

Balance Sheet Liquidity and Funding Trends

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Boston or the Federal Reserve System*



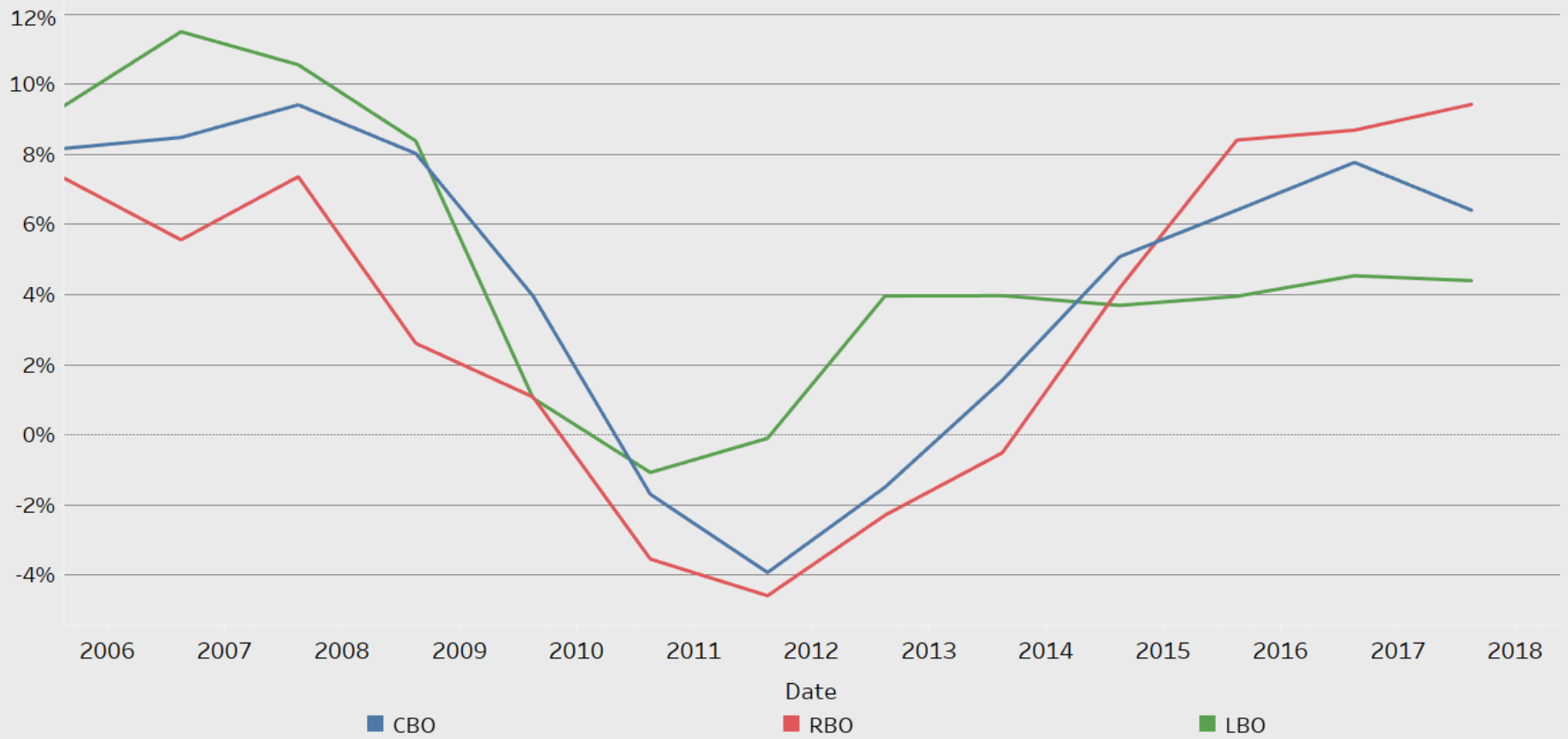
Agenda

- ▶ Balance sheet liquidity trends
- ▶ Impacts to earnings
- ▶ Evolving deposit market dynamics
- ▶ Funding implications

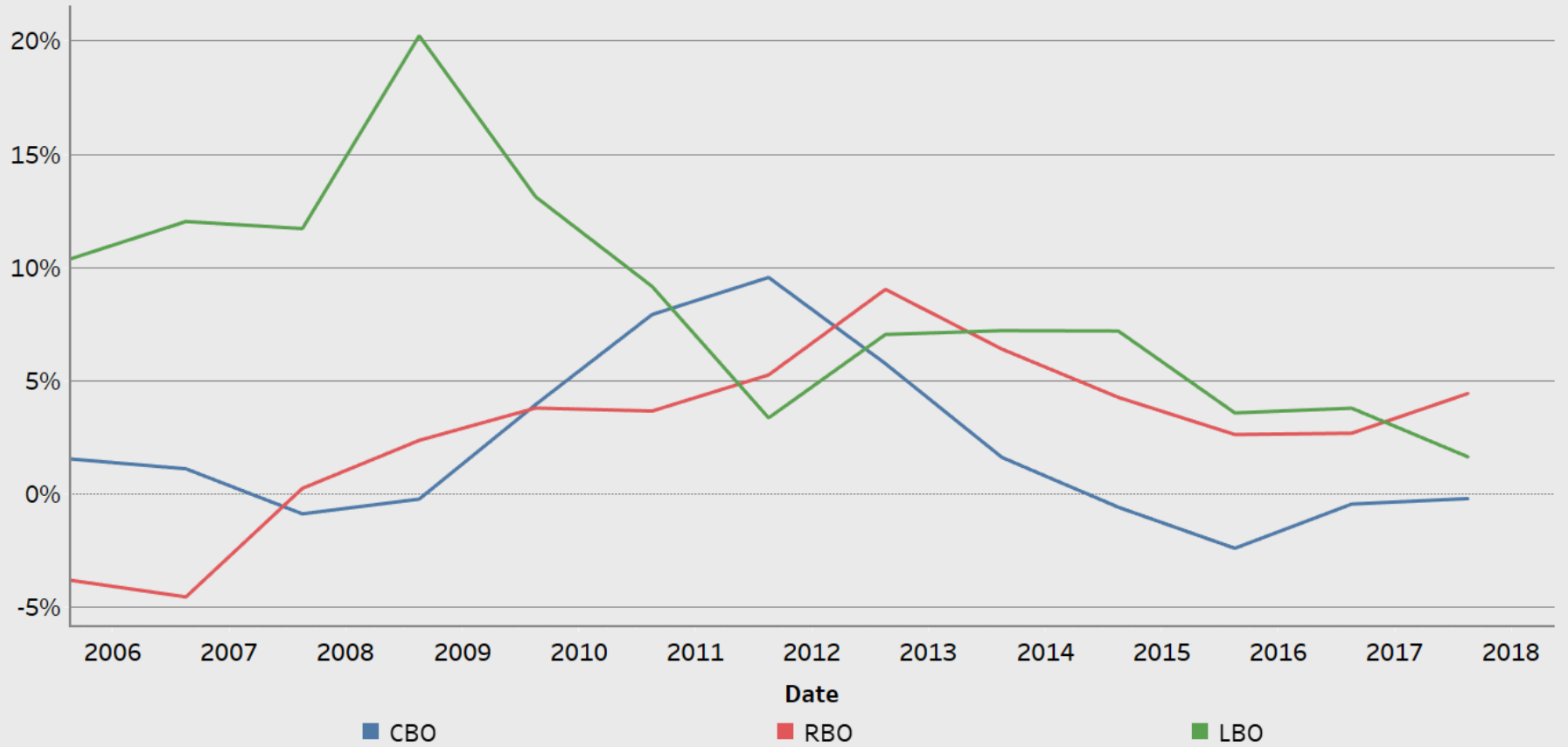
Balance Sheet Liquidity and Asset Trends

Post-crisis, balance sheet restructuring led to the deployment of balance sheet liquidity into higher earning assets in the face of a prolonged low interest rate environment.

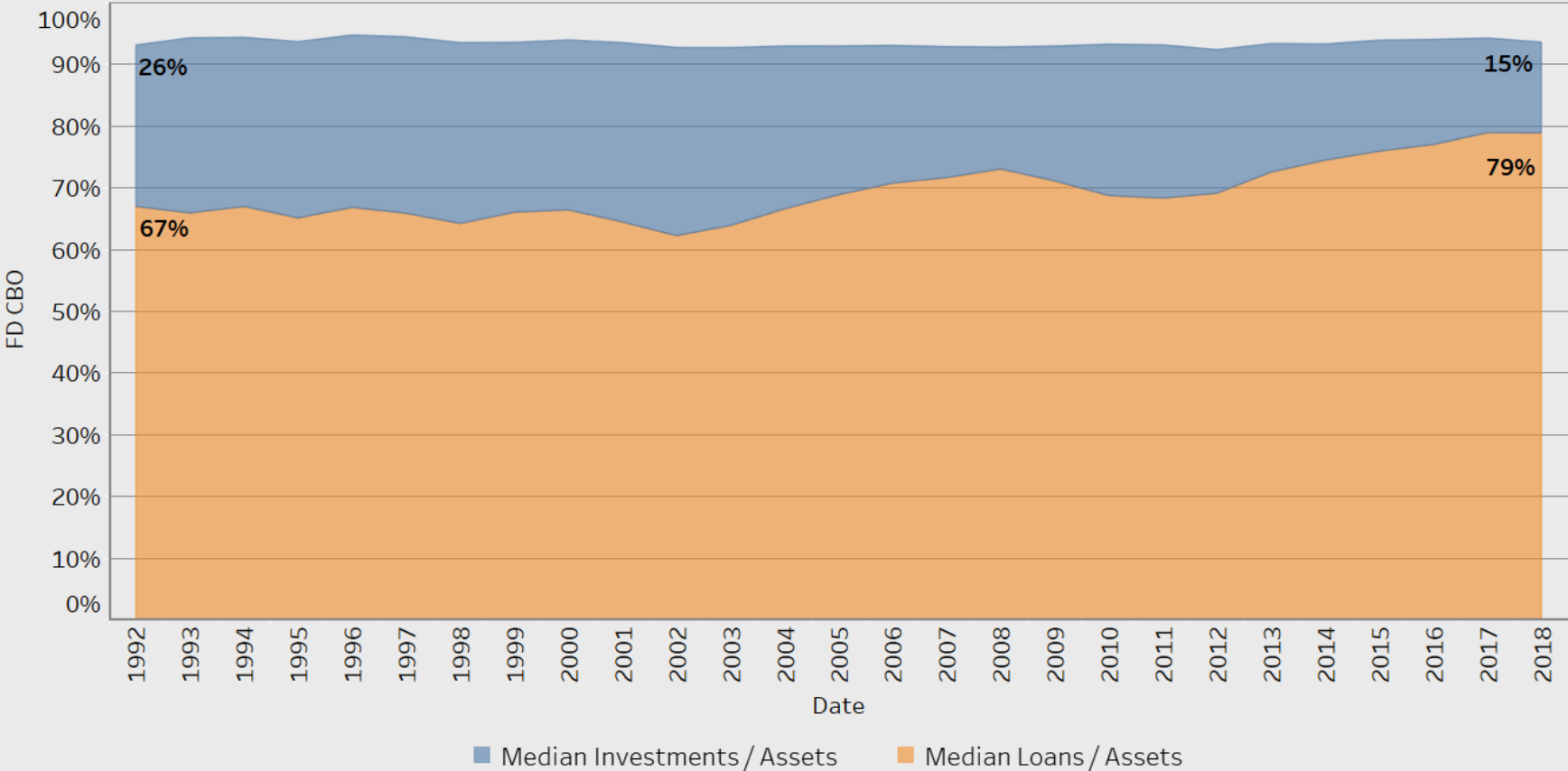
Loan Growth % (3-year average)



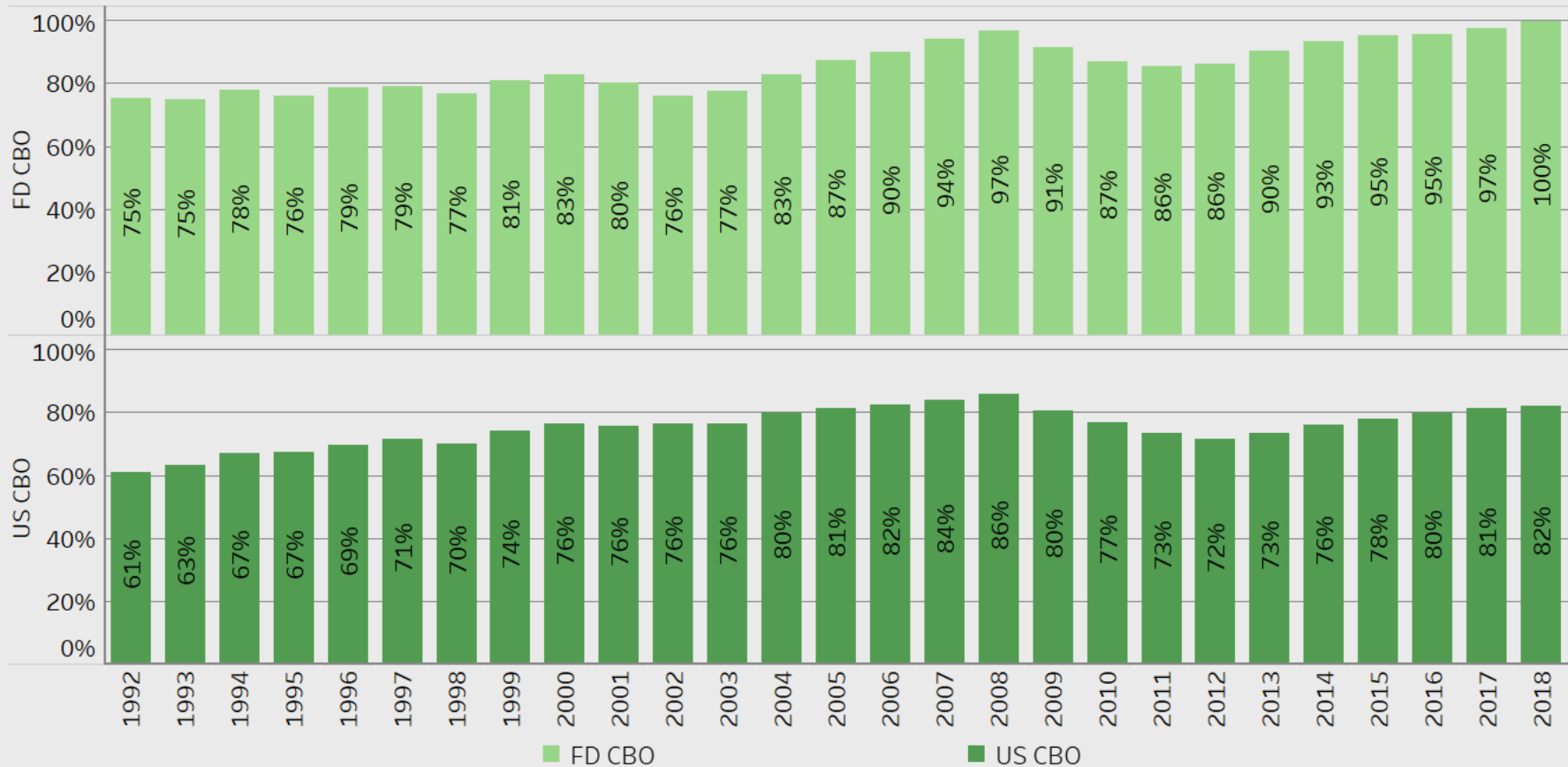
Investment Growth % (3-year Average)



Loans & Investments - Median Share of Assets



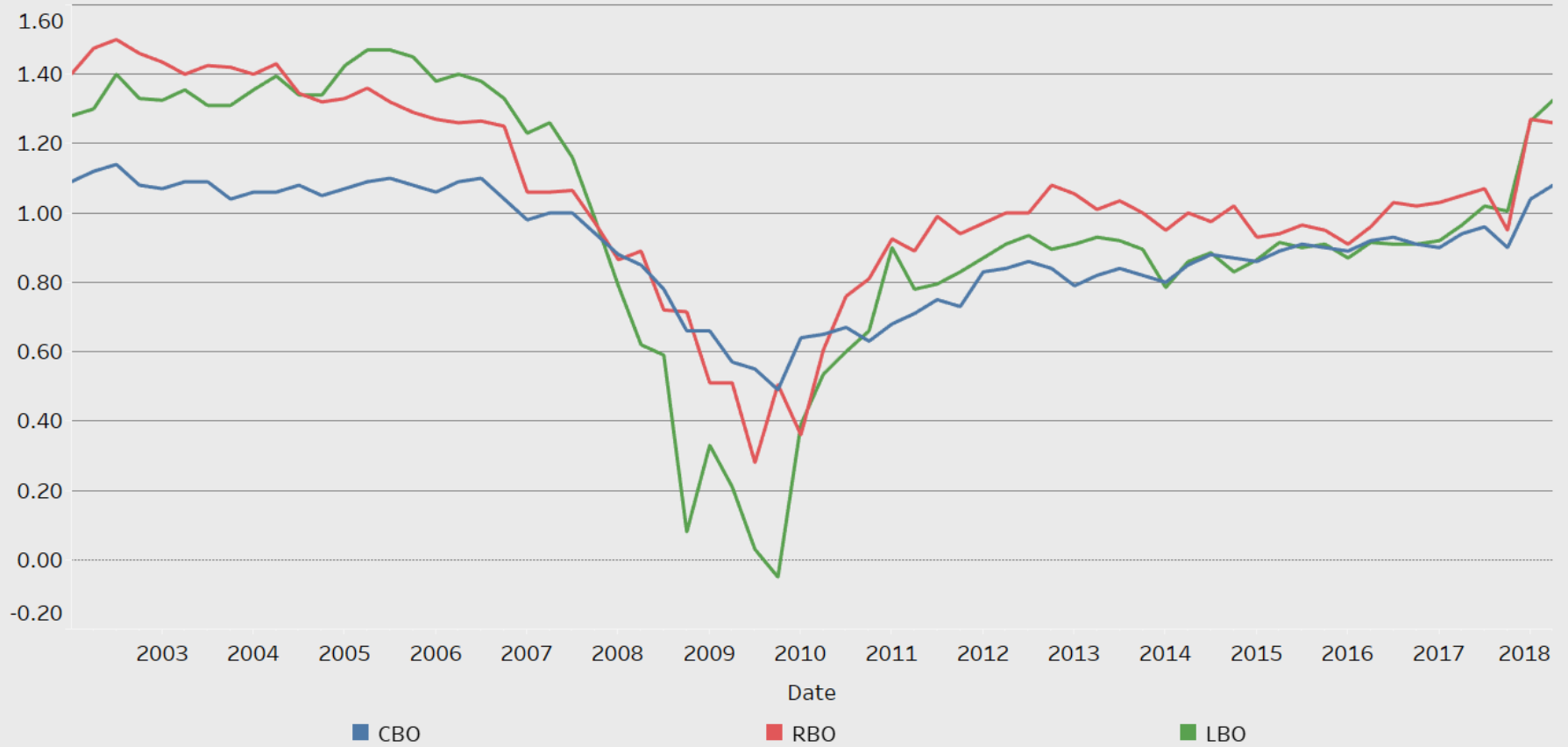
Median Loans / Deposits



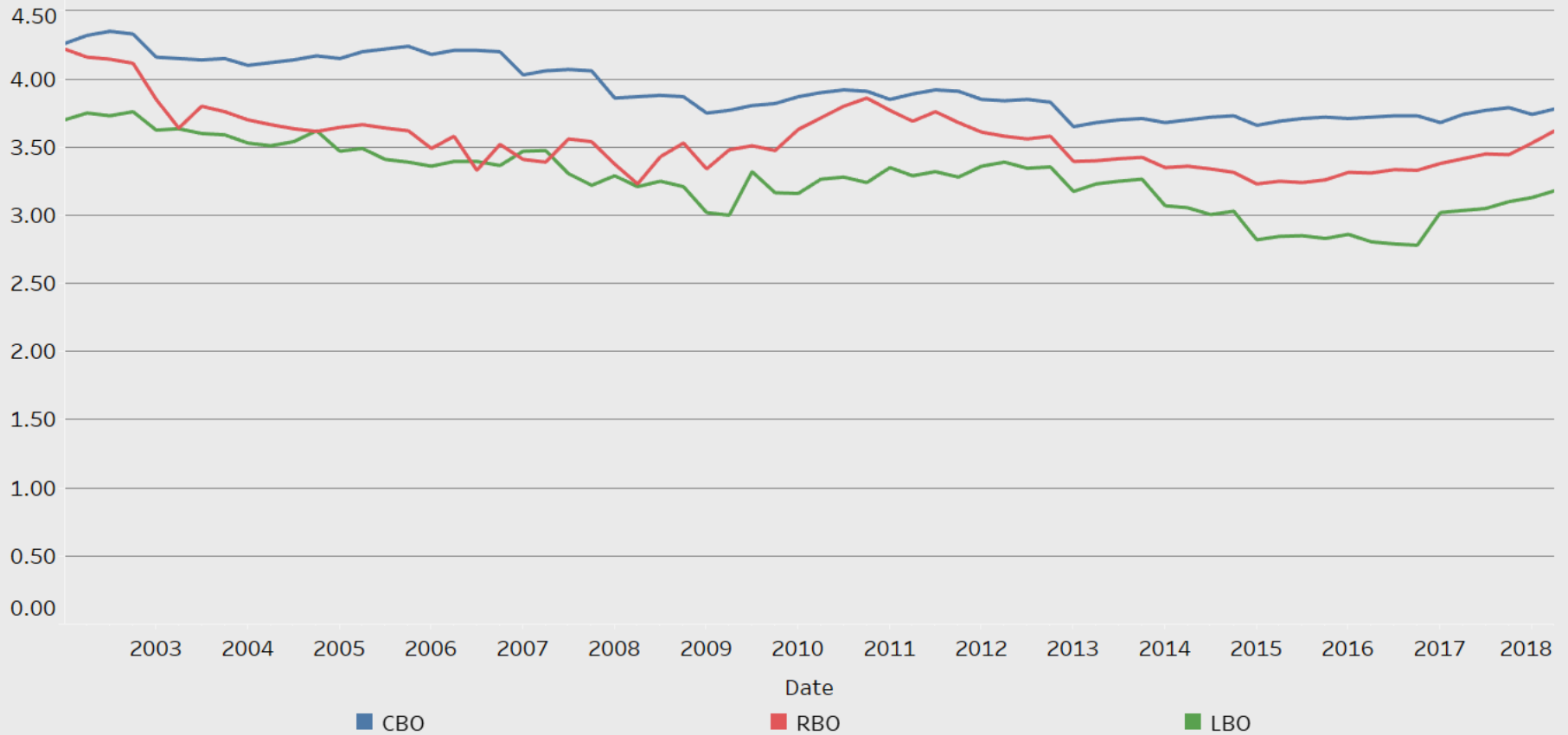
Earnings Impact

Redeployment of balance sheet liquidity supported earnings through a time of margin compression from low rates and increased competition.

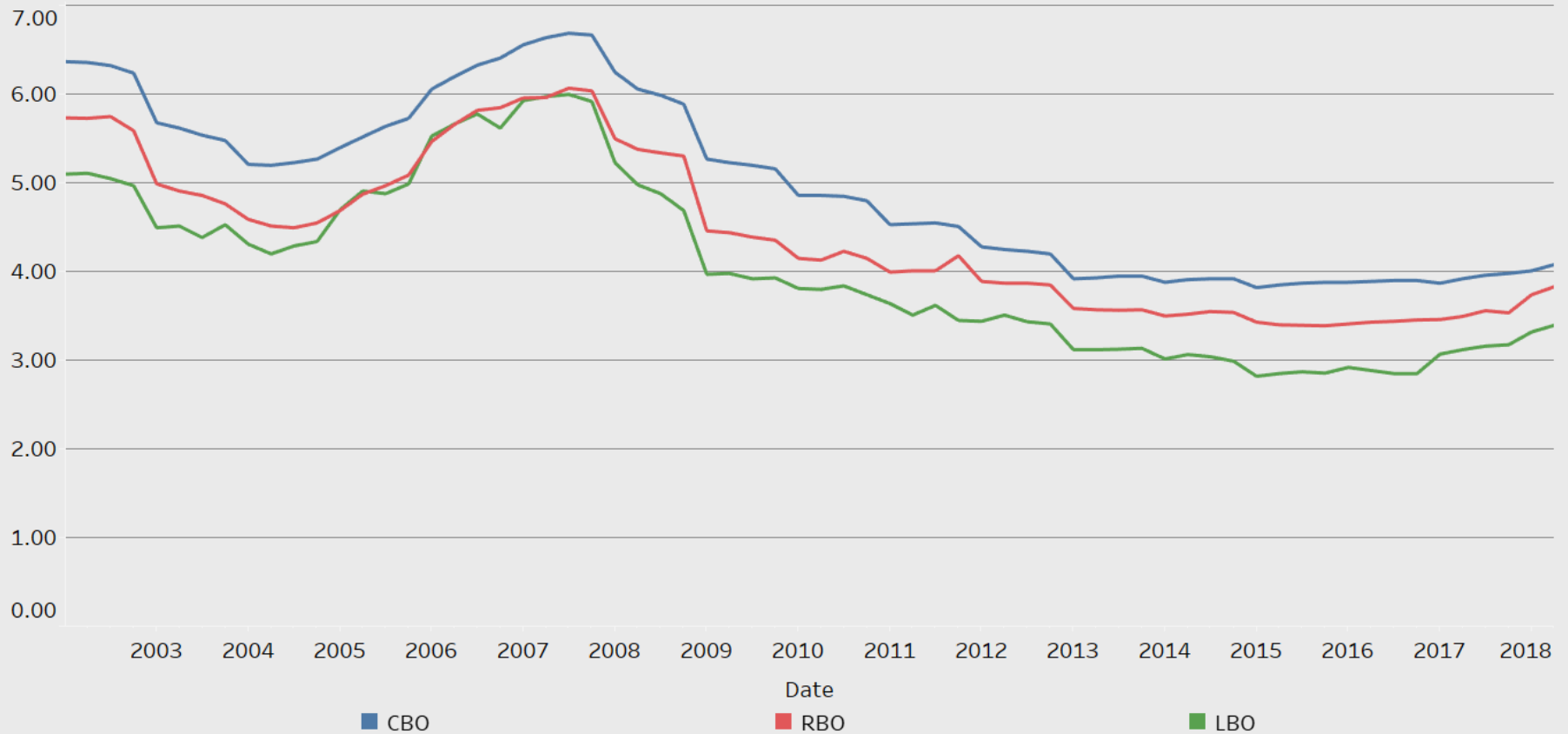
Median ROAA



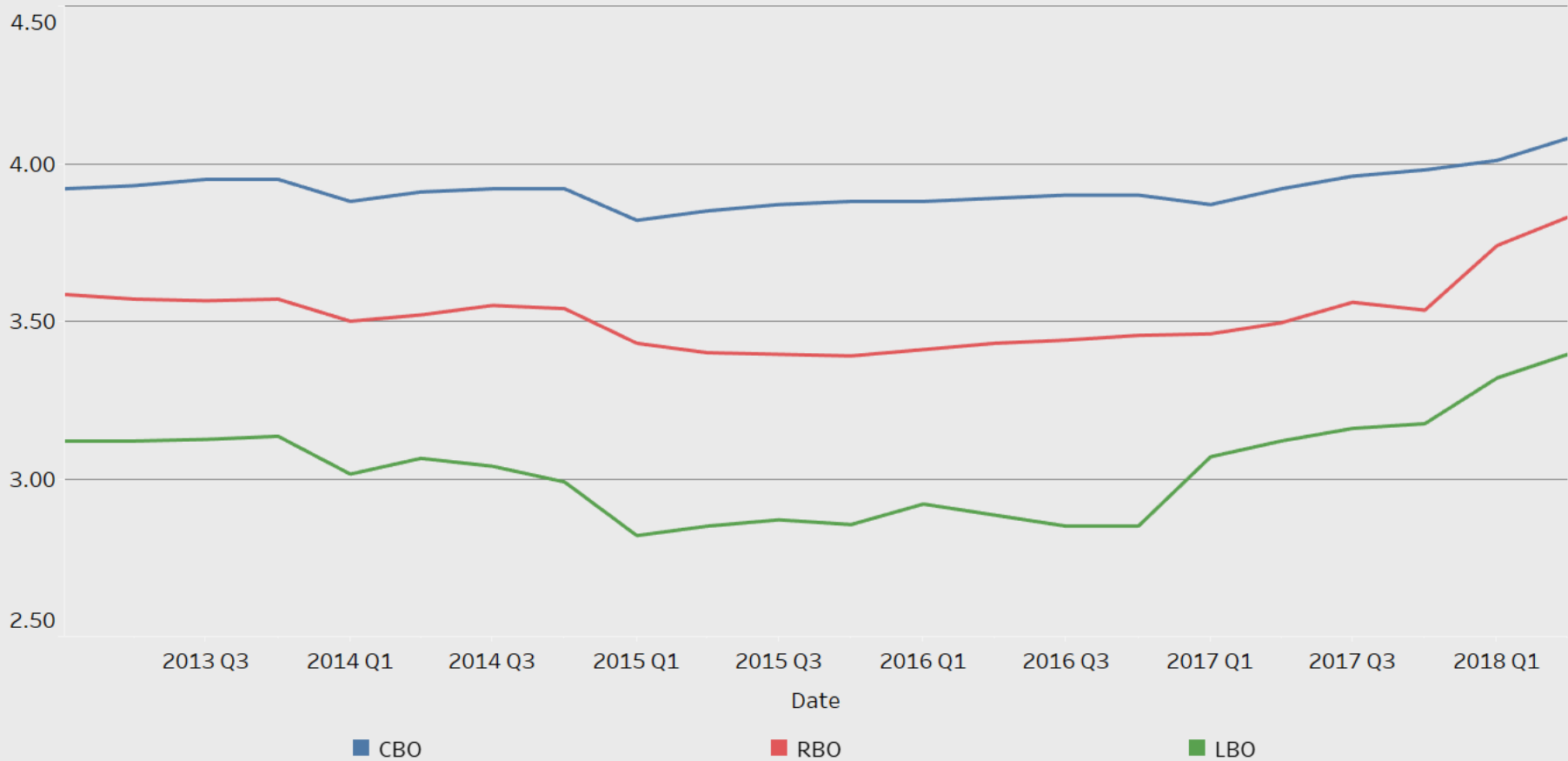
Median NIM



Median Interest Income / Avg. Assets



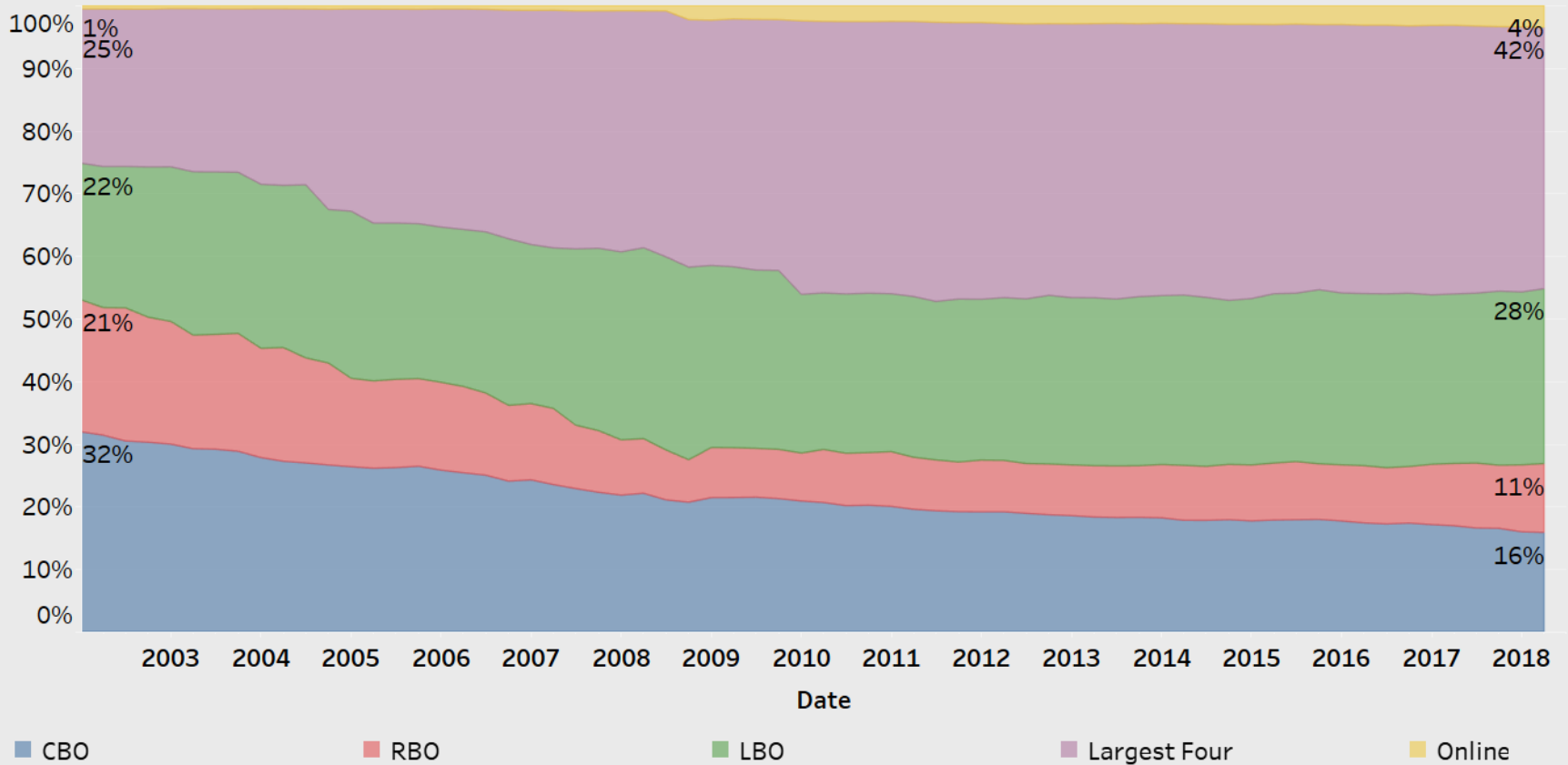
Median Interest Income / Avg. Assets



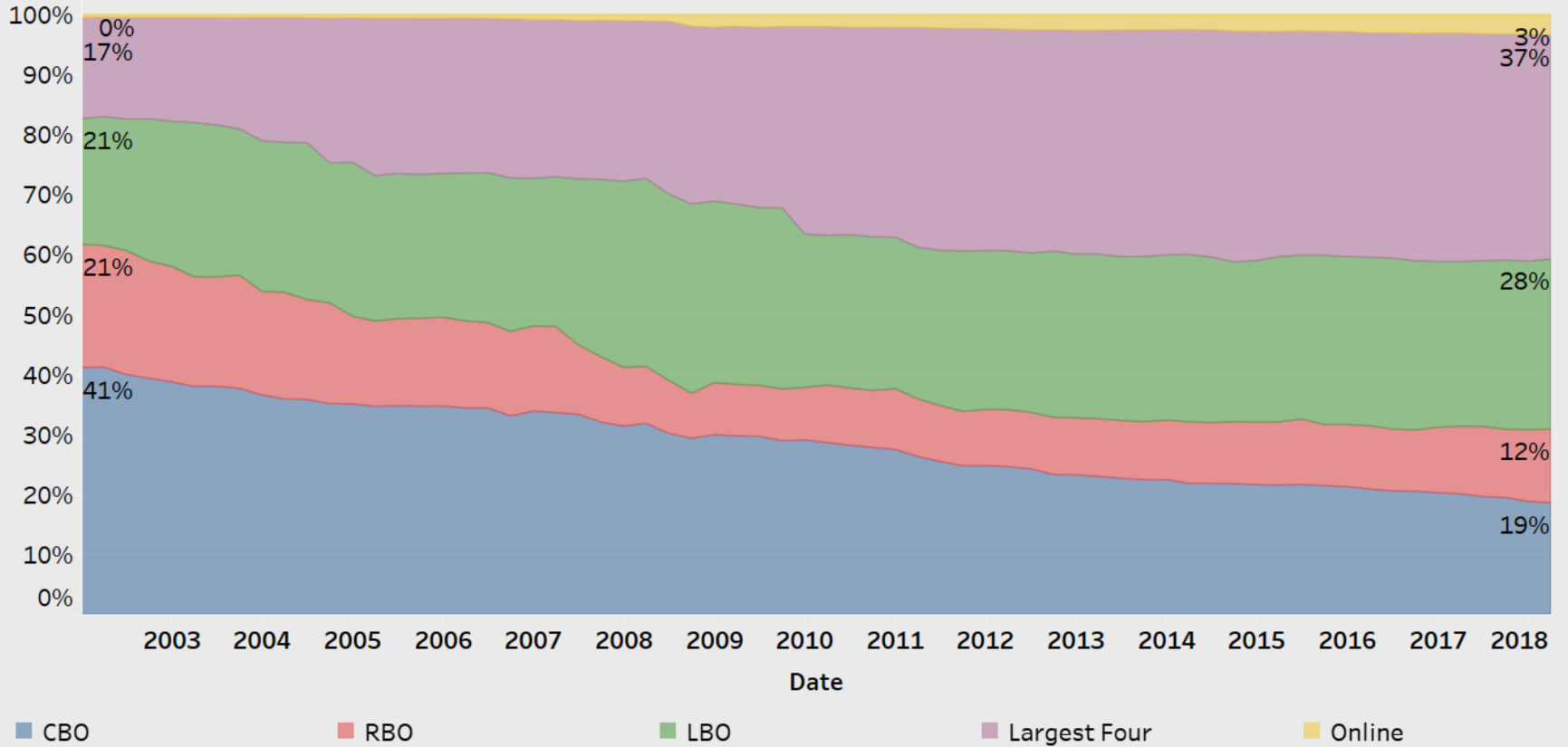
Deposit Trends

Evolving deposit competition is beginning to place additional pressure on funding costs and potentially profitability.

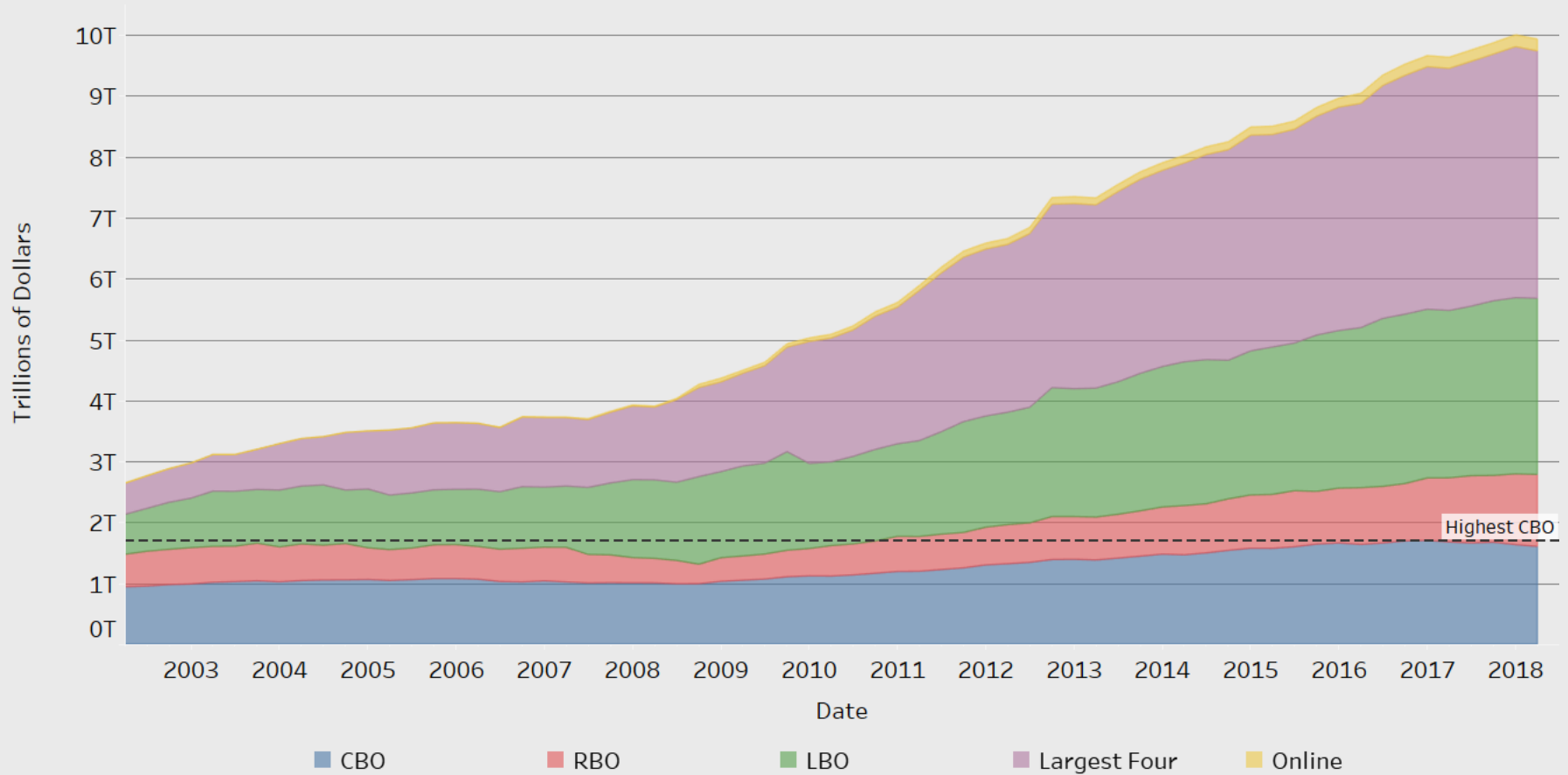
Share of Nationwide Total Assets



Nationwide Share of Total Deposits



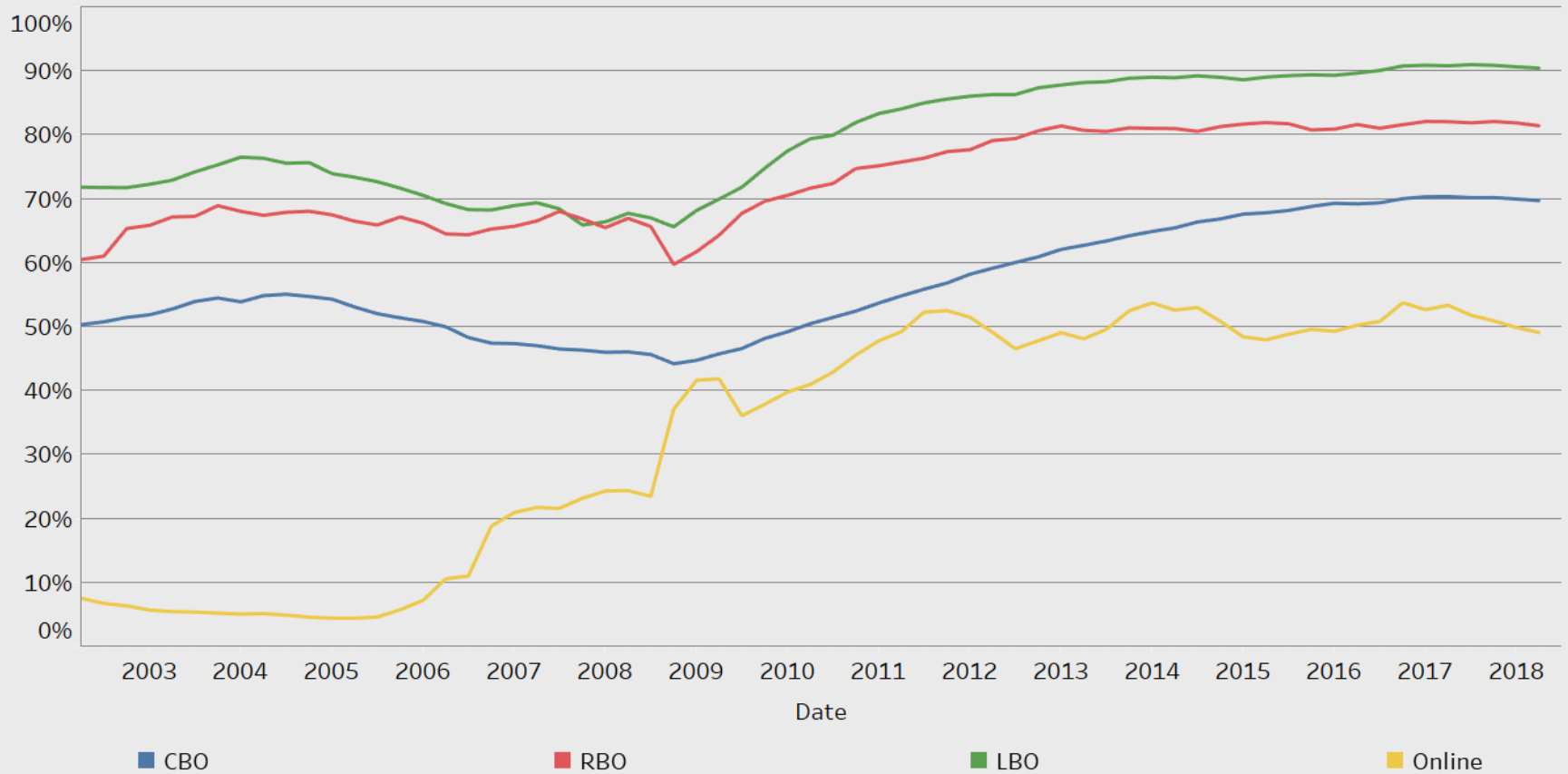
Nationwide Share of Nonmaturity Deposits



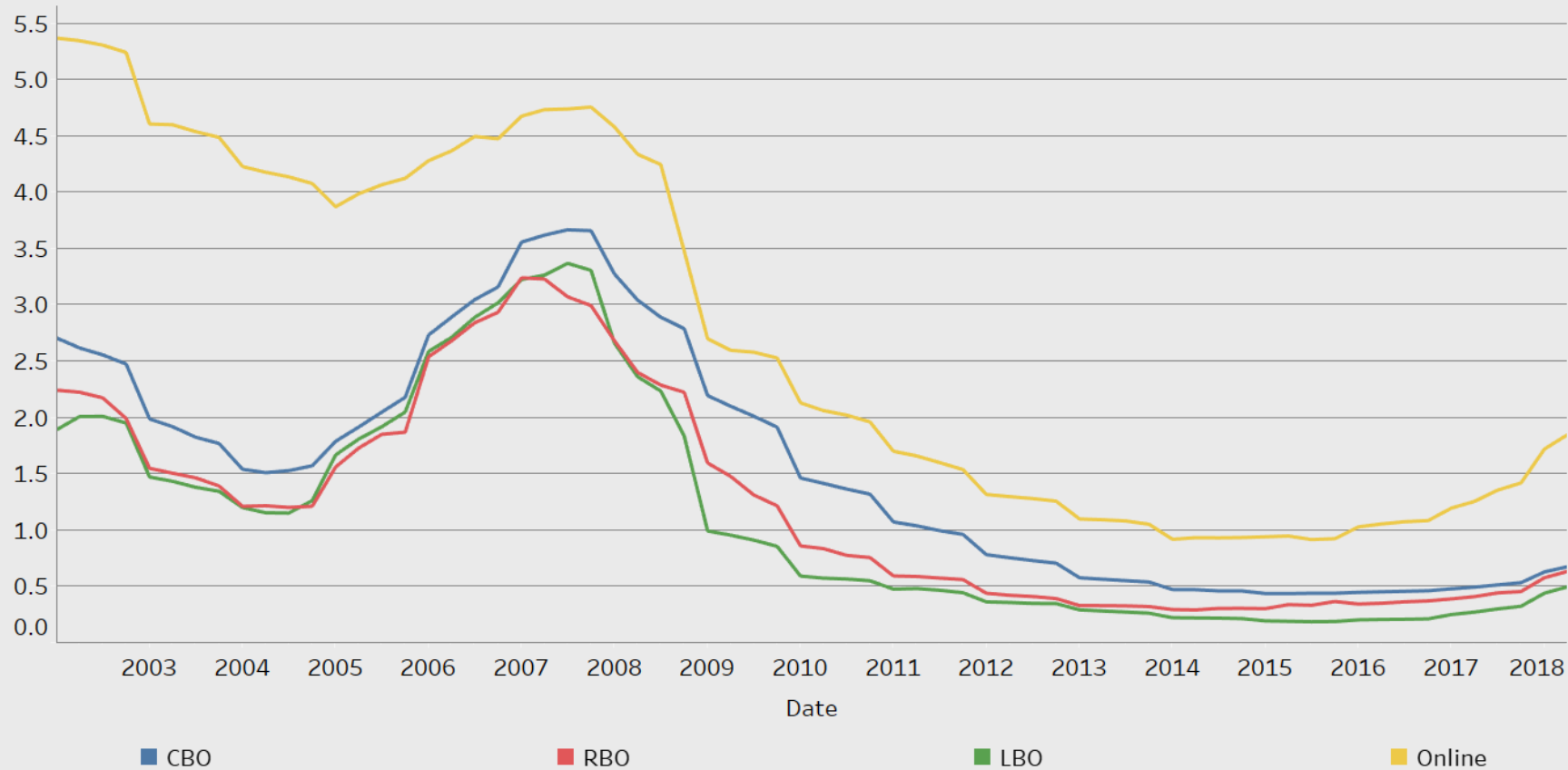
Highest CBO

Large banks have **lower NMD funding costs** and a **higher proportion of NMD funding** than CBOs

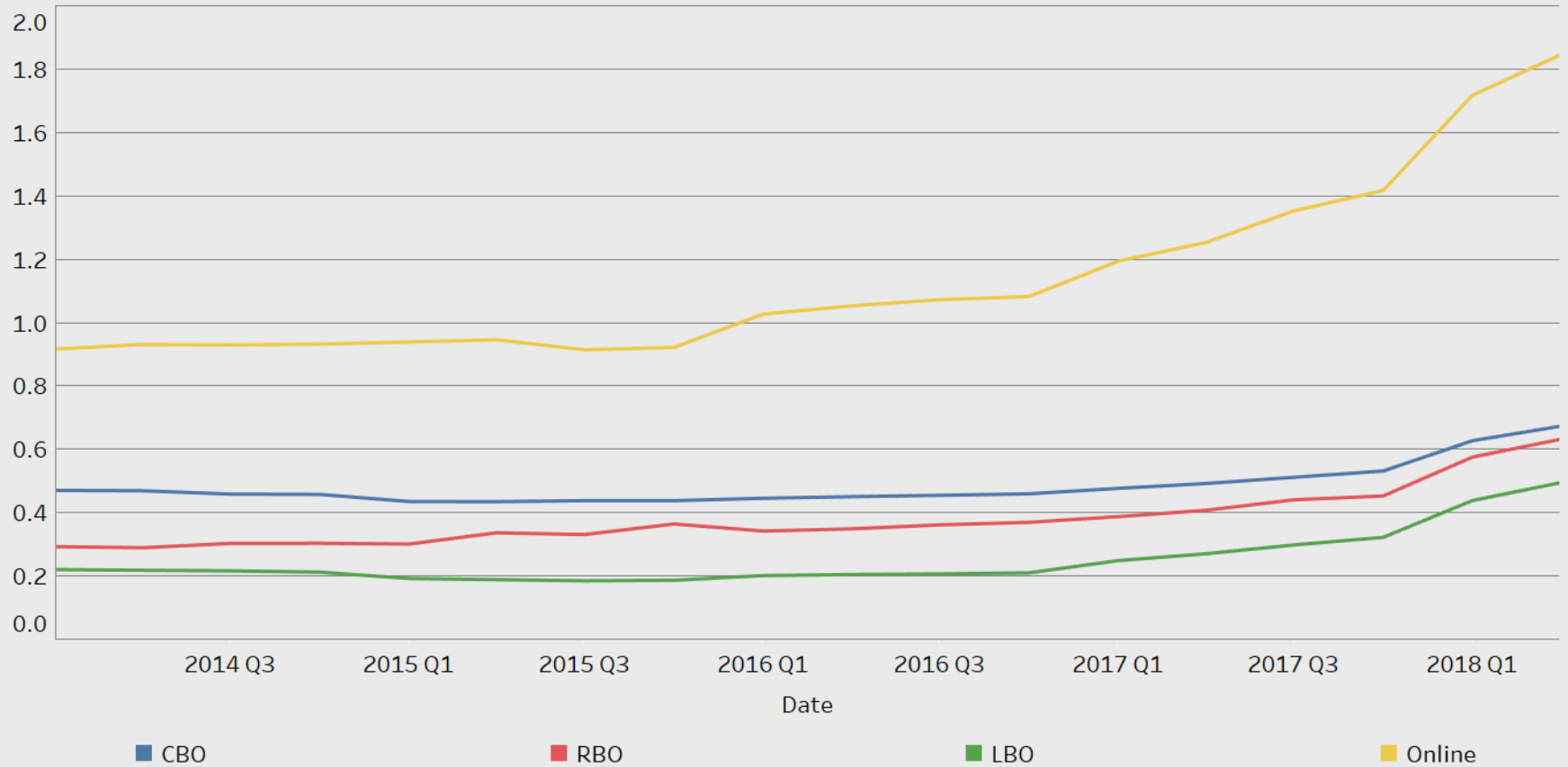
Non-Maturity Deposits / Total US Deposits (DWA)



Cost of All Interest-Bearing Deposits (DWA)



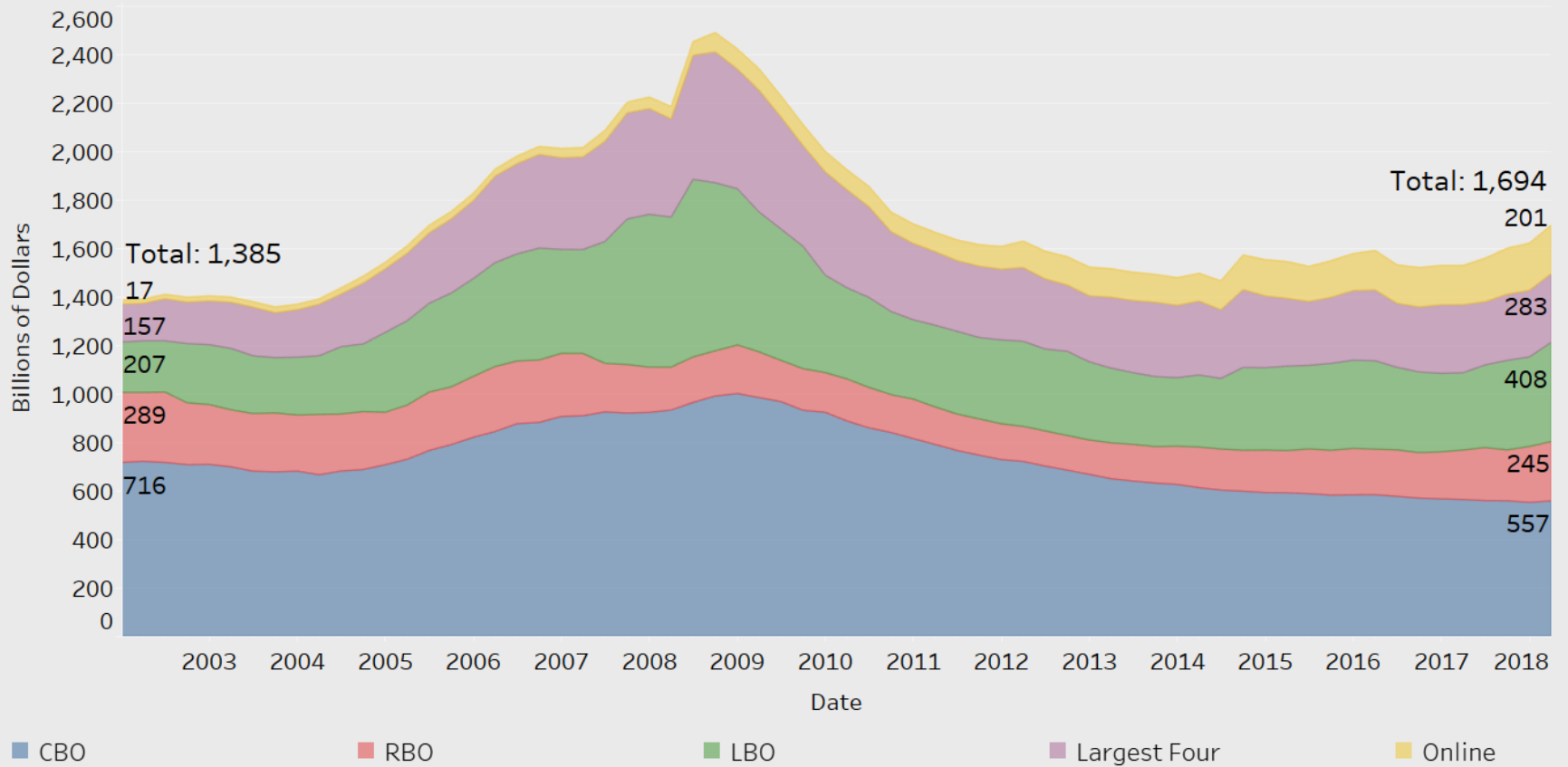
Cost of All Interest-Bearing Deposits (DWA)



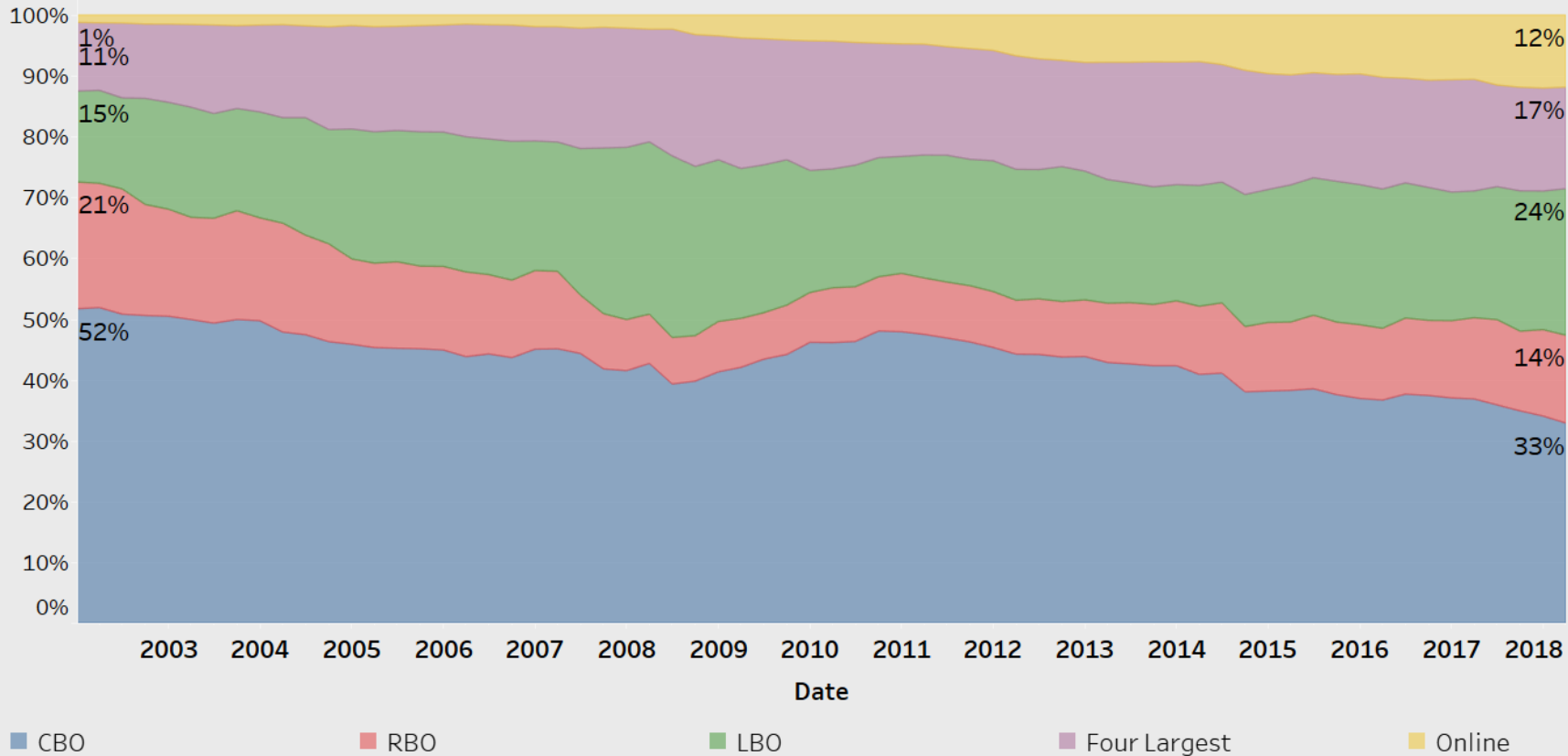
New Competition for Time Deposits

CDs have traditionally been a key source of funding for community banks; however, there are new entrants in this market as well, as institutions begin to lock in term funding ahead of rising interest rates.

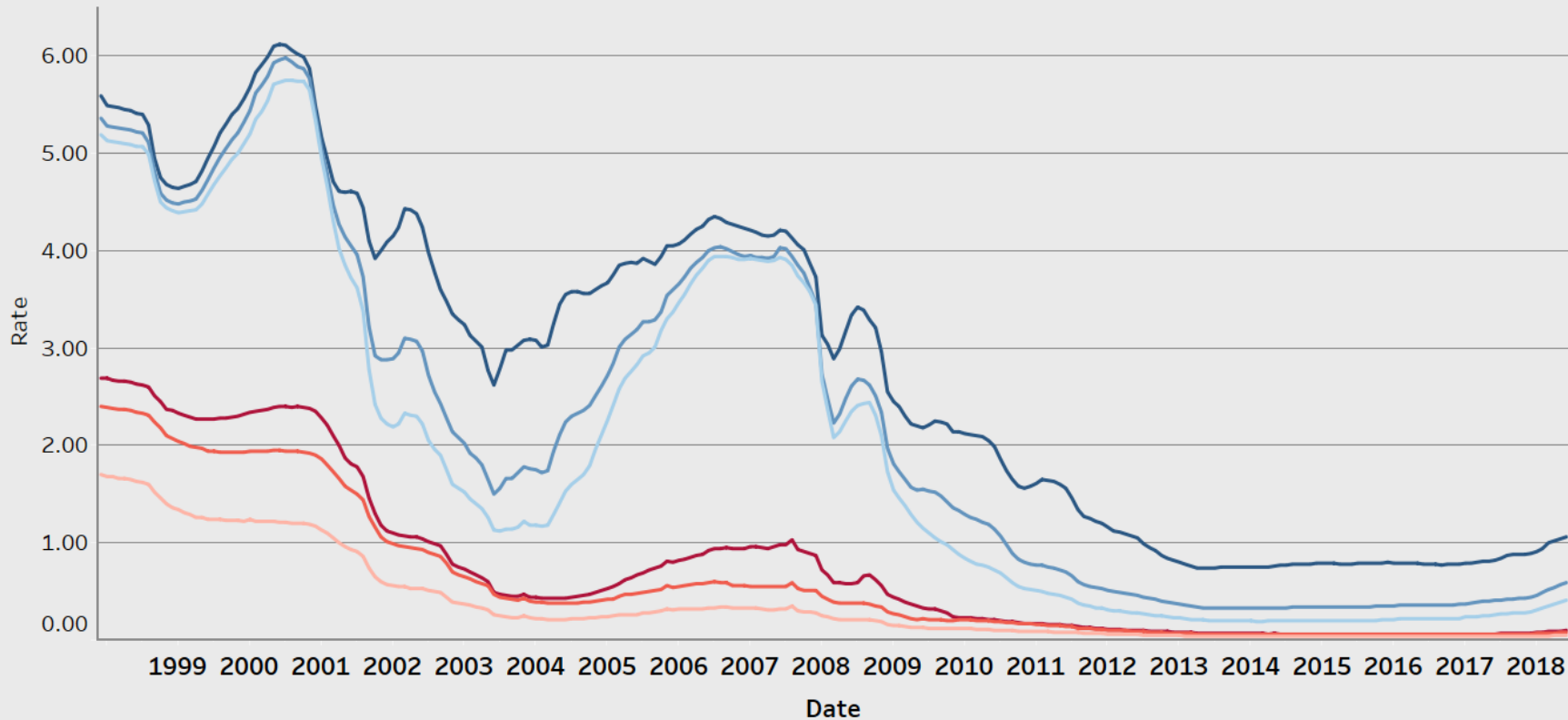
Nationwide Share of Time Deposits



Nationwide Share of Time Deposits

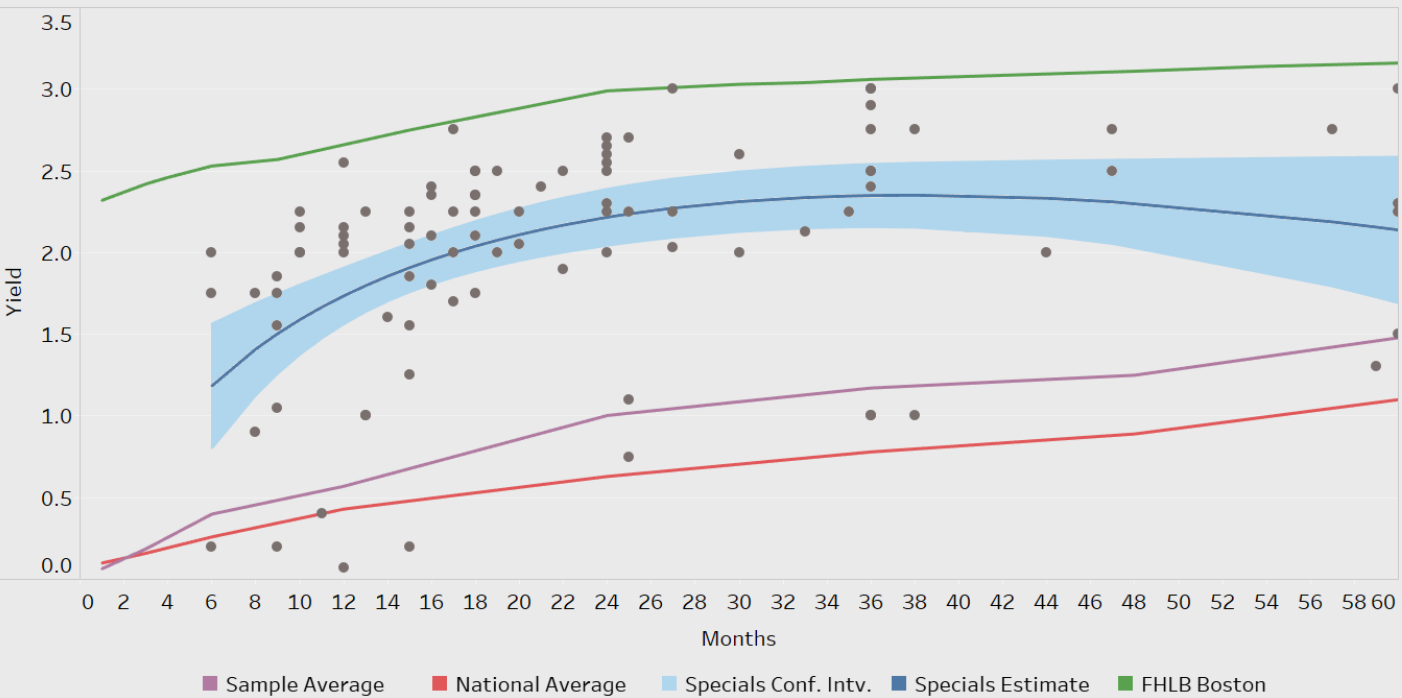


RateWatch Indices

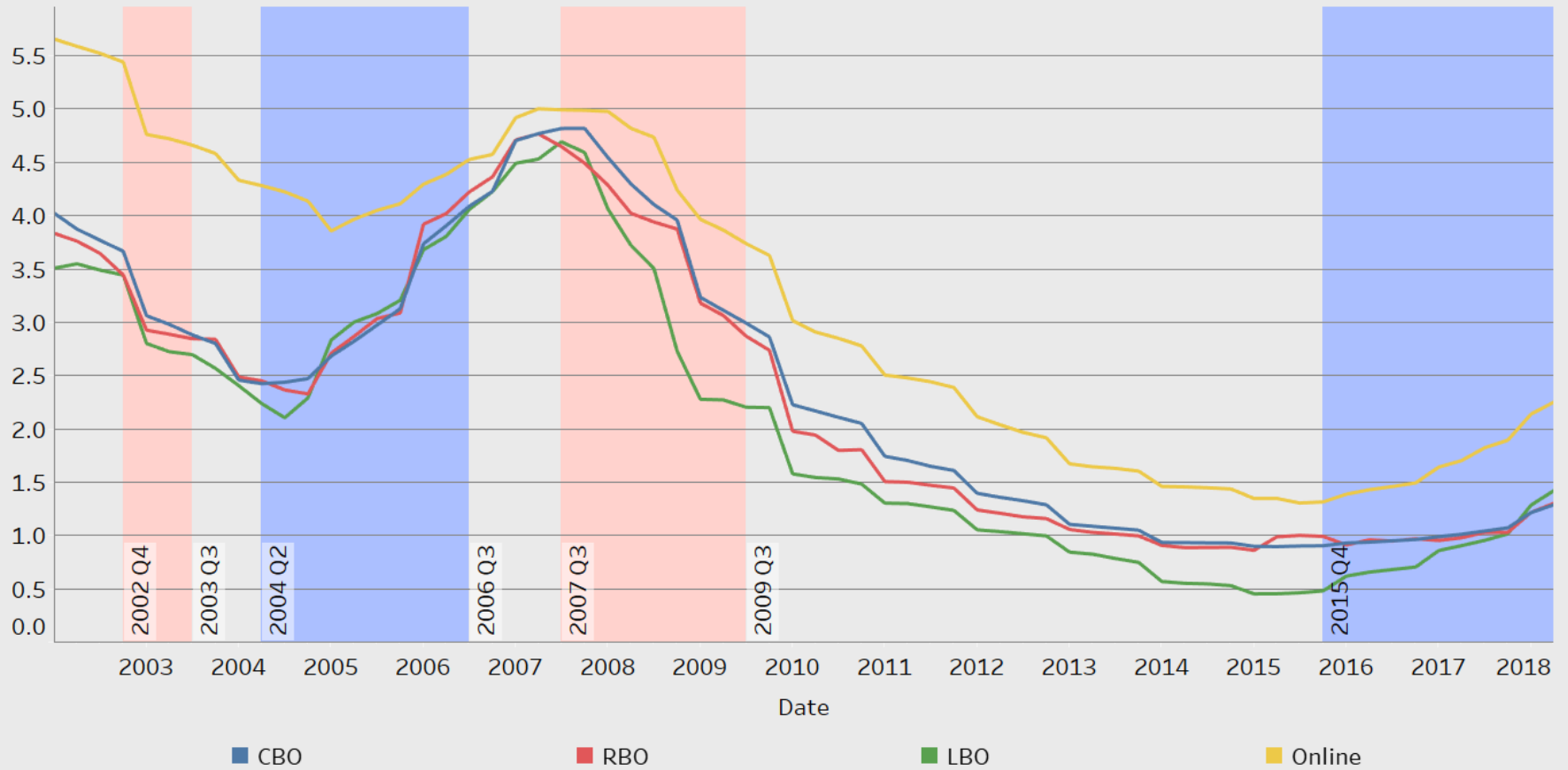


- 12-Month CD (\$10k Min.)
- 24-Month CD (\$10k Min.)
- 60-Month CD (\$10k Min.)
- Savings Acct (\$2.5k Min.)
- Checking Acct (No Min.)
- Money Mkt (\$2.5k Min.)

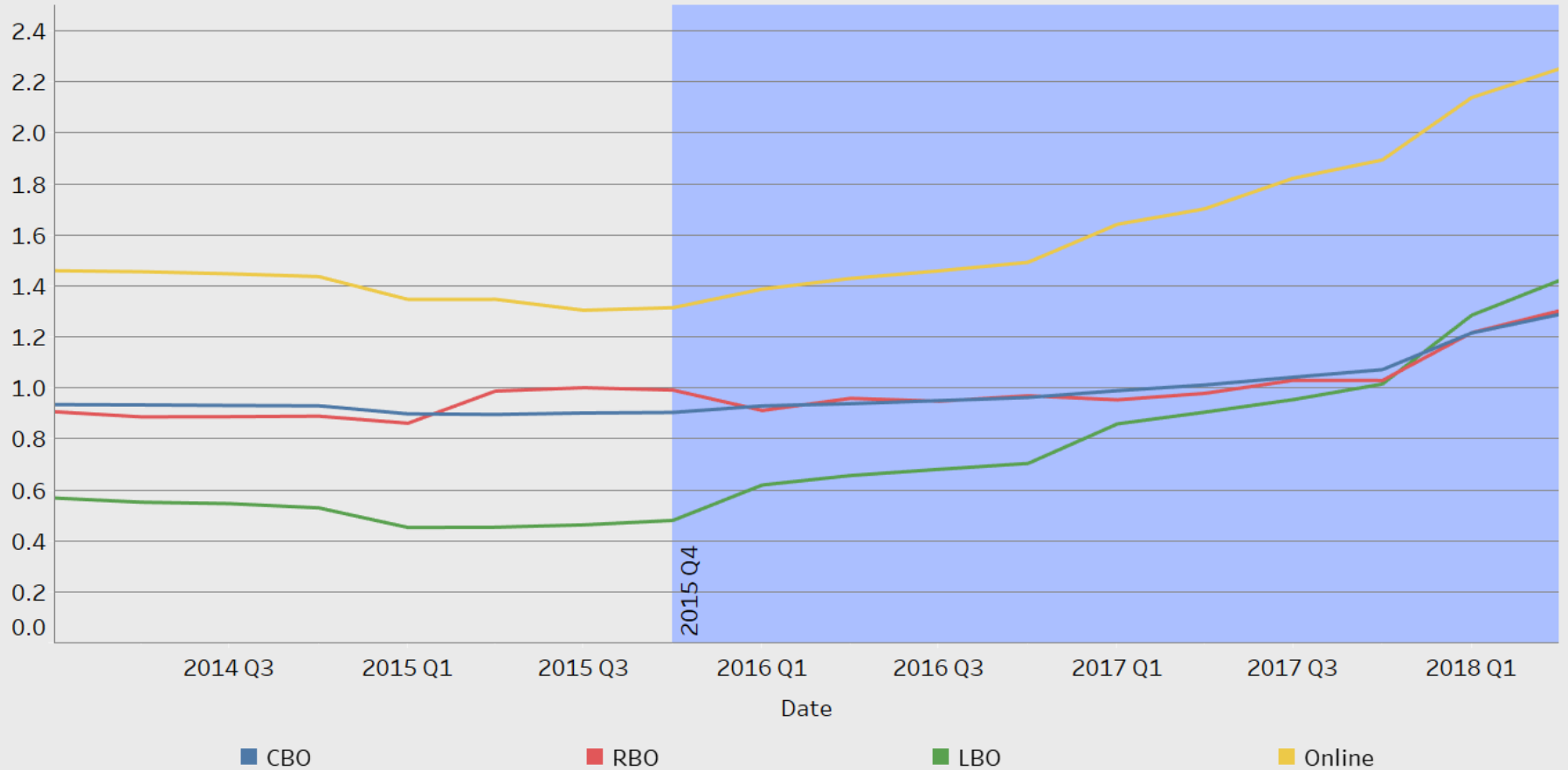
Pricing Pressure from CD Specials



Cost of Time Deposits (DWA)



Cost of Time Deposits (DWA)



Summary



Questions?



Thank You

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