018 (%)
Maine											
1	1	Toronto-Dominion Bank	46	3,760,974	13.47	8.61	44	3,846,397	13.07	2.27	0.88
2	2	Camden National Corp.	61	2,963,103	10.61	5.85	61	3,084,283	10.48	4.09	5.00
3	3	Bangor Bancorp MHC	56	2,792,415	10.00	13.62	55	3,055,889	10.39	9.44	7.18
4	4	KeyCorp	50	2,582,298	9.25	(22.98)	47	2,484,183	8.44	(3.80)	(0.65)
5	5	Bank of America Corp.	16	1,951,295	6.99	8.13	16	2,017,961	6.86	3.42	7.44
6	6	First Bancorp Inc.	16	1,320,144	4.73	15.02	16	1,418,031	4.82	7.41	6.62
7	8	Bar Harbor Bankshares	15	1,124,425	4.03	13.54	14	1,329,278	4.52	18.22	9.22
8	7	People's United Financial Inc.	27	1,143,429	4.09	1.01	26	1,324,692	4.50	15.85	8.82
9	9	Machias Bancorp MHC	19	1,076,416	3.85	10.72	16	1,150,447	3.91	6.88	5.37
10	10	Northeast Bancorp	12	907,852	3.25	9.36	12	972,098	3.30	7.08	13.69
11	11	Norway Bancorp MHC	25	896,459	3.21	2.39	25	969,036	3.29	8.10	4.76
12	12	Kennebunk Savings Bancorp MHC	13	893,188	3.20	3.79	13	903,006	3.07	1.10	5.13
13	13	Gorham Bancorp MHC	14	839,618	3.01	5.87	14	873,613	2.97	4.05	5.77
14	14	Androscoggin Bancorp MHC	12	763,868	2.74	10.01	12	789,852	2.68	3.40	7.07
15	15	Bath Savings Institution	12	690,608	2.47	7.95	12	726,547	2.47	5.20	6.73
16	19	Kennebec Savings MHC	5	600,014	2.15	12.42	5	686,157	2.33	14.36	4.84
17	17	Maine Community Bancorp MHC	10	632,768	2.27	7.10	10	676,385	2.30	6.89	5.48
18	18	Saco & Biddeford Savings Institution	7	602,786	2.16	3.37	7	639,845	2.17	6.15	3.83
19	16	Katahdin Bankshares Corp.	17	650,044	2.33	6.23	17	633,920	2.15	(2.48)	3.62
20	20	Skowhegan Savings Bank	16	451,675	1.62	7.39	11	485,185	1.65	7.42	4.87
		Other Market Participants (12)	***37***	***1,280,704***	***4.59***	***2.94***	***37***	***1,351,988***	***4.60***	***5.57***	***3.21***
		Market Total	***486***	***27,924,083***	***100.00***	***4.20***	***470***	***29,418,793***	***100.00***	***5.35***	***4.82***

Role of Chief Financial Officer

- Oversee the financial functions: Accounting, A&L Management, Treasury and Liquidity
- Responsible for the management and reporting on the Bank's Investment portfolio
- Overall responsibility for budgeting, forecasting and financial modeling
- Provides complete, accurate and timely financial reports to Senior Management, Board and regulators

Role of Chief Financial Officer, cont.

- Monitor implemented ALM strategies already in place
- Member of the following committees: Executive Management, Loan, ALCO (and Rate Setting), Risk Management, Audit & Risk and Investment
- May also oversee IT, HR, Risk Management (not recommended by regulators), Facilities and/or Credit

Questions???

ASSET LIABILITY MANAGEMENT

Today we will cover…..

- What is Asset Liability Management?
- What are the associated risks?
- Interest Rate Risk
- Some Key definitions
- Interest Rate Environment
- Liquidity Risk
- Management strategies

What is Asset Liability Management?

- Asset Liability Management is "**profit management**".
- The primary objective is to maintain a reasonable **profit** and return on capital while mitigating **risk**.
- We do this by managing and controlling interest rate risk and balance sheet liquidity.
- The goal is to provide **adequate earnings** in all "plausible" future interest rate environments.

The areas of risk in **Asset Liability Management** include;

- Interest Rate Risk
- Liquidity Risk
- Capital at Risk – ***Not covering in presentation***
- Credit Risk – ***Not covering in presentation***

To grow the bank we need funding. **Assets** (primarily loans) grow the bank while **Liabilities** (primarily deposits) provide funding for those assets.

Generating **Core Deposits** is generally cheaper than borrowing funds from the wholesale market. Currently, overnight borrowings from the Federal Home Loan Bank (FHLB) is **2.43%** (9/27/2018).

Margin

The Bank is simply a Financial Intermediary that **buys** and **sells** money.

We strive to "purchase" money at the **lowest cost** possible, while selling it at the **highest rate** possible.

The spread between the two is our "**margin**" – the difference between what we earn on assets versus what we pay on liabilities.

Interest Rate Risk is

the **impact to earnings** from adjustments in interest rates.

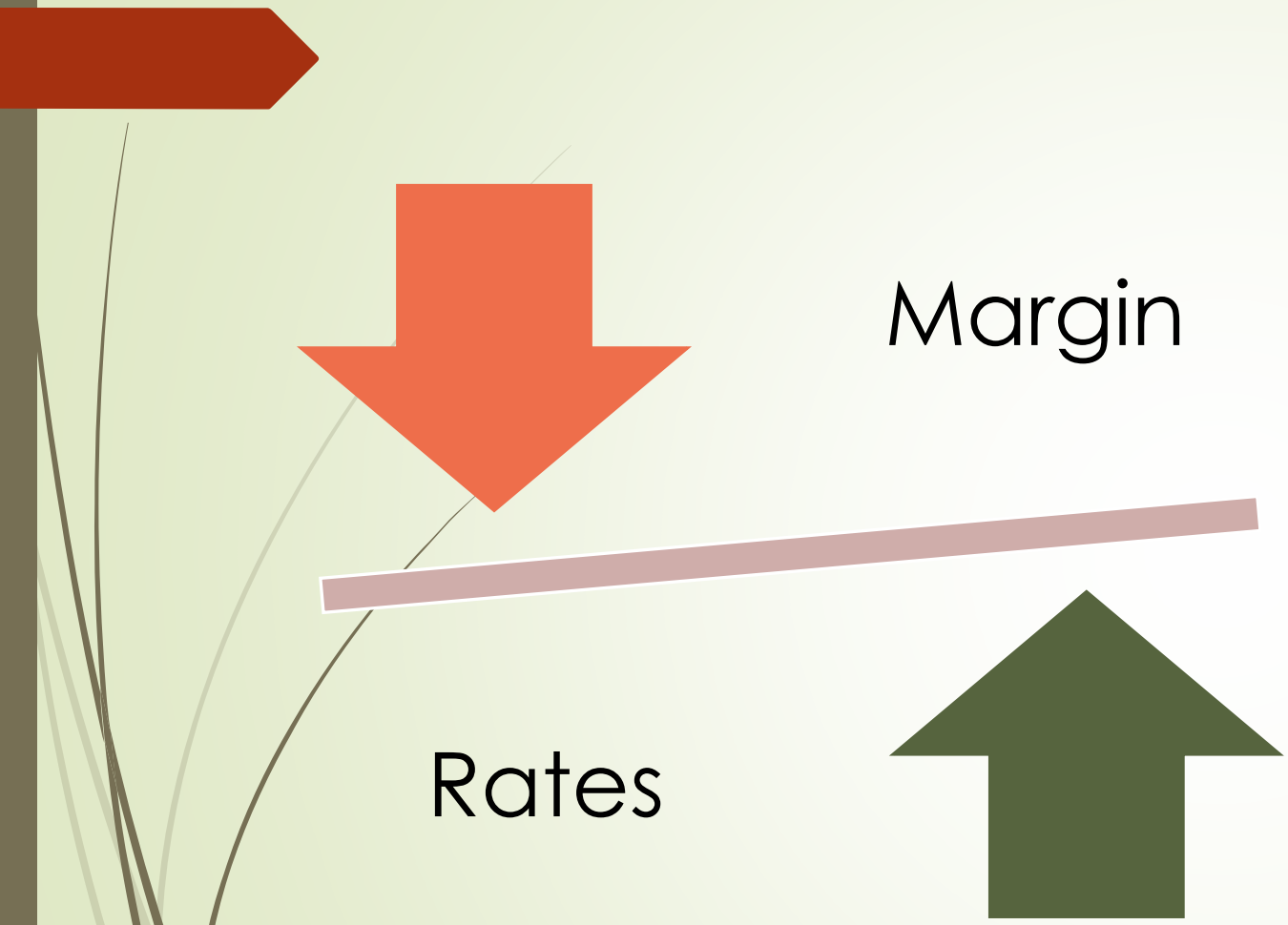
The impact is determined by the **direction**, **slope**, **magnitude** and **duration** of the adjustment.

Steep yield curve vs. Flat yield curve

Sensitivity – is the position we are in for expected market movement.

Asset Sensitivity – is where Assets (loans) will **reprice faster** than Liabilities (deposits). This is a *desirable* position when rates are at the **low point** of the economic cycle.

Liability Sensitivity – is when Liabilities (deposits) will **reprice faster** than Assets (loans). This is *desirable* when rates are at the **high point** of the economic cycle.



As rates start to rise, we will see both internal and external **cost of funds** start to increase.

If this occurs faster than we see Loan Rates in our Portfolio increase, we will see **pressure on our Margin**.

This would require us to implement strategies to minimize the negative impact.

Rate increases in the long-end are preferred. Rate adjustments only in the short-end are more detrimental.

Our hope is that the long-end moves as much as, or more than, the short-end.

Customers generally want **the opposite** of what the Bank needs.

Personally, each of us, as a customer, would probably prefer to have high rate deposits and low, fixed rate loans.

As a **Margin Bank** we prefer the opposite – short term - high fixed-rate loans or long-term hybrid adjustable rate loans with either no-cost or low fixed-rate term deposits (with penalties for leaving).

In reality, a blend of both is what you normally have on the balance sheet.

Asset – Liability Committee (ALCO)

The duties of Asset Liability management are overseen by an ALCO Committee, which **reviews** and **monitors** strategies, policies and limits. A number of reports are presented to ALCO on a regular basis. Members usually include: **CEO, CFO, COO, Treasurer, Marketing and Sales (Lending and Deposit gathering)**

Responsibility of ALCO

- Monitor financial results
- Review and discuss liquidity position
- Review and discuss IRR position
- Review and discuss capital levels
- Monitor implemented ALM strategies already in place
- Review outlook for interests rates and economic metrics
- Review and discuss loan and deposit pricing
- Develop ALM Strategies
- Set appropriate ALM policy limits

Common Indices used and current values:

Prime – 5.25%
Used for Commercial loans and lines, Personal Lines of Credit and Home Equity Lines of Credit

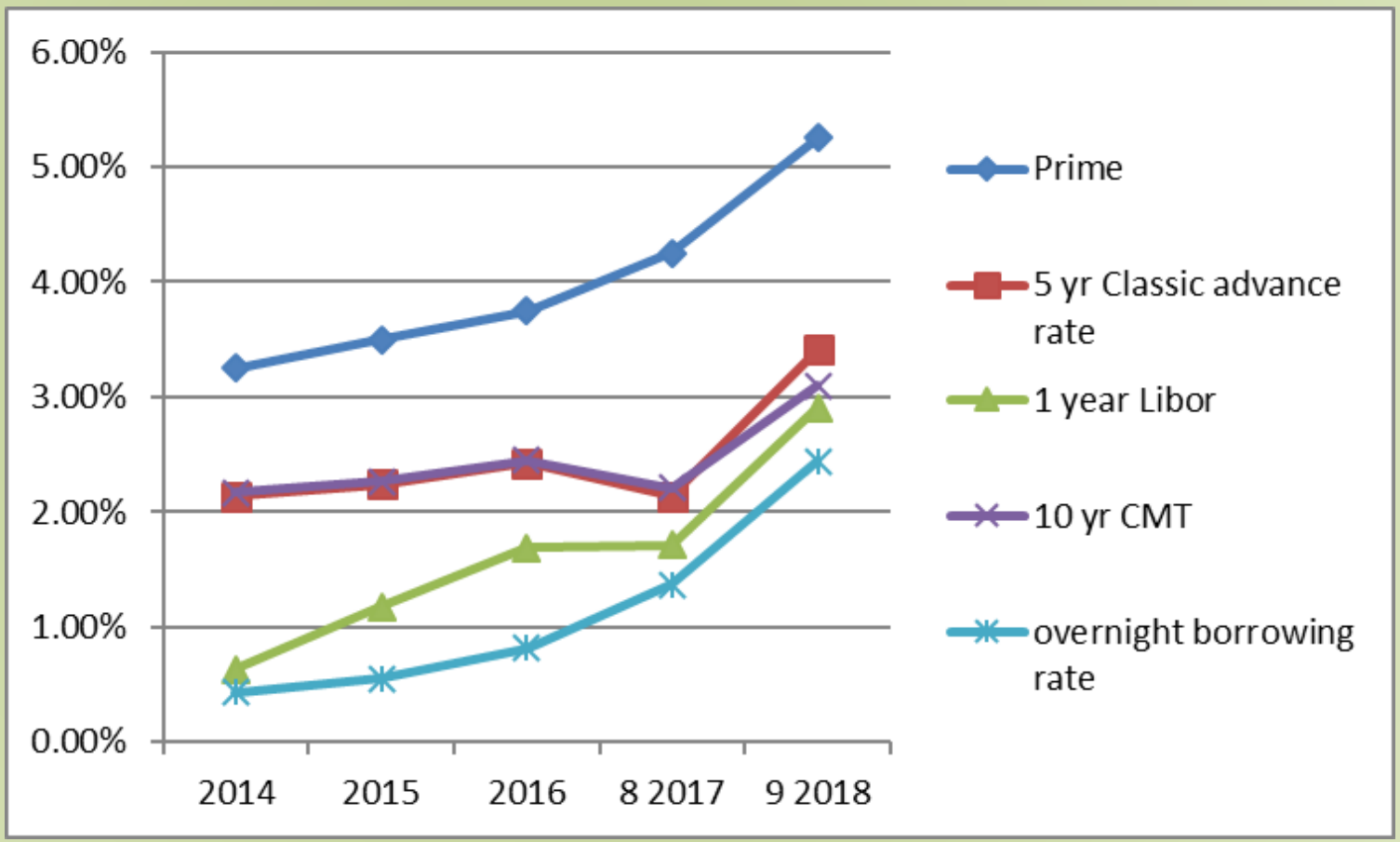
5 yr FHLBB advance rate – 3.38%
Used for Commercial Real Estate loans

1 year LIBOR – 2.91%
Used for Residential Arm loans

10 Year Treasury -3.06%
Used as a metric to price (or sell) Residential loans

FHLBB overnight advance rate - 2.43%
Cost of wholesale funding

Some historical data for these Indices …

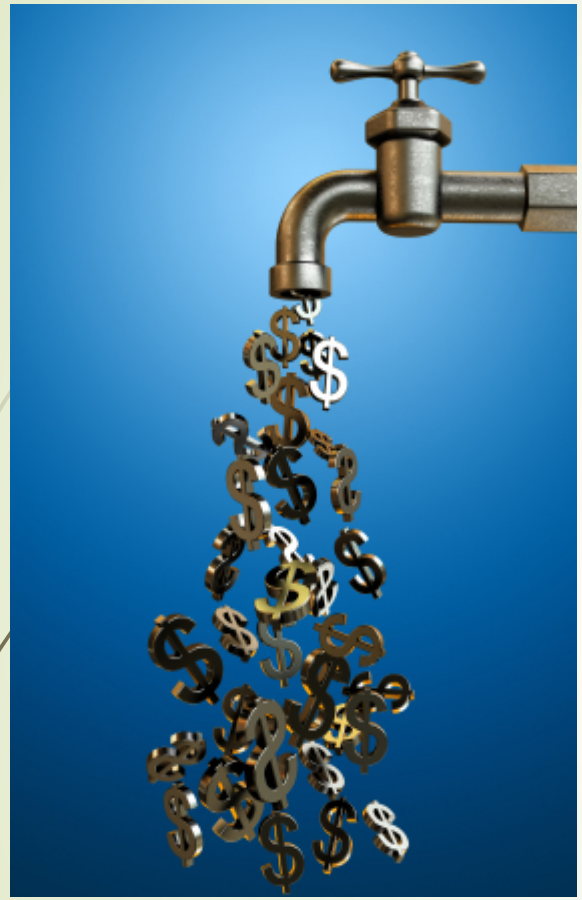


It's a Moving Target…

In reality, interest rates change, and these changes impact Net Interest Income.

Other variables outside of our control are…

- New Loan and Deposit volumes
- Loan and Deposit Balance activity



Liquidity

Liquidity is defined as the ability to meet financial obligations on both sides of the balance sheet.

For example…

If we had a large deposit runoff **or** a sudden increase in loan demand,…

Would we have enough liquid assets against which we could borrow to cover our short term needs?

or

Sell off to cover longer periods of deposit shortfall to mitigate costs?

How do you manage liquidity?

We hold a good mix of liquid assets on the balance sheet.

- Investments
- Salable Quality Loans

Selling these assets can…

- Manage Liquidity
- Mitigate Interest Rate Risk

Pledge loans to FHLB to allow for borrowing capacity.

Management Strategies include:

- Increase Fixed Rate Loan pricing, as soon as the market allows.
- Drag pace of Deposit pricing increases, as long as the market allows.
- Have alternative Deposit Products built and ready to offer rate-sensitive customers thinking about moving large balances.

Questions???