

*Investments
Asset / Liability
Risk Management*



Comprehensive Approach to Balance Sheet Management

InsBank
February 2024

Strictly Private and Confidential

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Agenda

- Introductions
- Recap last conversation
- Overall balance sheet observations
- Review ALCO packet – compare to Taylor Advisor process
- Deeper dive into Taylor Advisors Investment Management process
- Next steps

Recap of Our Last Conversation

- Continued evolution of ALCO – you have made significant progress in the past few years in this area. Our tools, expertise, strategy & perspective would take this to the next level.
- Redirected Productivity – often, banks do a significant amount of manual report work that can be done by the Taylor team, which will save you time & resources. This process will maximize the bank's human capital and give you better output leading to better decisions.
- Cost of Funds - the team has concerns about the recent COF acceleration. We'll leverage our expertise, strategies, and tools to help lower funding costs.
- Additional Perspective - by facilitating 400+ ALCOs per year with 130+ community banks, we have a unique perspective allowing us to bring you actionable strategies to improve NIM over time.
- Valuable Resources – We can become the equivalent of 3 or 4 part-time FTEs to help support your executive team, such as:
 - ALM Manager
 - Assistant Treasurer
 - Investment Analyst
 - Balance Sheet Consultant

Starting with the end in mind

Our Typical Client:

- Is a community or regional bank
- Improves their net interest margin by 16 basis points after the first year of our partnership and/or
- Improves the yield on their investment portfolio by 23 basis points after the first year of our partnership
- Started with a high level of skepticism (appropriate for bankers who are and should be risk-averse)

Earning Asset Size	Net Interest Income Change in thousands of dollars (due to Yield change in basis points)		
	1	16	25
(in \$000)			
770,000	77	1,232	1,925
790,000	79	1,264	1,975
810,000	81	1,296	2,025
Investments	1	23	50
50,000	5	115	250
60,000	6	138	300
70,000	7	161	350

HUB | Taylor Advisors at a Glance

- Founded in 2002 & Acquired by HUB in 2022
- 140+ Balance Sheet Management (ALCO) Clients
 - Capital, Interest Rate Risk, Liquidity, Funding, Investments, etc.
 - ***\$99.3 billion consolidated total assets***
- 140+ Investment Advisory/Consulting Clients
 - Investment Advisors: Discretionary, Non-Discretionary, and Co-Managerial
 - Taylor Advisors is not a broker/dealer, Bank does not give up control
 - ***\$16.8 billion assets under management***
 - \$5.9 billion in municipal bonds (taxable & tax-free)
 - \$10.9 billion in non-municipal bonds (agency, mbs, cmo, cmbs, sba, etc.)
- ***\$50 Billion Investment Fund Consultant***
 - United States Department of Energy

Taylor Advisors Providing Education to the Industry



Publications

- 
 Reprioritizing the Margin: How to reinvent the ALCO meeting – May 2022
- 
 Deposit Diaries – Managing Funding Costs Amid Excess Liquidity and Rising Rates – March 2022
- 
 Bond Price Volatility: Keep Calm and “Carry” On – Apr. 2020
- 
 Balance Sheet Opportunities: Create a Path to Outperformance – Dec. 2020
- 
 Assessing Balance Sheet Opportunities and Risks – July 2020
- 
 Gaining Confidence Through Stress-testing and Planning – May 2020
- 
 Loan Pricing: Avoiding Costly Mistakes – Feb. 2020
- 
 Funding Costs Still on the Rise: Betas Hit the Accelerator – Aug. 2019



CHIEF EXECUTIVE OFFICER AFFILIATION PROGRAM

Breakout Session: Profitability

Facilitated by Todd Taylor
Omar Hinojosa, CEO

Improving profitability is a common goal. In a competitive market, evaluating how your company performs relative to peers is essential for identifying areas of opportunity and outperformance.

2023 CEO Affiliates Spring Meeting

- Park City, UT
- Scottsdale, AZ
- Charleston, SC

Todd Taylor
Founder & Managing Director

Performance and Balance Sheet Snapshot - 2023Q4

InsBank
2106 Crestmoor Road Nashville, TN 37215

Performance Rankings

InsBank versus UBPR Peer Group*

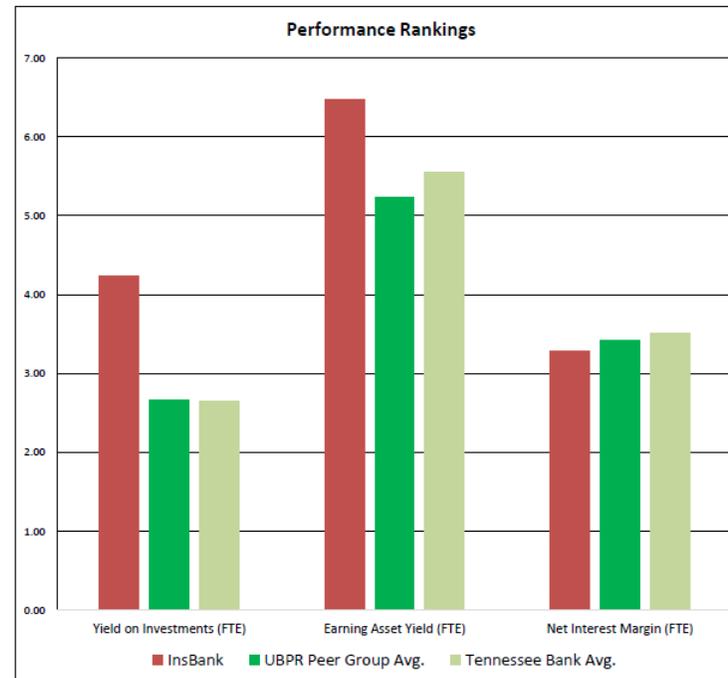
	Metric	InsBank	UBPR Peer Group Average**	Percentile Rank
Net Interest Margin Dissection	Yield on Investments (FTE)	4.24	2.67	92%
	Yield on Total Loans	6.59	6.14	73%
	Earning Asset Yield (FTE)	6.47	5.23	89%
	Interest Expense to Avg. Earning Assets	3.19	1.81	96%
	Net Interest Margin (FTE)	3.28	3.42	43%
	Return on Average Assets	1.29	0.96	73%
	Net Interest Income Dependency Ratio	0.92	0.86	77%

InsBank versus Tennessee Banks

	Metric	InsBank	Tennessee Bank Average	Percentile Rank
Net Interest Margin Dissection	Yield on Investments (FTE)	4.24	2.65	92%
	Yield on Total Loans	6.59	6.45	61%
	Earning Asset Yield (FTE)	6.47	5.55	85%
	Interest Expense to Avg. Earning Assets	3.19	2.03	93%
	Net Interest Margin (FTE)	3.28	3.50	39%
	Return on Average Assets	1.29	0.89	75%
	Return on Average Equity	11.59	9.46	57%
Net Interest Income Dependency Ratio	0.92	0.86	76%	

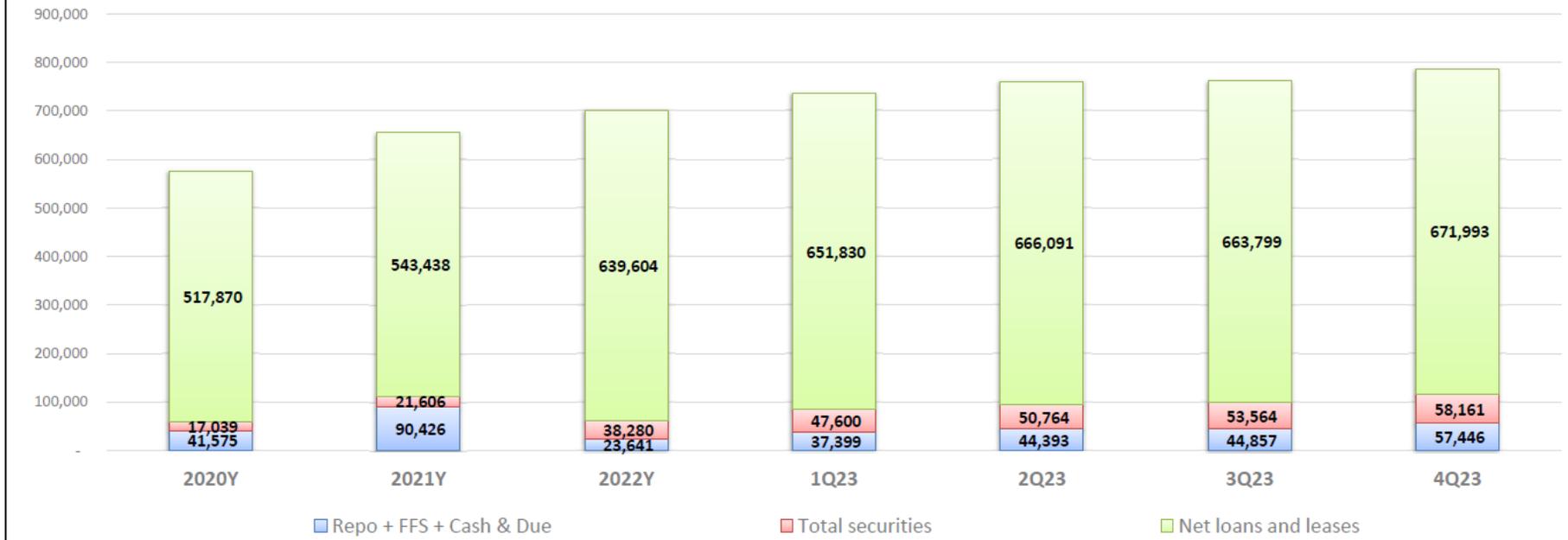
HUB | **TAYLOR ADVISORS**
 Strategize Prosperity
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 Louisville, KY 40222
 www.tayloradvisor.com

Performance Rankings



Balance Sheet Mix Analysis

	2020Y	2021Y	2022Y	2023Q1	2023Q2	2023Q3	2023Q4
Cash & due from depository institutions	36,574	78,425	23,543	37,299	44,293	44,857	57,446
Federal funds sold and Repos	5,001	12,001	98	100	100	-	-
Total securities	17,039	21,606	38,280	47,600	50,764	53,564	58,161
Net loans and leases	517,870	543,438	639,604	651,830	666,091	663,799	671,993
Bank premises and fixed assets	13,318	13,084	12,848	12,755	12,726	12,662	12,596
Intangibles	-	-	-	-	-	-	-
All other assets	25,068	29,519	34,932	35,449	37,191	36,175	33,511
Total assets	614,870	698,073	749,305	785,033	811,165	811,057	833,707



Challenges Managing a Bank's Balance Sheet

- Philosophy
 - Lack of Balance Sheet Strategies – creative ideas to improve profitability and/or manage risk
 - Reactive Decision Making Process (Need to continue to be proactive)

- Earnings and NIM
 - Low Earning Asset Yields – mix, selection, pricing
 - **High Cost of Funds – accelerating funding costs and/or deposit pricing frustrations**

- Interest Rate Risk – Regulatory Appeasement
 - Lacking confidence in the tools to measure, monitor, and control interest rate risk
 - Little to no documentation of various parts of the ALM process (i.e. assumptions)
 - Regulators are critical of the ALCO process or IRR measurement tool

- Capital
 - Understanding capital's impact on Interest Rate Risk, liquidity, and returns
 - Capital management and monitoring process needs enhancement, including stress testing and dynamic forecasting
 - Lack of comprehensive policy/plan including capital contingency planning

- **Liquidity – Profit Improvement**
 - **Difficulty with liquidity assessment, management, and monitoring risks, tools, policy, and strategies.**
 - **Contingent liquidity planning MUST include scenario stress-testing with triggers (a.k.a., Dynamic Cash Flow Testing).**

- Education/Training
 - Needing a succession plan for ALCO/balance sheet management
 - Executives may lack either time, technology, or expertise in balance sheet management
 - Little to no board oversight/education relating to asset liability management (training to executive management/board)
 - No independent analysis of the balance sheet, liquidity or investment portfolio

UBPR – Net Interest Margin for InsBank



FDIC Certificate # 35521
OCC Charter # 0
Public Report

FRB District/ID_RSSD 6 / 2877345
County: DAVIDSON

INSBANK; NASHVILLE, TN
One Quarter Annualized Income Analysis--Page 12

Income Statement 1-Qtr-Ann
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Earnings and Profitability

Margin Analysis:

Int Inc (TE) to Avg Earn Assets
Int Expense to Avg Earn Assets
Net Int Inc-TE to Avg Earn Assets

12/31/2023			12/31/2022		
BANK	PG 5	PCT	BANK	PG 5	PCT
6.47	5.23	89	5.47	4.37	90
3.19	1.81	96	1.67	0.65	97
3.28	3.42	44	3.80	3.70	57

-14
bps

+10
bps

(above/below peer)

FDIC Certificate # 8745
OCC Charter # 0
Public Report

FRB District/ID_RSSD 7 / 967046
County: ELKHART

FIRST STATE BANK OF MIDDLEBURY; MIDDLEBURY, IN
One Quarter Annualized Income Analysis--Page 12

Income Statement 1-Qtr-Ann
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Earnings and Profitability

Margin Analysis:

Int Inc (TE) to Avg Earn Assets
Int Expense to Avg Earn Assets
Net Int Inc-TE to Avg Earn Assets

12/31/2023			12/31/2022		
BANK	PG 5	PCT	BANK	PG 5	PCT
5.33	5.23	57	4.59	4.37	64
1.72	1.81	46	0.59	0.65	47
3.61	3.42	61	4.00	3.70	68

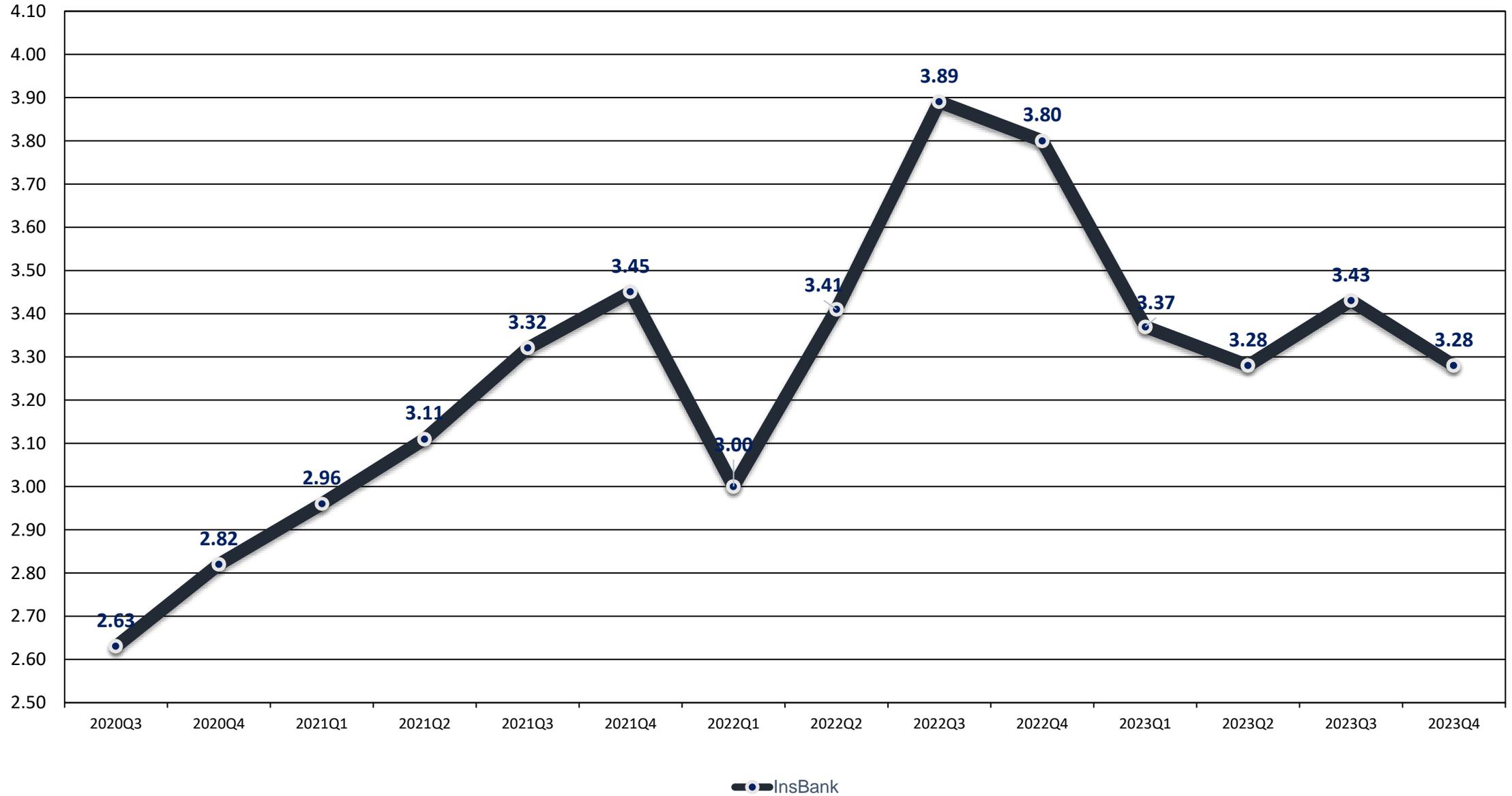
+19
bps

+30
bps

(above/below peer)

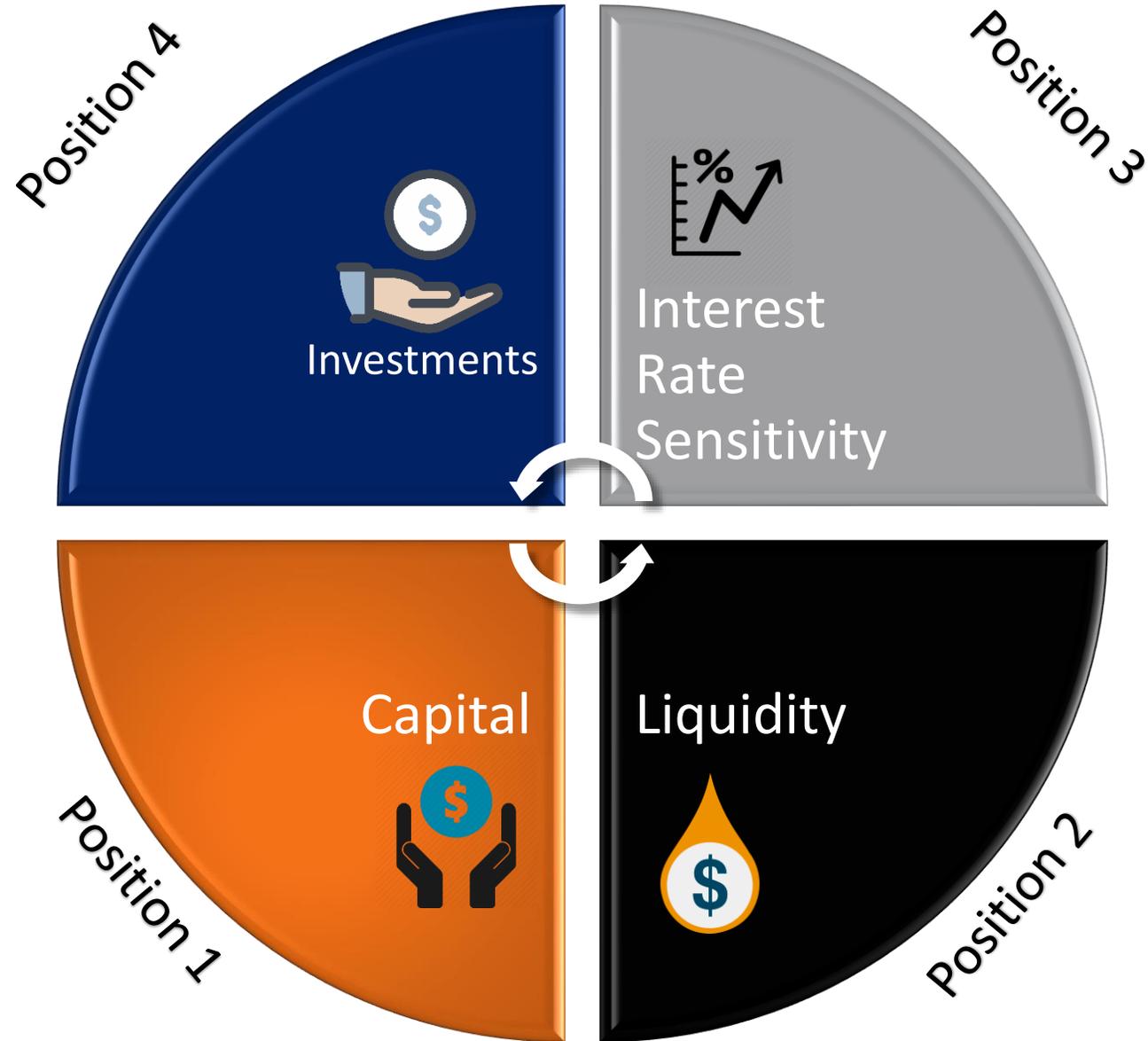
Source: UBPR

Net Interest Margin Trend Analysis



● InsBank

ALCO Best Practices



Balance Sheet Strategies



Taylor Advisors Services



- Operational Kick-Off meeting
- Customized ALCO Presentation/Packet
- Co-Facilitate Quarterly ALCO (Education & NIM Management)
- ALM Policy and IRR Assumptions Review/Recommendations
- Detailed review of various Interest Rate Reports
- Deposit Beta and Decay assumptions memo/analysis and/or stress testing
- Liquidity Assessment/Management/Policy Review
- Liquidity Analysis Worksheet & Contingency Funding Scenarios
- Deposit Benchmarking/Funding Analysis
- Perform Quarterly Capital Stress Tests (Growth and Credit)
- Review/Develop Capital Policy (includes Capital Contingencies)
- Balance Sheet Monitor Report (trends/observations/peer analysis)
- Quarterly Analytics (Cash Flow, Stress Testing, etc.)
- Balance Sheet Strategies for Profit Improvement/Risk Management
- Executive Summary Notes documenting Balance Sheet Strategies
- Weekly Commercial Loan Pricing Matrix Distribution
- Assist in Resolving Examiner Criticisms Associated w/ ALM Issues

Planning-Based Balance Sheet Management Process

■ **Kickoff/Operational Meeting (Road Map)**

- Review engagement objectives and set deadlines i.e., policy reviews
- Balance Sheet Phases: Liquidity, Capital, and IRR Management
 - Prioritization process – Interest Rate Risk vs. Liquidity
- Policy limit appropriateness given new/tougher regulatory & economic environment

■ **Taylor Advisors Co-Facilitates the Formal ALCO, Management ALCO, Executive ALCO Working Group**

- External ALM Analyst (Ideas, Opinions, and Analysis)
- Action / Pending items for Taylor Advisors and/or your institution

■ **Balance Sheet Analysis and Strategy Discussion**

- Balance Sheet Monitor (Macro) – Trends & Observations
- ALCO Reports (Micro) – GAP, NIM Simulation, and EVE
- Other Internal Reports (CD maturities, rate sheets, wholesale funding, etc.)

■ **Frequent Communication**

- Intra-quarter Communication (phone, e-mail, group conference calls, meetings)
 - Policy updates, NIM protection strategies, deposit products, whole-sale funding, etc.

Loan Discussion and Pricing

Loan Mix Trend Analysis

December 31, 2023

Comparative Peer Loan Yield Analysis (MRO)

December 31, 2023

Peer Loan Pricing Analysis

December 31, 2023

WHAT GOES INTO PRICING A LOAN?

LOAN PRICING FOR MORTGAGES

COMMERCIAL LOAN PRICING MATRIX

- 3 Mos or Less (%)
- 3 Mos - 12 Mos (%)
- Repricing within 1 Yr
- 1 Yr - 3 Yrs (%)
- 3 Yrs - 5 Yrs (%)
- Repricing in 1-5 Yr
- 5 Yrs - 15 Yrs (%)
- 15 Yrs+ (%)
- Repricing over 5 Yr
- NPLs/Total Loans (%)
- Reserves/NPLs (%)

Profit

Capital



Show data

1) Mortgage

Senior Mortgage

Property

Multifamily

Multifamily

Retail - Mortgage

Retail - Commercial

Retail - SBA

Industrial

Office - Commercial

Office - SBA

Lodging - Commercial

Lodging - SBA

(1) Assumed

(5) Assumed

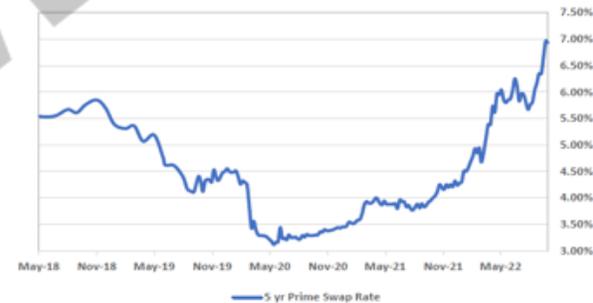
Taylor Advisors
Commercial Loan Pricing Matrix
9/30/2022

Loan Credit Spectrum & Implied Fixed Loan Rates Based on Current Swap Curve

	Prime Swap	-100	-75	-50	-25	0	50	75	100	125	150	175	200	300
Current Prime/ Floating Rate	6.25%	5.25%	5.50%	5.75%	6.00%	6.25%	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%	9.25%
Current Prime Swap Rates														
1 1YEAR	7.46%	6.46%	6.71%	6.96%	7.21%	7.46%	7.96%	8.21%	8.46%	8.71%	8.96%	9.21%	9.46%	10.46%
2 2YEAR	7.40%	6.40%	6.65%	6.90%	7.15%	7.40%	7.90%	8.15%	8.40%	8.65%	8.90%	9.15%	9.40%	10.40%
3 3YEAR	7.19%	6.19%	6.44%	6.69%	6.94%	7.19%	7.69%	7.94%	8.19%	8.44%	8.69%	8.94%	9.19%	10.19%
4 4YEAR	7.04%	6.04%	6.29%	6.54%	6.79%	7.04%	7.54%	7.79%	8.04%	8.29%	8.54%	8.79%	9.04%	10.04%
5 5YEAR	6.93%	5.93%	6.18%	6.43%	6.68%	6.93%	7.43%	7.68%	7.93%	8.18%	8.43%	8.68%	8.93%	9.93%
7 7YEAR	6.78%	5.78%	6.03%	6.28%	6.53%	6.78%	7.28%	7.53%	7.78%	8.03%	8.28%	8.53%	8.78%	9.78%
10 10YEAR	6.66%	5.66%	5.91%	6.16%	6.41%	6.66%	7.16%	7.41%	7.66%	7.91%	8.16%	8.41%	8.66%	9.66%

BALLOON / RESET	AMORTIZATION	AVG LIFE	RATE
3.00	3.00	1.60	7.42%
3.00	10.00	2.65	7.26%
3.00	15.00	2.80	7.23%
3.00	20.00	2.85	7.22%
3.00	25.00	2.90	7.21%
3.00	30.00	2.95	7.20%
5.00	5.00	2.65	7.26%
5.00	10.00	3.95	7.05%
5.00	15.00	4.40	7.00%
5.00	20.00	4.60	6.97%
5.00	25.00	4.70	6.96%
5.00	30.00	4.80	6.95%
7.00	7.00	3.70	7.09%
7.00	10.00	4.85	6.95%
7.00	15.00	5.70	6.88%
7.00	20.00	6.15	6.84%
7.00	25.00	6.40	6.83%
7.00	30.00	6.55	6.81%
10.00	10.00	5.40	6.90%
10.00	15.00	7.25	6.77%
10.00	20.00	8.15	6.73%
10.00	25.00	8.70	6.71%
10.00	30.00	9.05	6.70%
15.00	15.00	8.30	6.73%
15.00	25.00	12.60	6.56%
15.00	30.00	15.01	6.46%

CML Loan PX Matrix



Deposit Discussion and Pricing

Liability Mix Trend Analysis

December 31, 2023

Comparative Peer Funding Cost Analysis (MRQ)

December 31, 2023

December 31, 2023

CD and FHLB Maturity/Repricing

December 31, 2023

Last Year Percent Last Qtr. Percent Current Qtr. Percent

UNDERSTANDING THE DEPOSIT BASE

DEPOSIT STRATIFICATION

DEPOSIT BENCHMARKING MATRIX

Wholesale
Brokered
Internet
Fed Funds

Deposit Category
Free Checking
Interest Checking
Savings
Money Market
Total Deposits

Term	Treasury Rate	FDIC National Average	FDIC Rate Cap	SOFR Swap	FHLB Index ¹	Brokered Deposit ²	National Market Deposits ³
1 month	2.79	0.07	3.63	2.79	3.29	3.15	3.10
3 month	3.33	0.15	4.30	3.35	3.76	3.35	3.25
6 month	3.92	0.34	4.73	3.89	4.28	3.90	3.95
1 year	4.05	0.60	4.95	3.98	4.42	4.15	4.00
2 year	4.22	0.64	4.89	4.07	4.44	4.35	4.10
3 year	4.25	0.66	4.90	4.06	4.43	4.40	4.30
4 year	4.16	0.63	1.38	3.93	4.34	4.45	4.30
5 year	4.06	0.74	4.71	3.85	4.22	4.45	4.35
10 year	3.83			3.63	4.47	4.85	

¹ Bloomberg FHLB Index. FHLB Index rates will differ slightly from various regional FHLB member banks.

² Brokered Deposit rates represent estimates based on a review of suggested 'All-In' rates

³ National Market Deposit rates based on estimates of expectations for clearing levels on various platforms

Taylor Advisors has prepared this report based on information that it believes to be reliable, but in no way guarantees its accuracy or completeness. Taylor Advisors makes no representations as to the accuracy.

InsBank ALCO Packet

Review of Minutes/Agenda

- Covered in ALCO Materials

Balance Sheet/Income Statement

- Covered in ALCO Materials

Loan and Deposit Pricing/Mix

- Covered in ALCO Materials

Interest Rate Risk

- Covered in ALCO Materials

Liquidity/Funds Management

- Covered in ALCO Materials

Capital Management

- No Reports Seen

Investments

- Covered in ALCO Materials

Economic/Rate Discussion

- No Reports Seen

Performance/Peer Comparison

- No Reports Seen

Strategy Discussion

- No Reports Seen

Taylor Advisor ALCO Packet

- Economic Update
- Shape of Yield Curve and Rate Climate
- **Balance Sheet Discussions**
 - Peers, NIMs, Trends, etc.
 - Loan Pricing Strategies
- **Capital Planning & Policy (P1)**
 - Loss Severity Analysis
 - Stressed growth/credit scenarios
- **Liquidity Assessment & Mgmt. (P2)**
 - Stress-Testing
 - Deposits & Funding Strategies
- **Interest Rate Risk Management (P3)**
 - IRR Report
 - Beta/Decay Assumption Review
 - Risk Scorecard/Policy Compliance
- **Investment Holding Review (P4)**
 - Analytics, products and compliance



Capital

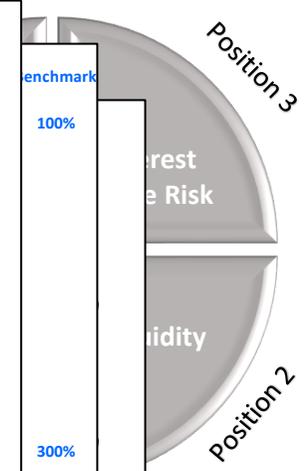
Balance Sheet Management – Capital (P1)

Equity Capital to Assets Ranking			Loan Sector			Benchmark Period			
10.73	10.59	10.57	2011 - 2014Y			Scenario 5 vs. Benchmark		Scenario 6 vs. Benchmark	
Tier One Leverage Ratio Ranking	10.65	8	Average 2 Year Net Charge-Off (NCO)	2,778	9.18	6.68	11.27	17.65	
Common Equity Tier One Capital Ratio Ranking	16.80	5	Average Balance Non-Performing Asset (NPA)	5,867	6.68	4.08	3.61	1.25	
Tier One Capital Ratio Ranking	16.80	5	Average Total Risk Based Capital (RBC)	32,388	4.08	0.81	3.12	1.64	
			NCO / NPA	47%	1.64	18%			
			NPA / RBC	18%					
Reported As of 2019Q1			Scenario 5: 5% Growth Rate & Minor Recession		Scenario 6: 15% Growth Rate & Major Recession		2.5% of loans go bad - 65% Coverage		
			Scenario 5: 5% Growth Rate & Minor Recession		Scenario 6: 15% Growth Rate & Major Recession		5% of loans go bad - 75% Coverage		

Capital Tool, Policy, and Strategies

- Deliverable: Enhance or Change Capital Policy and/or Plan**
- Deliverable: Loan Sector Concentration Detail and Loss Severity Analysis (see example)**
- Deliverable: Various Capital Stress Tests**
 - Stressed growth scenarios
 - Stressed credit scenarios (See sample)
 - Compare capital position to regulatory limits

EST. KYFAWA	Q4'19	Q4'18	Scenario 6	26.37%
Common Equity Tier 1	10.73%	CET1 Ratio Estimate >>	10.81%	7.77%
well-capitalized	6.50%	est. \$ excess / (short)	6.50%	6.50%
est. \$ excess / (short)	42,531	est. \$ excess / (short)	47,245	16,403
Tier 1 Leverage	9.06%	T1 Leverage Ratio Estimate >>	9.13%	6.55%
well-capitalized	5.00%	est. \$ excess / (short)	5.00%	5.00%
est. \$ excess / (short)	48,304	est. \$ excess / (short)	53,538	23,850
Tier 1 Risk-Based Capital	10.73%	T1C Ratio Estimate >>	10.81%	7.77%
well-capitalized	8.00%	est. \$ excess / (short)	8.00%	8.00%
est. \$ excess / (short)	27,461	est. \$ excess / (short)	30,820	(3,032)
Total Risk-Based Capital	11.78%	RBC Ratio Estimate >>	12.06%	9.02%
well-capitalized	10.00%	est. \$ excess / (short)	10.00%	10.00%
est. \$ excess / (short)	17,898	est. \$ excess / (short)	22,608	(12,750)



A decorative graphic on the left side of the slide, consisting of a light blue square frame with a diagonal line running from the top-left to the bottom-right. The line is composed of several overlapping, semi-transparent segments, creating a sense of depth and movement.

Liquidity and Funding

Balance Sheet Management – Liquidity (P2)

Sources and Uses Worksheet												
12-MONTH SOURCES AND USES OF FUNDS												
5/31/2019												
Note that this is for FSB only and does not include any FSB subsidiaries (FSI or SIFC), as their liquidity is determined to be self-sustaining at this time, plus excludes Managed Trading Account since those funds are managed sepa												
(In Thousands)	06/30/18	07/31/18	08/31/18	09/30/18	10/31/18	11/30/18	12/31/18	01/31/20	02/29/20	03/31/20	04/30/20	05/31/20
Beginning Cash												1,149
Funding Needs												
Net Loan Gr												0,000
Security Pu												-
BOLI Purch												225
Premises &												-
Non-Time D												-
Retail Time												-
Outgoing P												0,000
Maturing FH												310
Repayment												-
Repayment												-
Maturing Re												-
Maturing Br												-
Maturing Int												-
FSFG Depo												-
Other Outfo												-
Total Projec												5,535
Funding Sourc												
Security Cal												2,235
Non-Broker												3,300
Incoming P												-
FHLB Advan												0,000*
Increase of												-
Increase of												-
Repurchase												0,000*
Brokered CD												-
Internet CD												-
FSFG Depo												-
Proceeds on												-
Other Inflow												-
Total Projected Funding Sources	54,888	80,307	37,473	65,535	66,956	30,725	45,535	70,225	65,535	70,575	75,535	50,535
Projected Net Cashflow	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative Net Cashflow	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash Position	33,149	33,149	33,149	33,149	33,149	33,149	33,149	33,149	33,149	33,149	33,149	33,149
Cumulative FHLB Advances Balance	160,000	165,000	165,000	165,000	150,000	160,000	170,000	180,000	190,000	190,000	200,000	185,000
Cumulative FHLB LOC Balance	-	4,772	6,710	836	12,257	12,447	7,487	11,452	6,142	10,882	5,372	5,062
Cumulative Brokered CDs Balance	158,647	153,565	158,317	167,231	175,500	170,000	170,000	160,000	160,000	160,000	160,000	180,000

- Strategic Liquidity (tools, policy, strategies)
 - Deliverable: Review Peer Data
 - How can we improve our process? Why are we different?
 - Deliverable: Liquidity Policy and Limits
 - Expanded Contingency Funding Plan Language
 - Deliverable: Liquidity Analysis Worksheets(s)
 - Measure and monitor asset AND liability liquidity
 - Deliverable: Pro forma Cash Flow Scenario/Analysis Worksheet(s)
 - Stressed liquidity measured & contingent liquidity availability
 - Deliverable: Sources and Uses and Early Warning Triggers



Interest Rate Risk

IRR Models



ALX Consulting



The Baker Group



c. myers

FORV/S

RAYMOND JAMES

PROFITstar® 2018
Model: BASE MODEL DATA



STIFEL



fiserv.



ALM ADVISOR

ASSET/LIABILITY MANAGEMENT REPORT SYSTEM FOR COMMUNITY BANKS



Balance Sheet Management – Interest Rate Risk (P3)

Falling vs Rising Rate Cycle & Deposit Betas

2019-2020 Falling Rate Cycle

Change in FF Target Rate (bps)

Static IRR Profile

What-If Analysis

Non-Parallel Net Interest Inc

Risk Scorecard

1st Quarter

2nd Quarter

3rd Quarter

4th Quarter

Falling vs Rising Rate Cycle & Deposit Betas

Interest Rate Risk Calendar

- Manage IRR exposure and earnings volatility in different rate environments
 - Complete policy review – set appropriate policy limits
 - Review assumptions (input)
 - Deliverable: Annual Assumptions Memo
 - Deliverable: Deposit Beta assumptions review
 - Bank deposit Analysis and/or stress testing
 - Deliverable: Deposit Decay assumptions review
 - Bank deposit Analysis and/or stress testing
 - Review Asset Liability reports (output)
 - Deliverable: Inclusion/Review of select IRR pages in B.S. Management presentations
 - Deliverable: Review and/or recommend Periodic “What-if” analysis
 - Deliverable: Annual Back Testing

Update Risk ScoreCard

Policy Review

Position 3

Interest Rate Risk

Position 2

Liquidity

1st

2nd

3rd

4th

Nil Chg (Before) -29.44% -24.35% -14.87% -6.62%

Nil Chg (Before) 6.40% 12.80% 19.25% 25.69%

Risk Score Card (Liquidity, Capital and Interest Rates)

Risk Scorecard											
12/31/2018											
	Policy Guideline	Current Results (December 2018)	W/in Guideline (Y/N)	9/30/2018	6/30/2018	3/31/2018	12/31/2017	9/30/2017	6/30/2017	3/31/2017	12/31/2016
Interest Rate Risk											
Net Interest Income at Risk (1 Yr):											
	NII Max. Change										
Shocked up 400 bpts	-29.00%	-10.52%	Y	-13.41%	-13.05%	-13.87%	-13.30%	-12.43%	-13.00%	-14.79%	-8.64%
Shocked up 300 bpts	-18.75%	-7.51%	Y	-9.71%	-9.22%	-9.97%	-9.58%	-8.99%	-9.45%	-10.75%	-6.27%
Shocked up 200 bpts	-11.00%	-4.77%	Y	-6.25%	-5.84%	-6.35%	-6.18%	-5.86%	-6.22%	-7.12%	-4.23%
Shocked up 100 bpts	-5.00%	-2.30%	Y	-3.02%	-2.81%	-3.13%	-3.15%	-3.10%	-3.27%	-3.78%	-2.31%
Shocked down 100 bpts	-5.00%	1.78%	Y	1.78%	1.57%	1.59%	1.75%	0.51%	0.24%	-0.02%	-1.98%
Shocked down 200 bpts	-11.00%	-0.22%	Y	1.71%	0.68%	N/A	N/A	N/A	N/A	N/A	N/A
Shocked down 300 bpts	-18.75%	N/A	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shocked down 400 bpts	-29.00%	N/A	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest Rate Risk											
Net Interest Income at Risk (2 Yr):											
	NII Max. Change										
Shocked up 400 bpts	-29.00%	3.10%	Y	-1.10%	1.03%	-0.35%	1.01%	1.35%	0.35%	-2.94%	4.01%
Shocked up 300 bpts	-18.75%	3.40%	Y	0.15%	2.31%	1.20%	2.03%	2.01%	1.22%	-0.83%	4.17%
Shocked up 200 bpts	-11.00%	2.97%	Y	0.78%	2.27%	1.59%	2.08%	1.85%	1.33%	-0.07%	3.26%
Shocked up 100 bpts	-5.00%	1.71%	Y	0.75%	1.46%	1.02%	1.18%	0.99%	0.72%	-0.01%	1.69%
Shocked down 100 bpts	-5.00%	-1.63%	Y	-2.56%	-3.81%	-2.13%	-1.51%	-3.17%	-3.37%	-3.62%	-4.88%
Shocked down 200 bpts	-11.00%	-5.61%	Y	-7.28%	-9.39%	N/A	N/A	N/A	N/A	N/A	N/A
Shocked down 300 bpts	-18.75%	N/A	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shocked down 400 bpts	-29.00%	N/A	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Economic Value of Equity:											
	EVE Max. Change										
Shocked up 400 bpts	-46.50%	2.05%	Y	-0.21%	-3.64%	-6.45%	-6.57%	-1.47%	-0.59%	-6.98%	-3.40%
Shocked up 300 bpts	-30.50%	3.79%	Y	2.09%	1.52%	-0.99%	-1.18%	1.29%	1.93%	-1.28%	1.02%
Shocked up 200 bpts	-18.00%	4.07%	Y	2.77%	2.91%	1.64%	1.44%	2.87%	3.30%	1.57%	2.75%
Shocked up 100 bpts	-7.50%	2.96%	Y	2.32%	2.71%	1.89%	1.78%	2.62%	2.84%	1.98%	2.40%
Shocked down 100 bpts	-7.50%	-6.23%	Y	-5.19%	-6.23%	-4.66%	-4.91%	-6.61%	-6.79%	-5.32%	-7.11%
Shocked down 200 bpts	-18.00%	-14.73%	Y	-12.87%	-15.61%	N/A	N/A	N/A	N/A	N/A	N/A
Shocked down 300 bpts	-30.50%	N/A	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shocked down 400 bpts	-46.50%	N/A	Y	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Liquidity Risk											
Asset Liquidity Ratio	>7% of Total Assets	15.79%	Y	12.99%	15.59%	12.94%	14.05%	14.46%	17.34%	15.60%	27.74%
Net Non-Core Funding Dependency Ratio	<15%	3.92%	Y	7.07%	6.22%	10.53%	10.73%	9.26%			
Fed Funds Purchased	<5% of Total Assets	0.00%	Y	0.49%	0.00%	0.00%	1.60%	0.00%	0.00%	0.00%	0.00%
Operational Liquidity Position	>10% of Total Assets	25.50%	Y	21.80%	23.90%	20.50%	16.60%	21.90%	24.50%	22.10%	33.90%
Strategic Liquidity Position	>15% of Total Assets	58.90%	Y	44.00%	47.10%	43.90%	40.50%	44.90%	47.70%	47.40%	59.80%
Contingent Liquidity Position	>20% of Total Assets	58.90%	Y	44.00%	47.10%	43.90%	40.50%	44.90%	47.70%	47.40%	59.80%
Stressed Liquidity Position Scenario #1	>20% of Total Assets	36.00%	Y	23.80%	27.40%	24.50%	20.70%	24.70%	28.20%	28.60%	40.30%
Stressed Liquidity Position Scenario #2	>10% of Total Assets	21.90%	Y	11.20%	16.00%	16.10%	16.20%	18.00%	21.80%	23.90%	36.20%
Stressed Liquidity Position Scenario #3	>3% of Total Assets	2.90%	N	2.00%	6.90%	3.40%	1.70%	4.30%	9.00%	11.80%	24.20%
National Market Deposits	<15% of Total Assets	0.00%	Y	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Brokered CDs	<5% of Total Assets	0.00%	Y	0.00%	0.00%	0.53%	0.53%	0.43%	0.61%	0.63%	0.60%
Reciprocal CDARS/ICS	<15% of Total Assets	0.86%	Y	0.72%	0.77%	0.53%	0.53%	1.02%	0.97%	1.11%	1.03%



Investments

Balance Sheet Management – Investments (P4)

Yield on Securities TEY (%)	2.19	2.89	4.13	3.23	2.47	2.99	2.14	2.40	3.47
Ranking	8	5	1	3	6	4	9	7	2

Yield on Securities (%)	2.12	2.89	4.11
Ranking	9	4	1

MBS (\$000)		2,026	
% of Portfolio	0%	28%	0%
CMBS (\$000)			
% of Portfolio	0%	0%	0%
CMO		486	
% of Portfolio	0%	7%	0%
Municipal (\$000)	15,102	2,262	917

Sector	-100 bp	Year 1 Base	+200 bp	-100 bp	Year 1 Bas
Government	13,614	2,414	446	1,576	
Corporate	-	-	-	-	
Municipal	2,051	2,051	1,371	828	
Securitized	20,074	15,492	12,755	19,105	15
Other	-	-	-	-	
Total	35,739	19,957	14,572	21,509	16
Runoff Bk Yld	2.64	2.80	2.75	2.42	

Sector	-100 bp	Year 3 Base	+200 bp	-100 bp	Year 3 Bas
Government	58	382	446	58	1
Corporate	-	-	-	-	
Municipal	536	536	536	435	
Securitized	14,033	14,156	12,345	10,996	11
Other	-	-	-	-	
Total	14,627	15,074	13,327	11,489	13
Runoff Bk Yld	2.46	2.59	2.64	2.48	

Sector	-150 bps	-100 bps
Government	1.87	1.26
Corporate	-	-
Municipal	6.60	4.47
Securitized	4.79	3.20
Other	-	-
Total	5.61	3.78

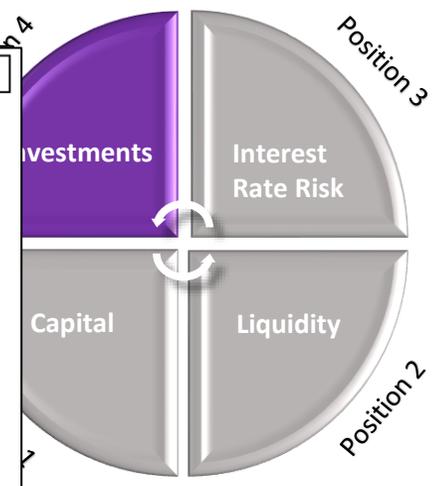
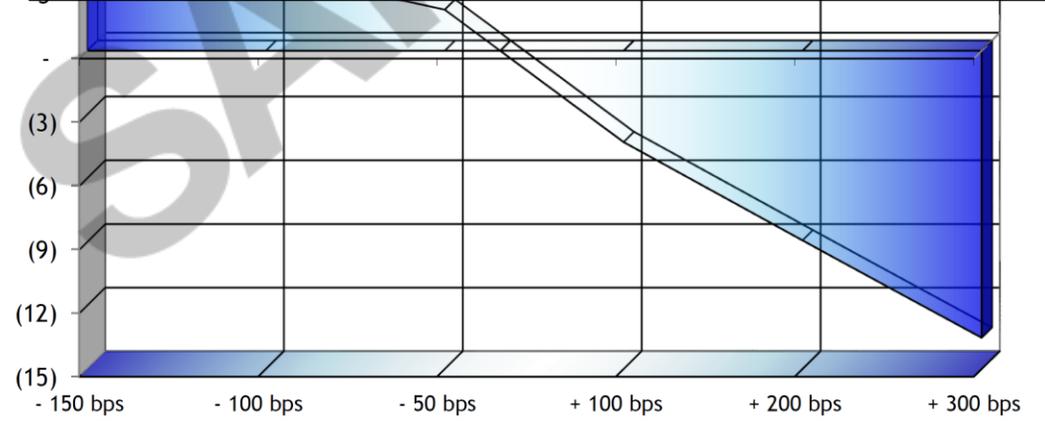
Benchmarks	-150 bps	-100 bps
3 Yr Treasury	4.48	2.96
5 Yr Treasury	7.34	4.83
7 Yr Treasury	10.18	6.66
10 Yr Treasury	14.18	9.22
15 Yr Treasury	23.10	14.73

Sector	- 150 bps	- 100 bps	- 50 bps	+ 100 bps	+ 200 bps	+ 300 bps
Government	1.87	1.26	0.63	(1.23)	(2.43)	(3.61)
Corporate	-	-	-	-	-	-
Municipal	6.60	4.47	2.29	(5.03)	(10.36)	(15.68)
Securitized	4.79	3.20	1.64	(3.79)	(8.04)	(12.34)
Other	-	-	-	-	-	-
Total						(13.52)

Benchmarks	- 150 bps	- 100 bps
3 Yr Treasury		(8.29)
5 Yr Treasury		(13.05)
7 Yr Treasury	1	(17.35)
10 Yr Treasury	1	(22.80)
15 Yr Treasury	2	(31.94)

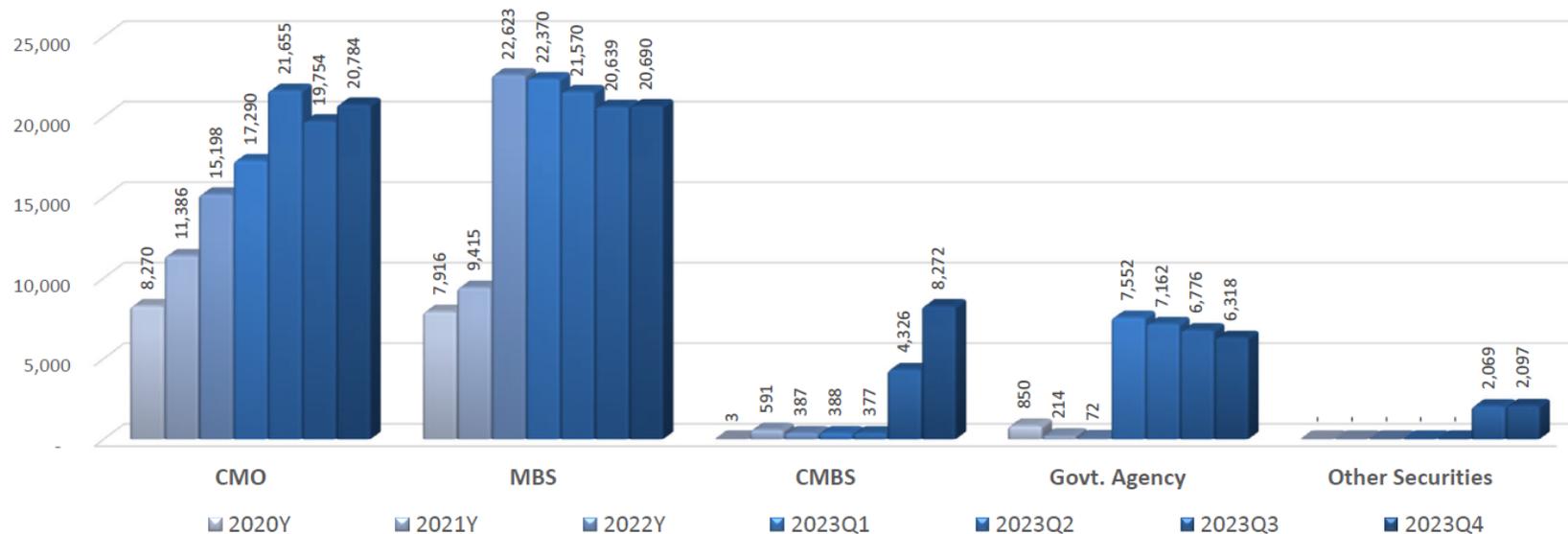
Strategic Investments (tools, policy, strategies)

- **Deliverable: Investment Report**
- Bondedge™ Analytics
- **Deliverable: Activity Monitor**
- **Deliverable: Sector Analysis**



Your Current Investment Portfolio

	2020Y	2021Y	2022Y	2023Q1	2023Q2	2023Q3	2023Q4
CMO	8,270	11,386	15,198	17,290	21,655	19,754	20,784
MBS	7,916	9,415	22,623	22,370	21,570	20,639	20,690
CMBS	3	591	387	388	377	4,326	8,272
Govt. Agency	850	214	72	7,552	7,162	6,776	6,318
Other Securities	-	-	-	-	-	2,069	2,097
Municipal	-	-	-	-	-	-	-
U.S. Treasury	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	-
Total Securities (Fair Value)	17,039	21,606	38,280	47,600	50,764	53,564	58,161
Life Insurance Assets	13,398	13,721	13,721	13,803	13,888	13,975	14,065



Taylor Advisors Portfolio Analytics – Sector Analysis

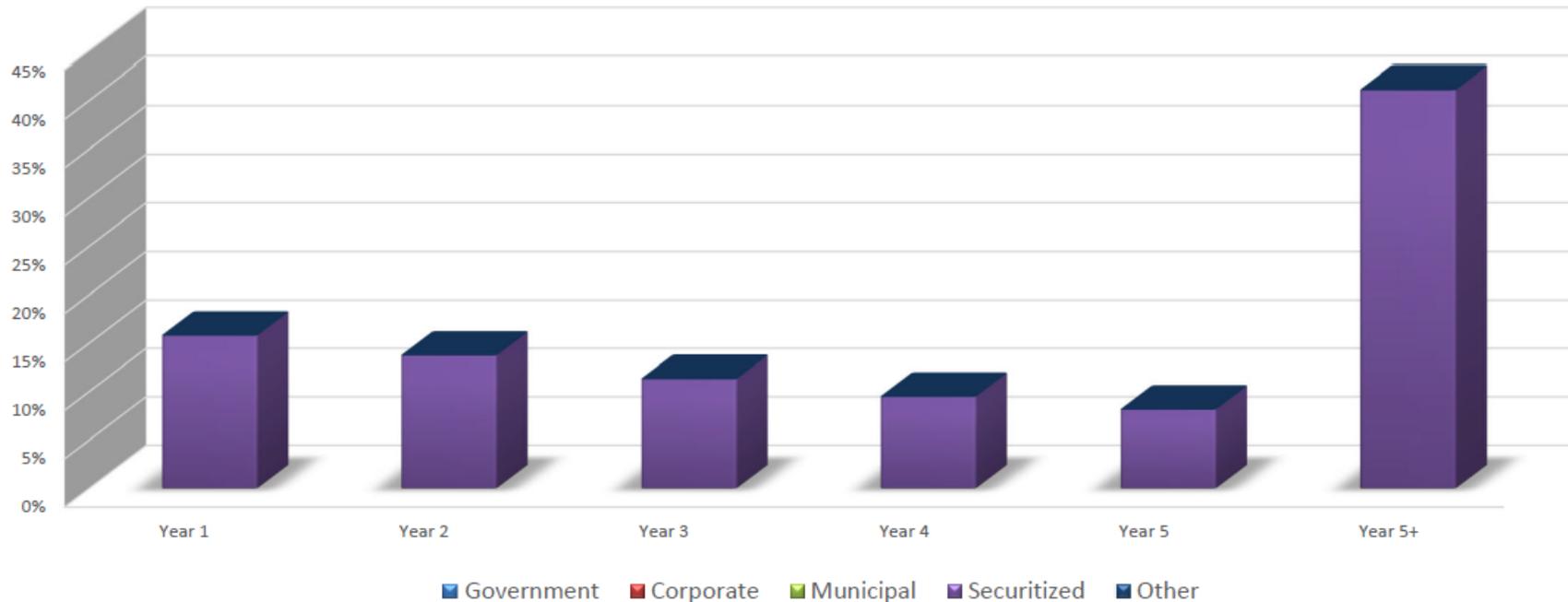
Sector	% of Port.	Mkt Value	G/L	Bk Px	Cpn	TEY	Mk Yld	G-Spr	OAS	Conv	Eff Dur	WAL	WAM	Lots
10 Yr MBS (New)	17.6%	7,086	(678)	99.1	1.50	1.74	4.77	75	80	0.1	3.0	3.3	8.4	4
10 Yr MBS (Seasoned)	0.1%	55	(2)	100.4	2.49	1.69	5.73	42	60	0.0	0.7	0.7	1.6	2
15 Yr MBS (Seasoned)	3.0%	1,223	(54)	100.2	2.86	2.57	5.27	63	86	0.0	1.6	1.7	3.9	6
20 Yr MBS (New)	6.3%	2,519	(281)	92.4	1.99	3.45	5.51	176	170	0.2	4.8	6.3	18.8	2
20 Yr MBS (Seasoned)	1.0%	410	(34)	102.7	3.44	2.56	5.18	117	119	0.0	2.9	3.4	8.7	3
30 Yr MBS (Seasoned)	6.6%	2,671	(613)	101.6	2.22	1.96	5.34	165	151	0.2	5.5	7.5	23.5	2
G2 ARM	0.1%	50	(2)	100.4	2.91	4.97	5.93	203	96	(0.3)	1.9	4.3	10.4	6
FN/FH ARM	0.4%	161	(3)	101.8	5.05	5.85	6.95	273	159	(0.4)	1.3	3.2	14.7	9
Agency CMO Floater	4.6%	1,868	3	99.3	5.55	5.90	5.88	178	46	(0.0)	0.2	3.1	15.0	4
Short Agency CMO	0.5%	201	(5)	100.0	1.75	1.39	6.58	117	37	0.0	0.5	0.4	18.4	1
1-3 Yr Agency CMO	4.2%	1,699	(219)	100.2	1.63	1.50	8.72	416	370	0.2	2.0	1.8	17.1	8
4-6 Yr Agency CMO	16.3%	6,546	(944)	99.7	2.08	2.14	4.96	116	96	0.1	4.9	5.4	26.3	7
7+ Agency CMO	6.5%	2,595	(390)	92.9	1.40	2.64	4.93	124	99	0.3	6.2	7.3	24.9	3
Short Agency CMBS	0.0%	3	(0)	99.8	4.47	3.84	6.96	145	(51)	0.0	0.2	0.2	19.2	1
1-3 Yr Agency CMBS	0.9%	374	(27)	101.9	2.13	0.57	6.00	109	89	0.0	1.3	1.3	16.5	1
GNMA CMBS (Project)	13.3%	5,356	(254)	83.3	1.46	6.22	6.46	266	215	0.2	4.7	5.6	37.9	4
Variable Rate SBA	18.3%	7,365	399	106.8	8.74	7.46	6.28	256	102	0.0	0.7	7.3	19.6	4
Fixed Rate SBA	0.1%	35	(0)	100.0	1.89	1.69	5.39	(15)	14	-	0.1	0.1	0.1	1
Totals	100.0%	40,216	(3,103)	97.9	3.10	3.71	5.64	174	128	0.1	3.3	5.2	20.8	68

*The below securities are not currently available in our analytical software.

Sector	% of Port.	Mkt Value	G/L	Bk Px	Cpn	TEY	Lots
G2 ARM	85.79%	7,539	(166)	106.15	6.30	5.91	4
7+ Agency CMO	14.21%	1,249	(179)	94.66	2.00	2.27	1
Totals	100%	8,788	(345)	104.52	5.69	5.39	5

Taylor Advisors Portfolio Analytics – Cumulative Cash Flow

Scenario	Government	Corporate	Municipal	Securitized	Other	Total	Cumulative
Year 1	-	-	-	8,292	-	8,292	16%
Year 2	-	-	-	7,215	-	7,215	30%
Year 3	-	-	-	5,950	-	5,950	41%
Year 4	-	-	-	4,993	-	4,993	51%
Year 5	-	-	-	4,298	-	4,298	59%
Year 5+	-	-	-	21,511	-	21,511	100%
Total	-	-	-	52,259	-	52,259	
% of Total	0%	0%	0%	100%	0%		



Taylor Advisors Summary Notes

- Summary Notes are sent to clients after each quarterly meeting, summarizing discussions, action items, and strategies for the following areas:
 - Balance Sheet Review
 - Net Interest Margin and Peer Analysis
 - Capital Adequacy
 - Interest Rate Risk
 - Liquidity Management
 - Deposit Pricing and Funding Mix
 - Investment Portfolio

Balance Sheet Strategies



Other Consultants vs. Taylor Advisors

Services	Other Consultants	Brokers	Software Providers	Taylor Advisors
SEC Registered Investment Advisors				+
Bond Sales Broker		+		
Balance Sheet Management	+			+
Software Provider	+	+	+	+
Municipal Credit Review		+		+
Custom ALCO Analysis	+	+	+	+
ALCO Minutes				+
Custom Policy Reviews/Process	?			+
Documented Strategies	+	+		+
Executable Strategies Accountability	+			+
Rotating Consultants (All CFA Charter Holders)				+
Weekly Loan Pricing Matrix				+
Weekly Deposit Benchmarking Matrix				+

*Investments
Asset / Liability
Risk Management*



**Taylor Advisors
Services and Pricing**

InsBank

February 2024



Taylor Advisors' Services and Pricing: Stand-Alone Services

<u>Service</u>	<u>Quarterly Fee</u>	<u>Annual Fee</u>
Balance Sheet Management*	\$10,500	\$42,000

OR

<u>Service</u>	<u>Annual Fee (BPS)</u>	<u>Annual Fee (\$)</u>
Investment Advisory – Legacy Portfolio**	0.02% (2 bps)	\$12,000
Government Advisory Assets – New Portfolio (Purchases)***	0.07% (7 bps)	-
Credit Advisory Assets – New Portfolio (Purchases)****	0.20% (20 bps)	-

All advisory fees are paid quarterly based on the fair market value of the securities. Dollar amounts are shown for illustration purposes and are subject to change based on the fair market value of the securities. Government Advisory Assets and Credit Advisory Assets apply to all assets acquired on or after the signing of the HUB | Taylor Advisor agreement.

*Balance Sheet Management does not include Taylor Advisors' Interest Rate Risk Tool.

** Investment Advisory – Legacy Portfolio is based on a portfolio size of \$60 Million as of 12/31/2023.

***Government Advisory Assets do not apply to the legacy portfolio and include the following assets: Government-Backed Assets, Treasuries, Agencies, MBS, CMO, SBA, and CMBS.

****Credit Advisory Assets do not apply to the legacy portfolio and include the following assets: Municipals (Taxable and Tax-Free), Corporates, Non-Agencies, and Whole Loans.

Taylor Advisors' Services and Pricing: "Bundled" Services

<u>Service</u>	<u>Quarterly Fee</u>	<u>Annual Fee</u>
Balance Sheet Management*	\$9,500 (10% discount)	\$38,000 (10% discount)

AND

<u>Service</u>	<u>Annual Fee (BPS)</u>	<u>Annual Fee (\$)</u>
Investment Advisory – Legacy Portfolio**	0.01% (1 bps) (50% discount)	\$6,000 (50% discount)
Government Advisory Assets – New Portfolio (Purchases)***	0.05% (5 bps) (29% discount)	-
Credit Advisory Assets – New Portfolio (Purchases)****	0.15% (15 bps) (25% discount)	-

All advisory fees are paid quarterly based on the fair market value of the securities. Dollar amounts are shown for illustration purposes and are subject to change based on the fair market value of the securities. Government Advisory Assets and Credit Advisory Assets apply to all assets acquired on or after the signing of the HUB | Taylor Advisor agreement.

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****Credit Advisory Assets do not apply to the legacy portfolio and include the following assets: Municipals (Taxable and Tax-Free), Corporates, Non-Agencies, and Whole Loans.

Taylor Advisors' **Bundled** Services: Sample Cost Benefit Analysis

Projection					
Partner	Cost \$	Cost %	Bank NIM	NIM (\$)	Service Provided
			3.37%	\$26,623,000	-
	\$ 44,000	0.006%	3.47%	\$27,413,000	Quarterly IRR Report Review, Quarterly Liquidity & Stress Testing, Capital & Stress Testing, Funding & Strategies, Quarterly Meeting Minutes, Quarterly Investment Analysis, Investment Advisory, and more.
Difference	\$ 44,000	0.006%	0.10%	\$ 790,000	Quarterly IRR Report Review, Quarterly Liquidity & Stress Testing, Capital & Stress Testing, Funding & Strategies, Quarterly Meeting Minutes, Quarterly Investment Analysis, Investment Advisory, and more.

Net Interest Income in Dollars for Every 10 Basis Points	0.100%	\$ 790,000	Taylor Advisors primary business is driving safe and sound financial outperformance (6 CFAs & 3 CPAs)
Breakeven in Basis Points/Dollars	0.006%	\$ 44,000	
Cost Benefit for First 10 Basis Points	0.094%	\$ 746,000	+ Comprehensive ALCO Process, Profit Driven ALCO Strategies

*Cost is calculated as the advisory fee ("Bundled" balance sheet management, investment advisory, and municipal advisory) as a percent of average earning assets of approximately \$790Million as of 12/31/23.