



**Reimagining ALCO: It's NOT Just About
Regulatory Appeasement!**

AGENDA

- Taylor Advisors
- Rate Climate and ALCO/NIM
- Challenges for Managing the Margin
- Position Assessment
 - (Capital, Funding and Liquidity, IRR, Investments)
- Next Step – We can be a resource

HUB | TAYLOR ADVISORS Taylor Advisors Providing Education to the Industry



CONFIDENTIAL

Publications



The Time for Asset Recycling is at Hand!



Get Your Balance Sheet Recession Ready



Reprioritizing the Margin in 2024



Regulatory Bootcamp: Interest Rate Risk - Preparing for your Next Exam



Should I be (Re) Investing in My Bond Portfolio?



Deposit Diaries: An Autopsy of Deposits Pricing in a Rapidly Escalating Rate Environment



Where are your Balance Sheet Blind Spots?



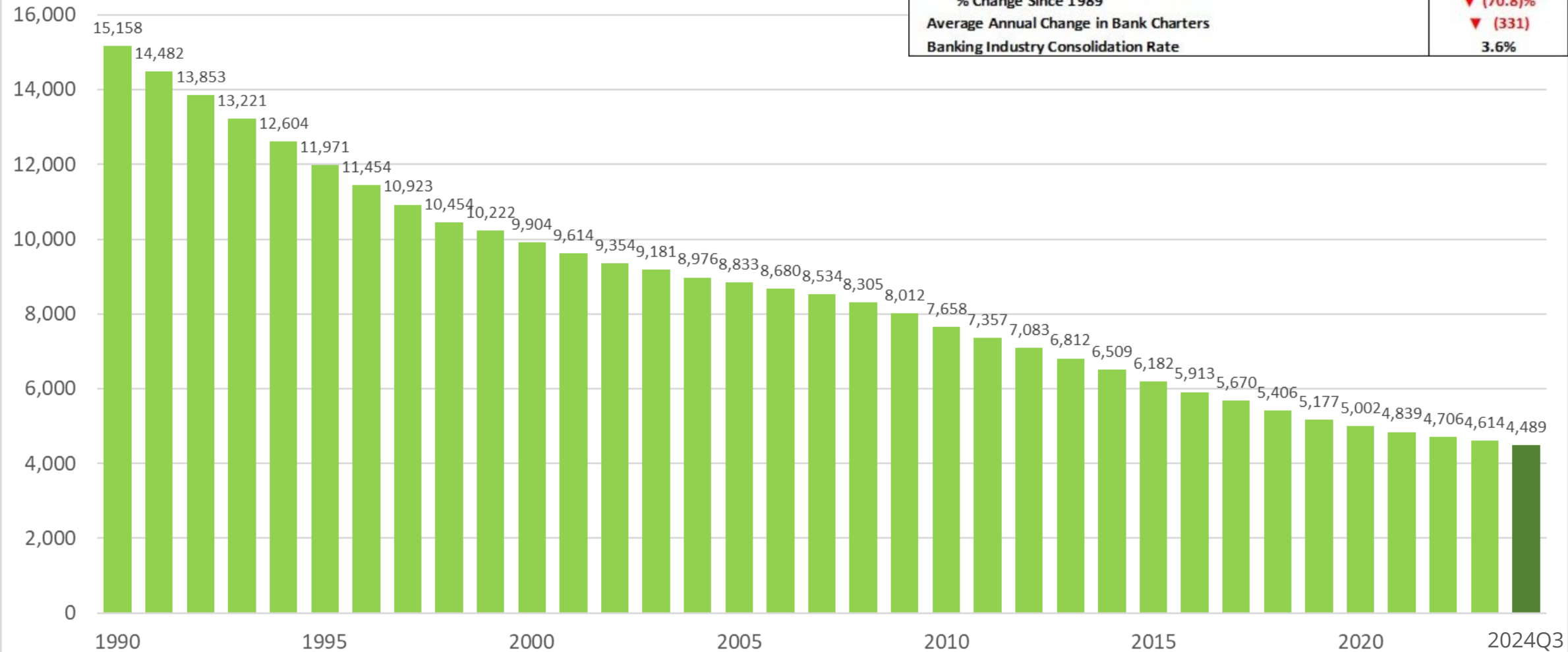
Is Your Net Interest Margin a Hostage to the FOMC?



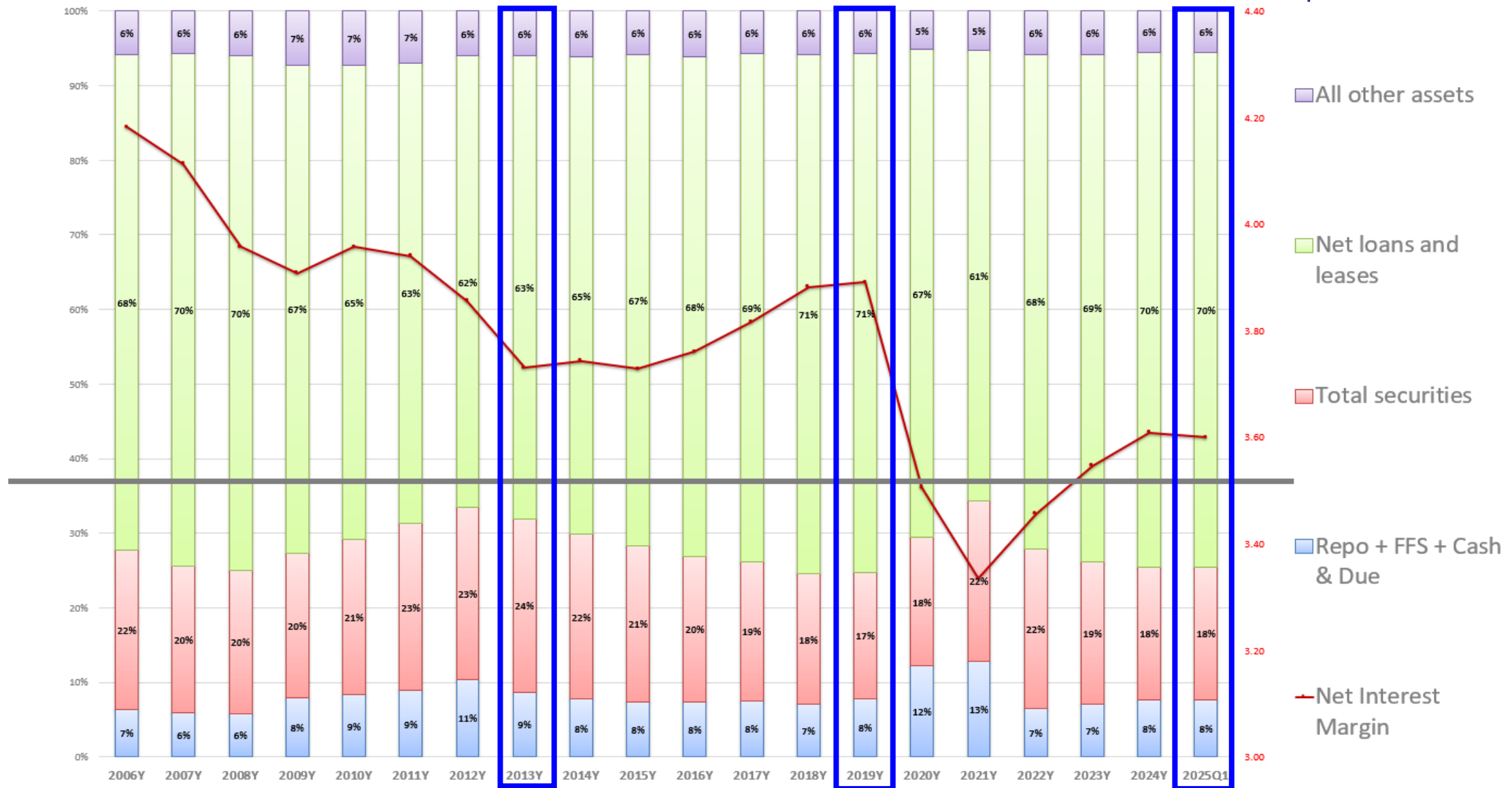
Balance Sheet Opportunities: Create a Path to Outperformance

FDIC Insured Banks

Trends in Bank Charters Since 1990	
Change in # of Bank Charters Since 1989	▼ (11,187)
% Change Since 1989	▼ (70.8)%
Average Annual Change in Bank Charters	▼ (331)
Banking Industry Consolidation Rate	3.6%

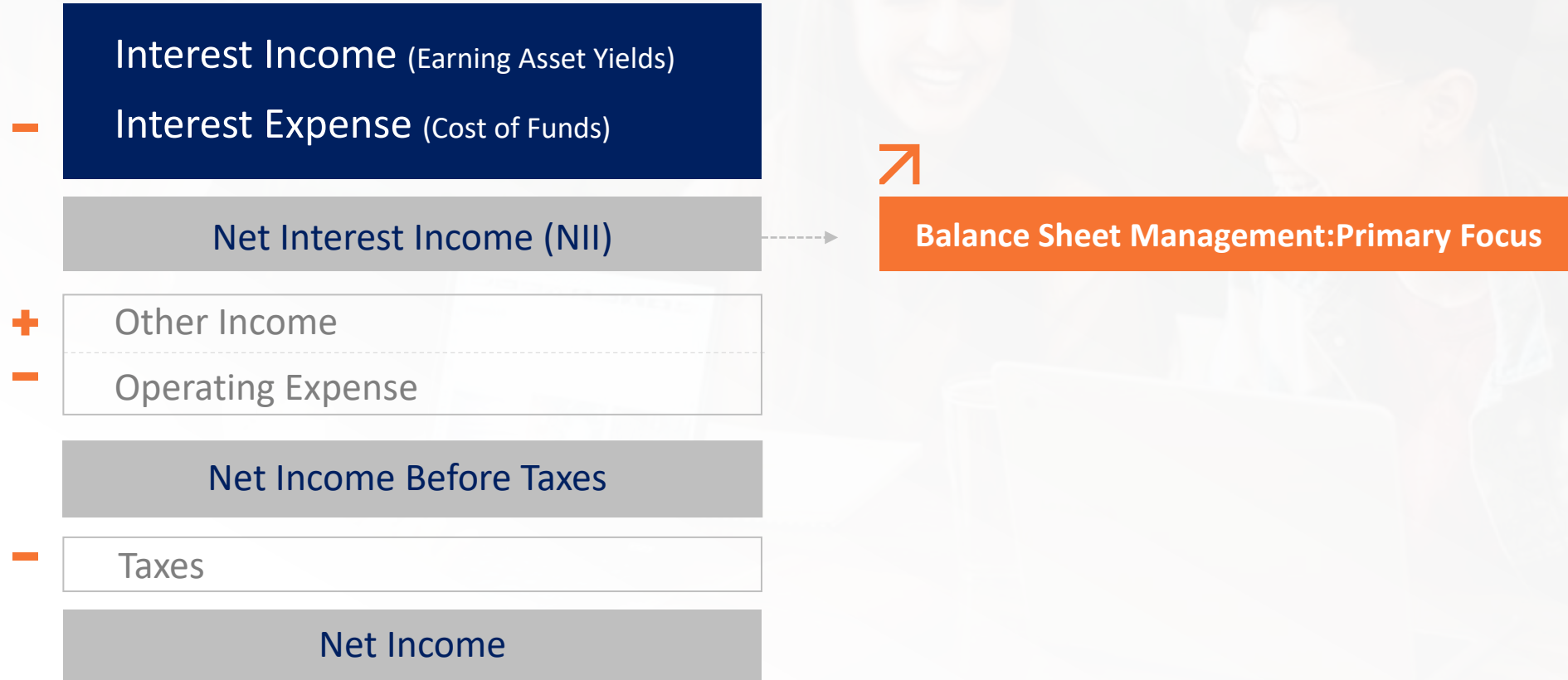


ASSET MIX TRENDS – BANKS NATIONALLY UNDER \$15 BILLION



Source: S&P Global Market Intelligence, Data for all banks Nationally <\$15B as of 3/31/25

BASIC INCOME STATEMENT



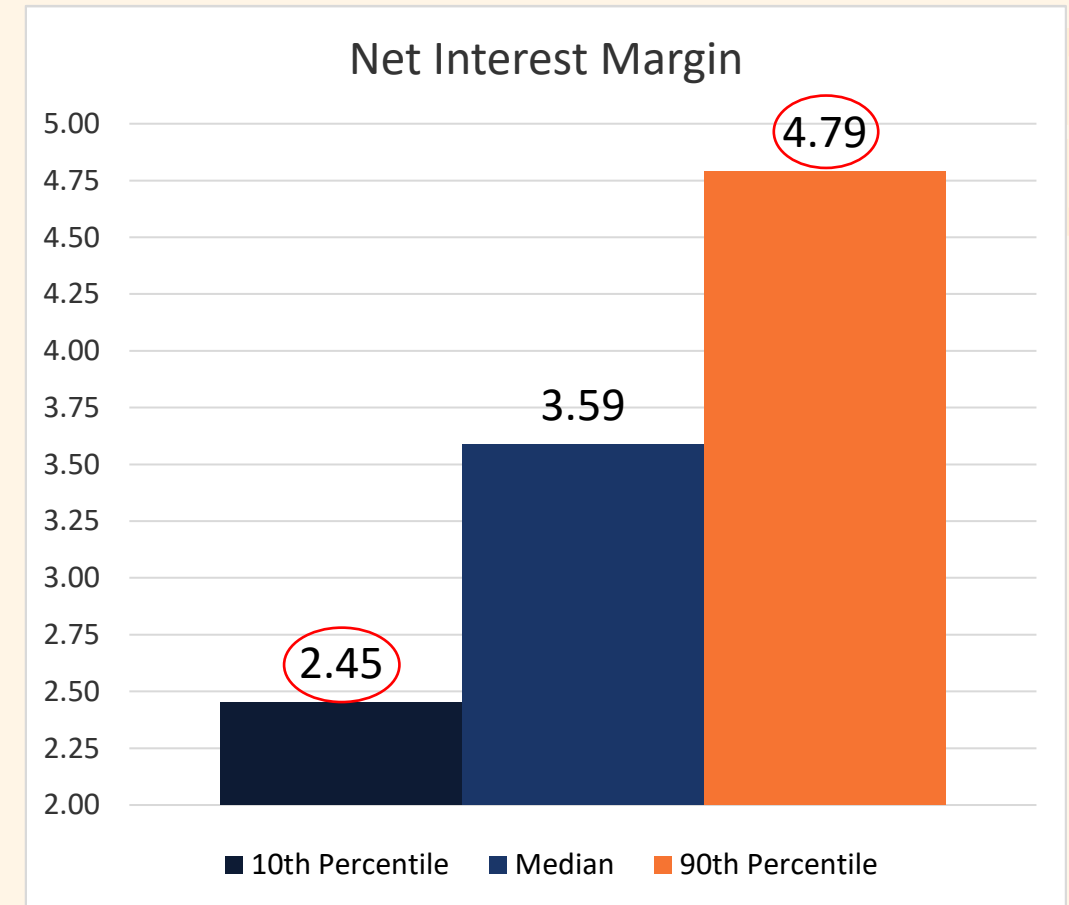
NII DEPENDENCY AMONG ALL BANKS NATIONALLY

Net Interest
Income (NII)

Net Interest
Income (NII)

+

Non-Interest
Income



Source: S&P Global Market Intelligence,
Data for all Banks Nationally <\$15B as of 3/31/25

The more net interest income dependent your institution, the more NIM will drive earnings

ONE YEAR NIM DOLLAR IMPACT

Earning Asset Size	Net Interest Income Change in thousands of dollars (due to Yield change in basis points)					
(in \$000)	5	10	15	20	25	30
25,000	13	25	38	50	63	75
50,000	25	50	75	100	125	150
100,000	50	100	150	200	250	300
250,000	125	250	375	500	625	750
500,000	250	500	750	1,000	1,250	1,500
1,000,000	500	1,000	1,500	2,000	2,500	3,000

2025 Illinois Bankers Annual Conference

See back for session QR codes

Handicapping your Balance Sheet: Maximize Net Income

Tuesday, June 24, 1:15 PM



Todd Taft, CFA,
Managing Partner
Todd.Taft@hubintl.com
502-412-5601



Executive Balance Sheet Consulting & Advisory Services

2025 Wisconsin Bankers Bank Executive Conference

See back for session QR codes

Evolution of ALCO- Regulatory Boot Camp

Wednesday, May 7, 11:15 AM - 12:15 PM



Tom Evans, CFA
Senior Consultant
tom.evans@hubintl.com
502-814-5601



Executive Balance Sheet Consulting & Advisory Services

2025 CBAO Annual Convention

See back for session QR codes

Understanding the Relationship Between Credit Cycles and Interest Rates

Tuesday, August 6th, 1:30 PM



Omar Hinojosa, CFA
Managing Partner
Omar.Hinojosa@hubinternational.com
502-814-565



Executive Balance Sheet Consulting & Advisory Services

2025 Louisiana Bankers Annual Convention

See back for session QR codes

Balance Sheet Management: What's Debt Got to Do With It?

Wednesday, May 7, 3:45 PM - 4:15 PM



Will Craycraft, CFA, CPA
Senior Consultant
will.craycraft@hubinternational.com
502-814-5601



Executive Balance Sheet Consulting & Advisory Services

BARRON'S Magazine
Top 10 Institutional Consultants of 2024

- **Philosophy – Reimagine ACLO**

- 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 – Loan Pricing Discussion
- High Cost of Funds – accelerating funding costs and/or deposit pricing frustrations

- **Interest Rate Risk, Capital and Liquidity – Regulatory Appeasement**

- 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

- **Education/Training**

- No independent analysis of the balance sheet
- Executives may lack either time, technology, or expertise in balance sheet management

Sample Savings Bank versus UBPR Peer Group

	Metric	Sample Savings Bank	UBPR Peer Group Average	Percentile Rank
Net Interest Margin Dissection	Yield on Investments (FTE)	3.95	2.96	82%
	Yield on Total Loans	5.89	6.40	27%
	Earning Asset Yield	5.69	5.66	54%
	Interest Expense to Avg. Earning Assets	2.85	2.15	77%
	Net Interest Margin (FTE)	2.84	3.20	25%
	Net Interest Income Dependency Ratio	0.85	0.84	54%

What's the Range of Net Interest Margin?

90th Percentile is 4.69%

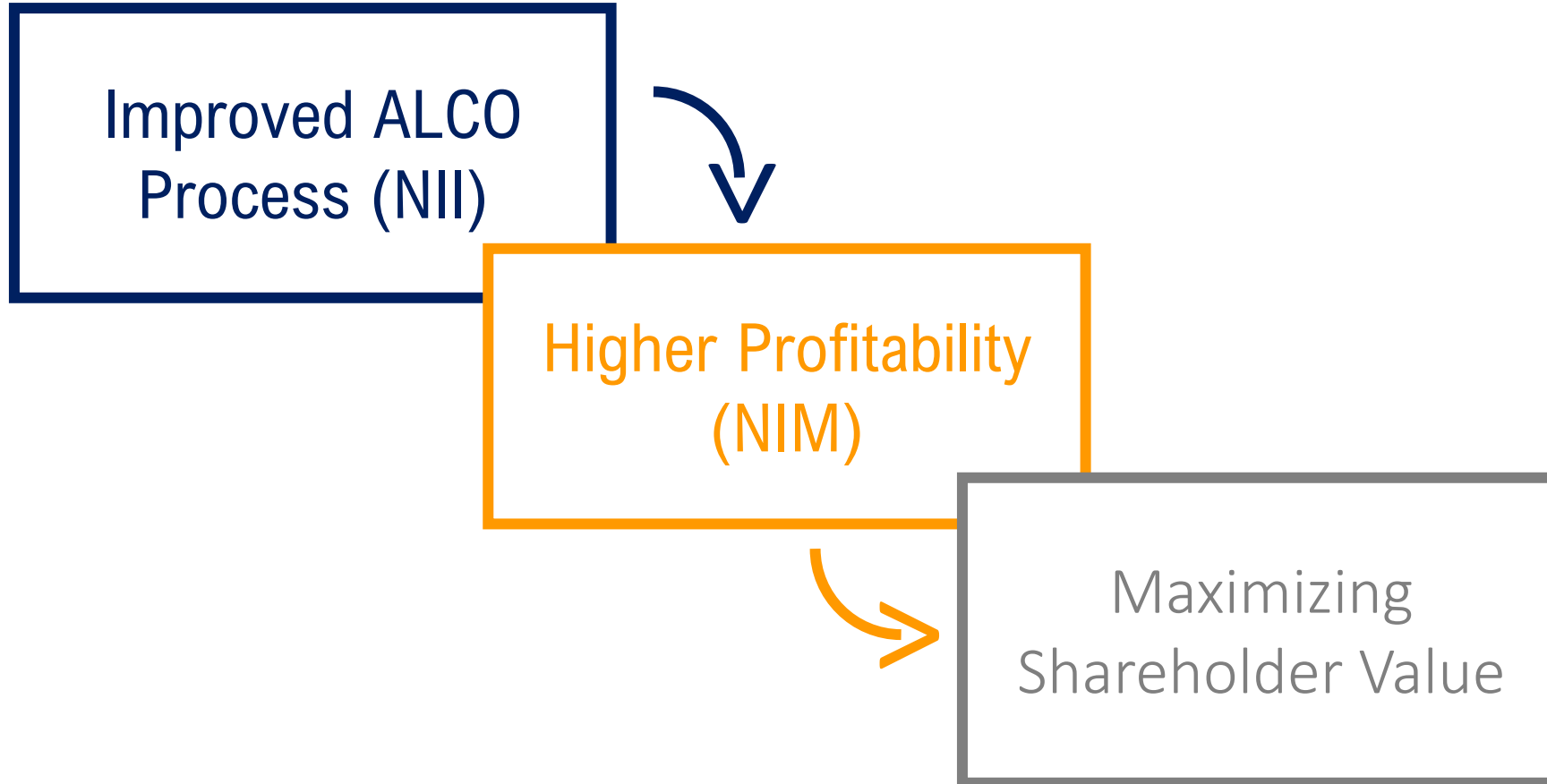
10th Percentile is 2.62%

Range of 2.07%

Source: S&P Global Market Intelligence,
Data for all Banks Nationally <\$15B as of 3/31/25

	Metric	Sample Savings Bank	UBPR Peer Group Average	Percentile Rank
Net Interest Margin Dissection	Yield on Investments (FTE)	3.95	2.96	82%
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	Earning Asset Yield	5.69	5.66	54%
	Interest Expense to Avg. Earning Assets	2.85	2.15	77%
	Net Interest Margin (FTE)	2.84	3.20	26%
	Net Interest Income Dependency Ratio	0.85	0.84	49%

BENEFITS OF A STRONG ALCO PROCESS



WHAT DOES AN ENGAGED ALCO PROCESS LOOK LIKE?



EVOLUTION OF ALCO PROCESS

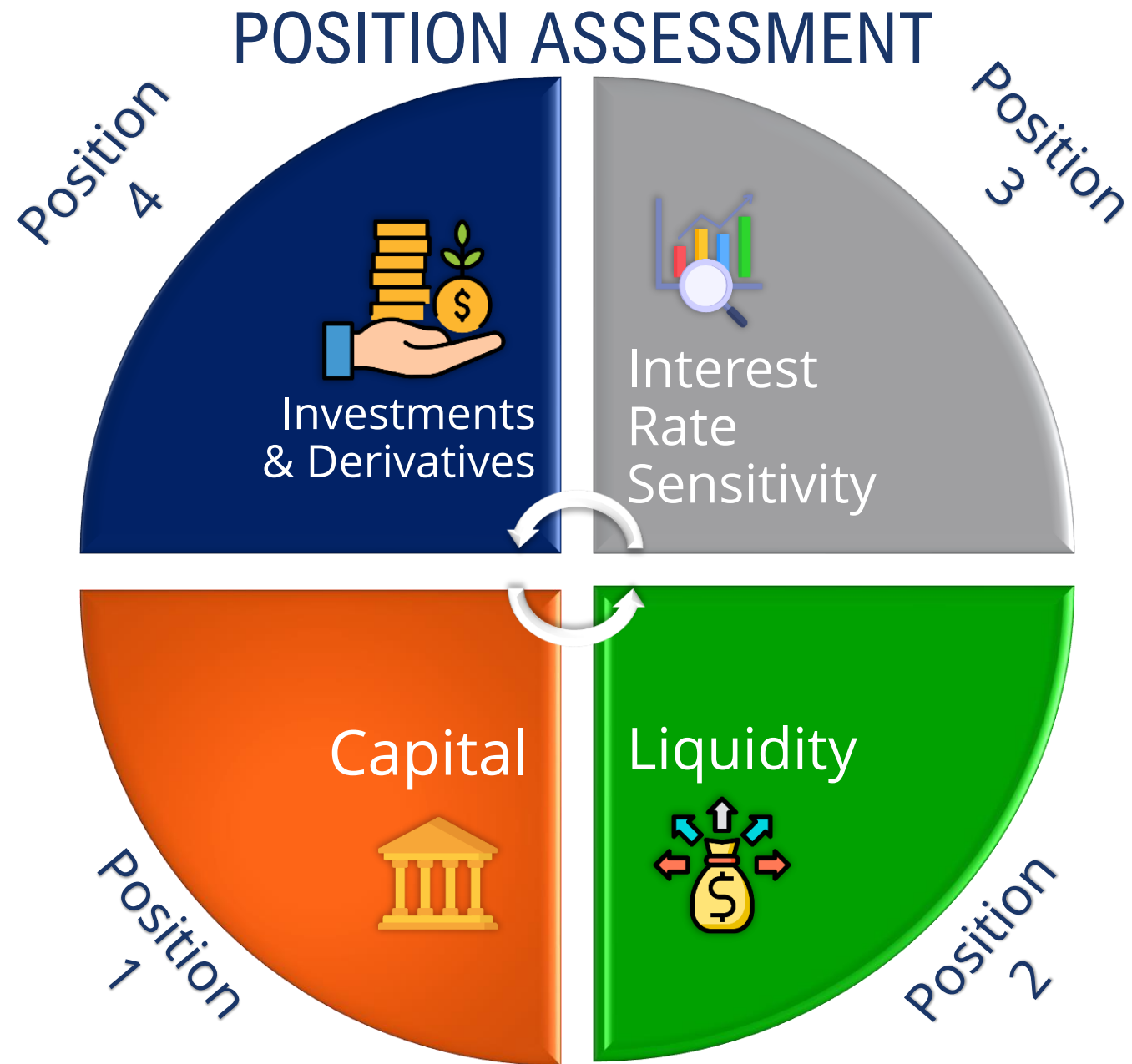


 **Interest Rate Risk Management**

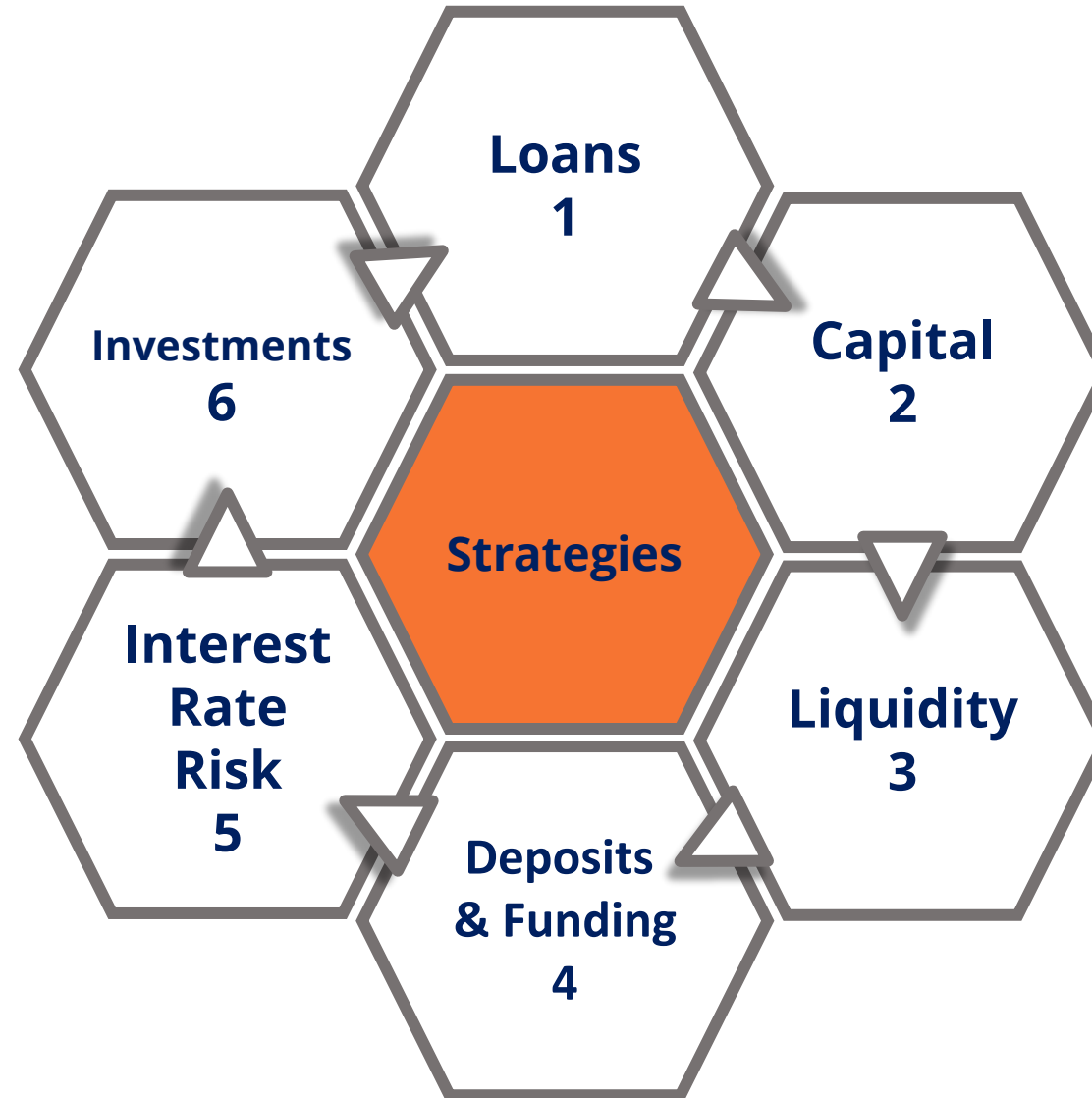
 **Asset Liability Management**

 **Balance Sheet Management**

Position Assessment



OBJECTIVES AND STRATEGIES



ALCO Workshop/ Formal ALCO

- Net Interest Margin Improvement
- Balance Sheet Strategies to Improve Profit and Manage Risk
- Capital Stress Tests: Growth and Credit
- Detailed review of Interest Rate Risk Reports
- Liquidity Analysis Worksheet & Contingency Funding Scenarios
- Meeting Minutes Document Balance Sheet Strategies

- 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

HUB | TAYLOR ADVISORS

A GREAT RESOURCE



TALKING POINTS – OUR TYPICAL CLIENTS

- Financial Institution Executives looking for ways to improve/protect performance & profitability
- Low sophistication/Lack of Expertise in Balance Sheet Management
- Size ranges from roughly \$200 million to \$3 billion in assets
- Institutions with low, compressing or volatile net interest margin
- Institutions facing regulatory scrutiny
- Institutions working through management turnover or succession planning (i.e.: new CFO)

ICBA 2025 ATTENDEES THAT NEED HELP IMPROVING NIM

- The following banks are underperforming peer in terms of net interest margin, earning asset yields, or investment yields.

Bank Name	City	State	Asset Size	Net Interest Margin
American Bank of Freedom	Wellsville	MO	\$934,548	2.85
Anderson State Bank	Oneida	IL	\$104,922	2.52
CNB Bank, Inc.	Berkeley Springs	WV	\$638,742	2.81
First Federal Savings Bank	Evansville	IN	\$622,490	2.85
First Fidelity Bank	Fort Payne	AL	\$154,798	3.22
First National Bank of Michigan	Kalamazoo	MI	\$970,572	2.53
First State Bank Southwest	Worthington	MN	\$401,059	2.59
First United National Bank	Fryburg	PA	\$353,115	2.35
Fleetwood Bank	Fleetwood	PA	\$389,881	2.89
Flora Bank & Trust	Flora	IL	\$117,711	1.93
Fox Valley Savings Bank	Fond du Lac	WI	\$378,230	2.11

Bank Name	City	State	Asset Size	Net Interest Margin
Genesee Regional Bank	Rochester	NY	\$1,236,709	2.71
Iowa State Bank	Sac City	IA	\$196,021	2.99
Jefferson Security Bank	Shepherdstown	WV	\$536,854	2.70
Mediapolis Savings Bank	Mediapolis	IA	\$250,962	3.23
Oak View National Bank	Warrenton	VA	\$694,438	2.90
Princeville State Bank	Princeville	IL	\$109,883	2.89
Profile Bank	Rochester	NH	\$295,833	2.54
Reliabank Dakota	Estelline	SD	\$789,575	2.33
Solvay Bank	Solvay	NY	\$1,193,411	1.95
The Corn City State Bank	Deshler	OH	\$92,702	2.25

CUSTOM ANALYTICS – SOLVAY BANK

Performance and Balance Sheet Snapshot - 2025Q1

Solvay Bank
1537 Milton Avenue Solvay, NY 13209

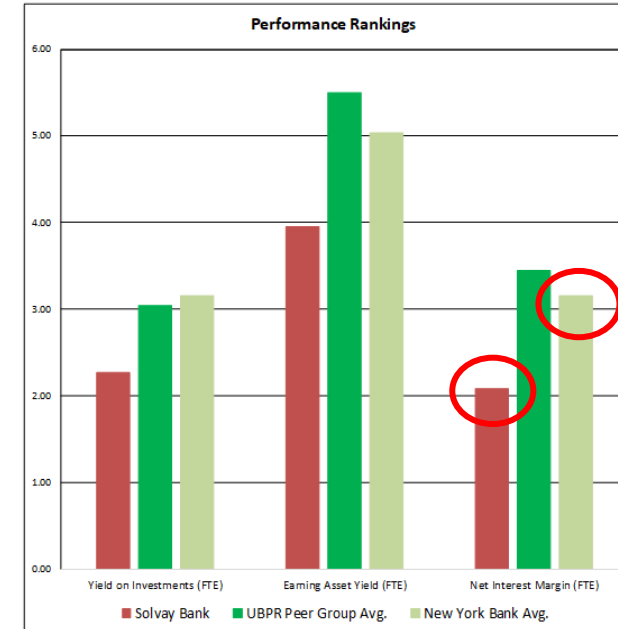
Performance Rankings

Solvay Bank versus UBPR Peer Group*

	Metric	Solvay Bank	UBPR Peer Group Average**	Percentile Rank
Net Interest Margin Dissection	Yield on Investments (FTE)	2.27	3.05	18%
	Yield on Total Loans	4.86	6.23	2%
	Earning Asset Yield (FTE)	3.95	5.50	2%
	Interest Expense to Avg. Earning Assets	1.88	2.07	39%
	Net Interest Margin (FTE)	2.08	3.45	2%
	Return on Average Assets	0.40	1.04	8%
	Net Interest Income Dependency Ratio	0.82	0.85	32%

Solvay Bank versus New York Banks

	Metric	Solvay Bank	New York Bank Average	Percentile Rank
Net Interest Margin Dissection	Yield on Investments (FTE)	2.27	3.16	15%
	Yield on Total Loans	4.86	5.78	9%
	Earning Asset Yield (FTE)	3.95	5.03	8%
	Interest Expense to Avg. Earning Assets	1.88	1.82	51%
	Net Interest Margin (FTE)	2.08	3.16	14%
	Return on Average Assets	0.40	0.87	24%
	Return on Average Equity	5.83	6.74	42%
	Net Interest Income Dependency Ratio	0.82	0.83	29%



Earning Asset Mix and Balance Sheet Positions

Earning Asset Mix

Asset Size (\$000)	1,174,496
Net Loans (\$000)	722,468
Security Portfolio (\$000)	368,374
Cash and FFS (\$000)	26,770

Investment Portfolio

Municipals (% of Portfolio)	40,046	11%
MBS (% of Portfolio)	39,186	11%
CMBS (% of Portfolio)	22,908	6%
CMO (% of Portfolio)	83,895	23%
Agencies (% of Portfolio)	120,816	33%
Treasuries (% of Portfolio)	16,711	5%
Other Securities (% of Portfolio)	44,812	12%

Liquidity and Funding

Pledged Securities (% of Portfolio)	61%
Liquidity Ratio	16%
Wholesale Funding Sources (\$000)	54,636
Cost of Funds (% of Average Liabilities)	1.99%

Capital

Tier 1 Capital	111,286
Tier-1 Leverage Ratio (%)	9.26
Total Risk Based Capital	119,410
Total Risk-Based Capital Ratio (%)	NA - CBLR
Municipals (% of Total Capital)	34%

Miscellaneous

Subchapter-S?	No
Effective Tax Rate (YTD)	14.37%
Efficiency Ratio	79.56

MOST SUCCESSFUL INTRO STRATEGY

HUB-TA's Focus

- *HUB-TA is a team of balance sheet consultants, net interest margin managers, and investment advisors for community banks – they help banks improve/protect profitability while managing risk.*
- *HUB-TA assists in several areas of balance sheet management including capital, liquidity, interest rate risk, investments, loans, deposits, and others.*
- *HUB-TA is **not** a broker/dealer (nor affiliated with one) – they're a SEC-registered investment advisor and independent 3rd party – oftentimes, their clients continue to use their existing brokers in tandem with HUB-*

Opportunity to Meet

- *I thought you might benefit from a short visit (20-30min virtual meeting) with their team.*
- *Even if you're not a fit (or you're working with another provider), bank executives almost always get value from a short visit as they'll share ideas/education on various areas of ALCO & balance sheet management. I am sure you will get some free consulting*
- *I would like to connect you via email to meet with the HUB| TA for a no obligation conversation about Balance Sheet Management.*

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)		
(in \$000)	1	10	16
250,000	25	250	400
500,000	50	500	800
750,000	75	750	1,200
Investments	1	10	23
50,000	5	50	115
100,000	10	100	230
150,000	15	150	345



BARRON'S Magazine
Top Institutional Consultants of 2025



Todd Taylor, CPA, CFA

Managing Partner

E-mail: Todd.Taylor@hubinternational.com
Phone: 502 412-2524



Brett Walburn

SVP, Director of Business Solutions

E-mail: Brett.Walburn@hubinternational.com
Phone: 972 462-3199