FHLB Des Moines Region Member Meetings

SESSION 1 – LIVING IN THE NEW WORLD

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Making Big Things Happen from Small Actions!

2020 FHLB Des Moines Regional Member Meetings

- Session 1: Managing Your Balance Sheet in Times of Crisis
- Session 2: Creating Your Ideal Funding Plan Structure
- Session 3: Navigating a Flattening Yield Curve During Record Low Rates
- Session 4: Asset and Funding Strategies

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Session 1
Agenda

Overview or challenges facing community FIs

Current market challenges – A quick look at current conditions

Building the case for “managed sustainability”

Current concerns – managing liquidity in today’s environment

Managed Sustainability

- Sustainability – Defined
  - The ability to be maintained at a certain rate or level
  - Avoidance of the depletion of natural resources in order to maintain an ecological balance

- What are the “natural resources” of a community FI?
  - Spread
  - Service
- How well have we “managed” our natural resources in the past decade?
- Is the future sustainability “manageable”? At what cost?
  - For every decision there is a cost. Is a lack of action today a cost tomorrow?

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Looking Back

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Pre-pandemic Community Banking Trends

- Average community FI in UBPR peer 5: $300 million - $1 billion

Financial Trends	2006	2009	2011	2015	2019
Avg Assets	$ 466,021	$ 530,961	$ 420,139	$ 436,942	$ 638,199
Avg Loans	$ 283,607	$ 326,255	$ 257,195	$ 281,660	$ 363,145
Avg Deposits	$ 308,004	$ 343,396	$ 290,354	$ 305,678	$ 446,542
Ttl Equity Capital	$ 44,937	$ 47,831	$ 41,422	$ 51,126	$ 63,153
Tangible Equity	N/A	10.20%	10.15%	10.65%	11.15%
RB Capital	N/A	16.10%	16.87%	16.33%	18.80%

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Pre-pandemic Community Banking Concerns

- Average community FI in UBPR peer 5: $300 million - $1 billion

Financial Trends	2006	2009	2011	2015	2019
Asset Growth	4.73%	2.72%	2.16%	2.33%	2.00%
Loan Growth	7.98%	2.06%	1.40%	2.67%	1.45%
Deposit Growth	11.98%	3.66%	2.57%	2.48%	2.26%
Equity Growth	2.93%	0.20%	0.71%	1.07%	1.86%
Loan\Deposit	81.37%	84.17%	94.37%	83.43%	81.47%
Loan\Asset	66.35%	66.33%	62.20%	65.90%	68.55%

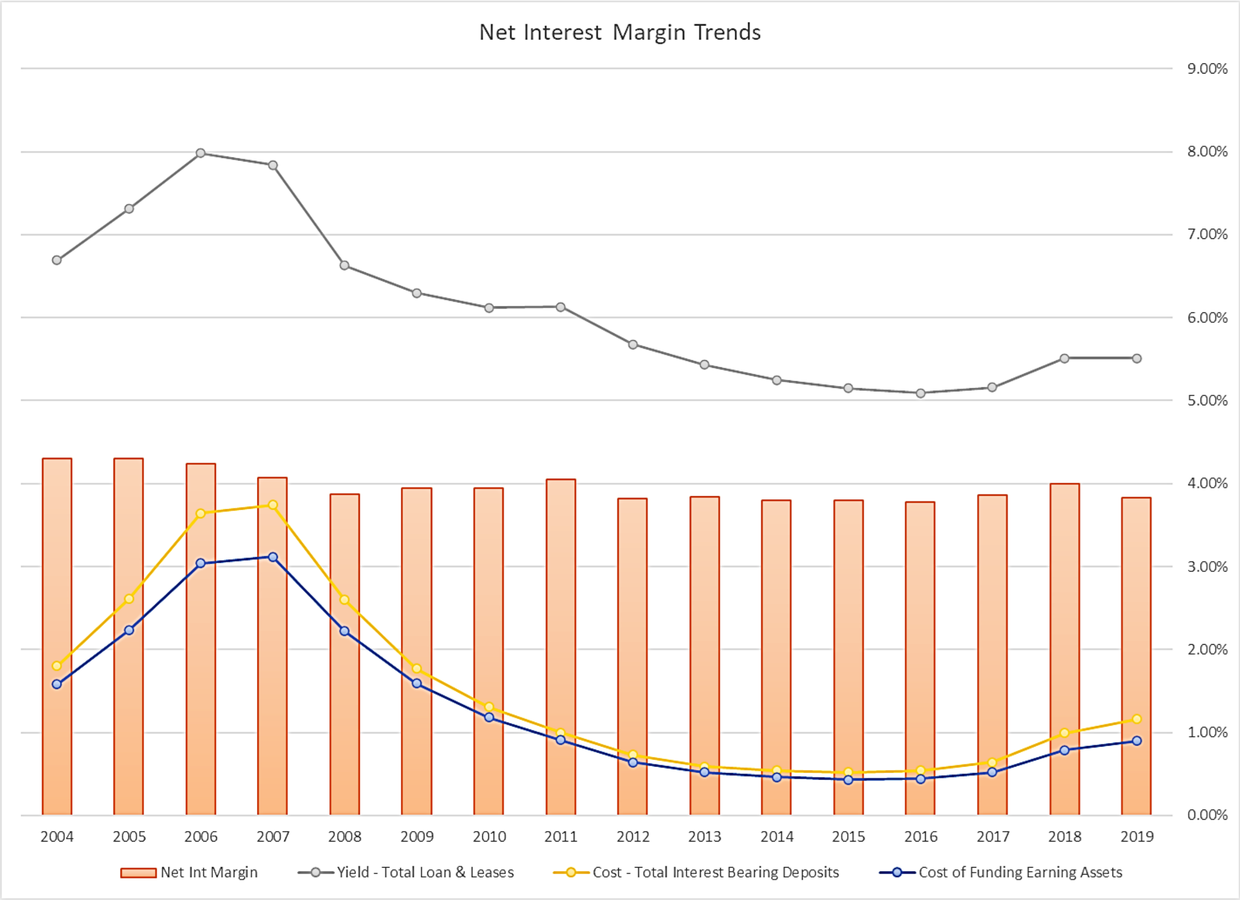
Pre-pandemic Community Banking Concerns

- Average community FI in UBPR peer 5: $300 million - $1 billion

Financial Trends	2006	2009	2011	2015	2019
Loan Yield (TE)	8.04%	6.27%	6.15%	5.17%	5.53%
Cost of IB Deposits	3.64%	1.77%	1.00%	0.52%	1.16%
NIM (TE)	N/A	4.04%	4.17%	3.90%	3.92%
Non-Int Income	1.20%	1.01%	1.06%	1.23%	1.10%
Non-Int Expense	3.69%	3.43%	3.36%	3.30%	3.07%
Net Overhead	2.49%	2.42%	2.30%	2.07%	1.97%
Efficiency Ratio	79.74%	79.45%	76.20%	70.22%	66.19%
ROA (Sub S adj)	N/A	0.05%	0.50%	0.80%	0.88%
ROE	N/A	-0.43%	3.48%	7.03%	7.41%

Peer Group 5 Trends – 2004-2019

- Net interest margin has been declining throughout
  - 3.83% in 2019 vs. 4.30% in 2004
    - -0.47 of a decline of 10.9%
- Is this margin sustainable for another 5-10 years?
  - Another 10% decline = 3.45%
    - What's the offset?
    - What changed
  - What is the market saying about community bank values?



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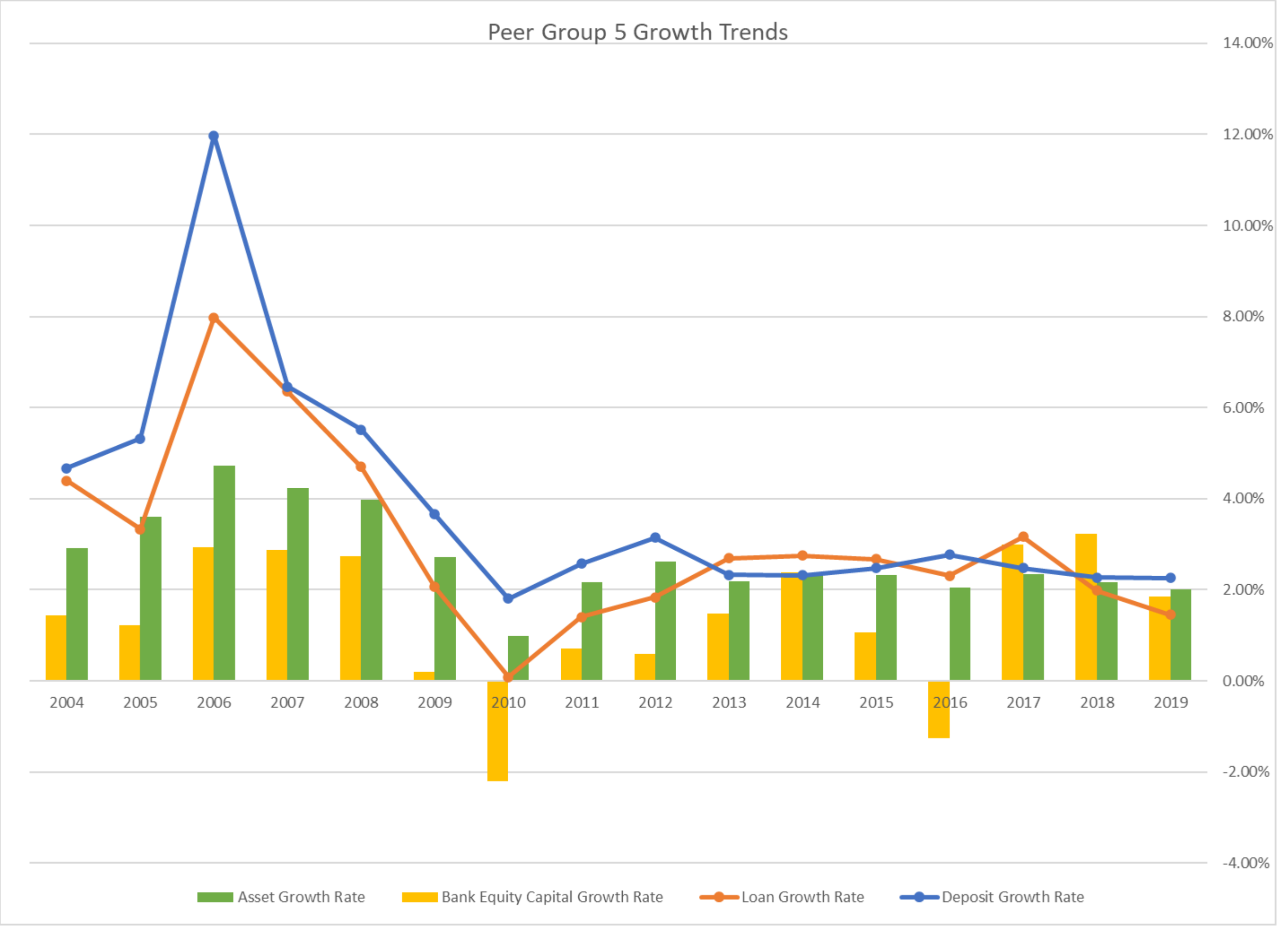
Peer Group 5 Trends – 2004-2019

- Historical annual growth rates 8-10%
- Post crisis growth rates 2-3%



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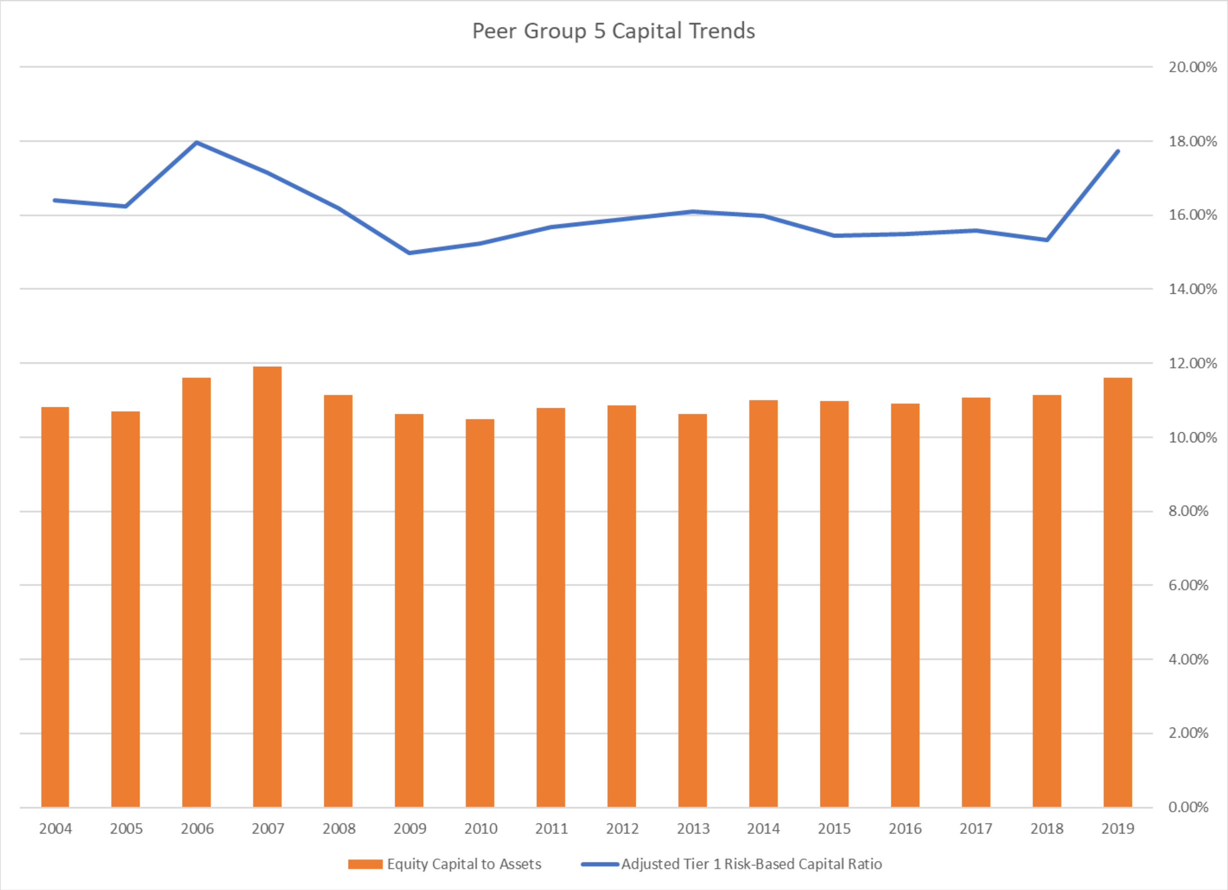
Peer Group 5 Trends – 2004-2019



- Post crisis capital levels declined but still strong
- Capital levels at or above 2004 levels
- Regulatory emphasis on capital a barrier to growth?
  - Real or perceived?

Polling Slide

- Do the trends on the prior slides generally represent your institution over the past decade?
  - Yes
  - No

What were your major concerns about 2020-2021 3 months ago?

Mark all that apply:

- ❑ Inverted yield curve and margin?
- ❑ Non-interest income generation
- ❑ Deposit growth pressures
- ❑ More pressure for longer, fixed rate loan terms
- ❑ Non-bank competitors
- ❑ CECL
- ❑ Regulatory environment
- ❑ Other: ___________________
- ❑ Other: ___________________

PPP Lending

A LOOK AT THE PROFITABILITY

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Paycheck Protection Loans – A Look at Profitability

- At first blush, 1% rate for a 2-year loan sounds suboptimal

- Originations fees paid by SBA up-front on a reverse tier
  - < $350,000 5%
  - $350k - $2 million 3%
  - > $2 Million 1%
- Other key assumptions for modeling profitability
  - Origination expense of $2,000 per loan and 1.0% to service annually
  - Prepayments at 0%, 30% and 75% - with 0% as worst case as faster prepayments allow the fee to come into income faster
  - Credit losses at 1% which we believe are on the high side
  - Funding costs = FTP Average FHLB bullet advances

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Paycheck Protection Loans – A Look at Profitability

- $350k loan, 0% Prepay

RAROC (Lifetime)	
Wtd Loan Yield	**1.000%**
+Wtd Fees	**4.937%**
- Wtd Fund Bench	**0.637%**
- Option Risk	**0.000%**
- Credit Risk	**1.000%**
- Expense	**1.552%**
= Spread	**2.747%**
- Tax Adjust	**0.962%**
= After Tax Spread	**1.786%**

- 350k loan, 30% Prepay

RAROC (Lifetime)	
Wtd Loan Yield	**1.000%**
+Wtd Fees	**5.949%**
- Wtd Fund Bench	**0.599%**
- Option Risk	**0.000%**
- Credit Risk	**1.000%**
- Expense	**1.664%**
= Spread	**3.686%**
- Tax Adjust	**1.290%**
= After Tax Spread	**2.396%**

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Paycheck Protection Loans – A Look at Profitability

- $1.5 Million loan, 0% Prepay

RAROC (Lifetime)	
Wtd Loan Yield	**1.000%**
+Wtd Fees	**2.925%**
- Wtd Fund Bench	**0.637%**
- Option Risk	**0.000%**
- Credit Risk	**1.000%**
- Expense	**1.129%**
= Spread	**1.159%**
- Tax Adjust	**0.406%**
= After Tax Spread	**0.753%**

- $1.5 Million loan, 30% Prepay

RAROC (Lifetime)	
Wtd Loan Yield	**1.000%**
+Wtd Fees	**3.521%**
- Wtd Fund Bench	**0.599%**
- Option Risk	**0.000%**
- Credit Risk	**1.000%**
- Expense	**1.154%**
= Spread	**1.767%**
- Tax Adjust	**0.618%**
= After Tax Spread	**1.149%**

Polling Slide

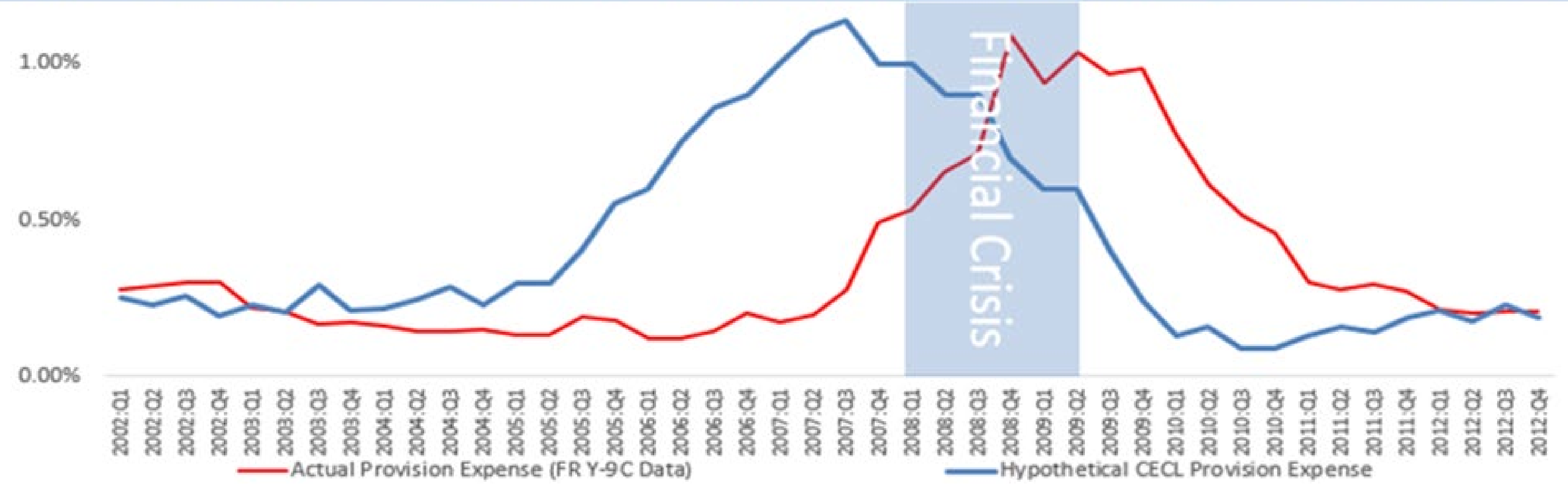
Is your FI taking part in the paycheck protection program?

- Yes
- No
- Undecided

Loan Allowance & COVID-19

- Today's accounting results in reduction in earnings (via increased provision expense) during the height of the 2007-2008 financial crisis – when banks' earnings and capital were most stressed.
- CECL was issued to address this "too little too late" concern
- Under CECL, allowance should begin to build up before the height of economic crisis

Comparison of Hypothetical CECL Provision Expense to Actual Provision Expense as a % of Total Assets



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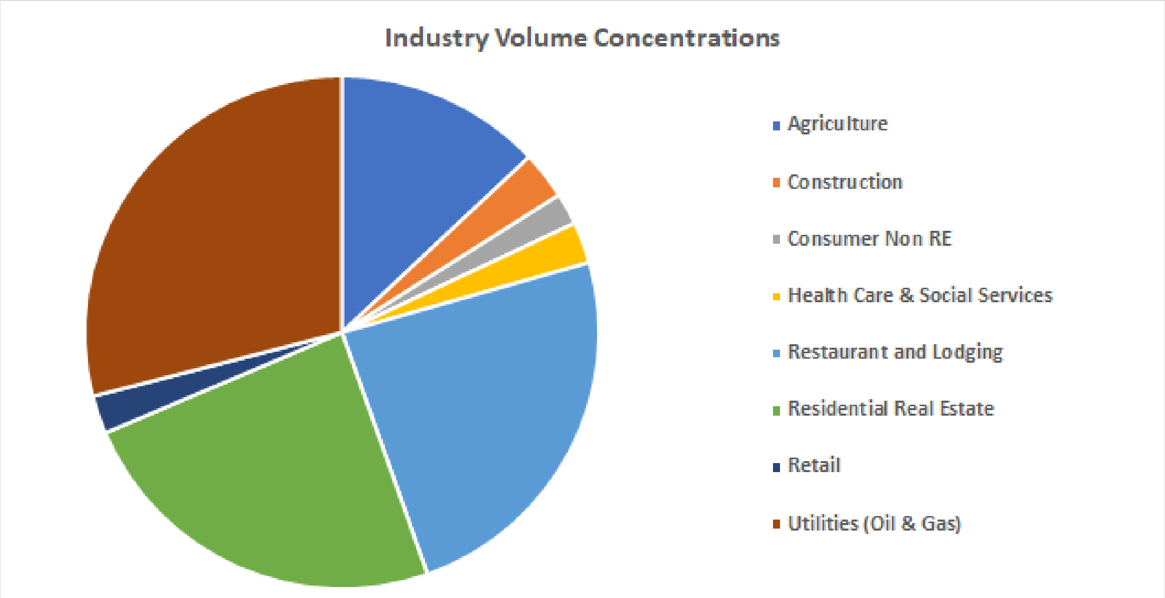
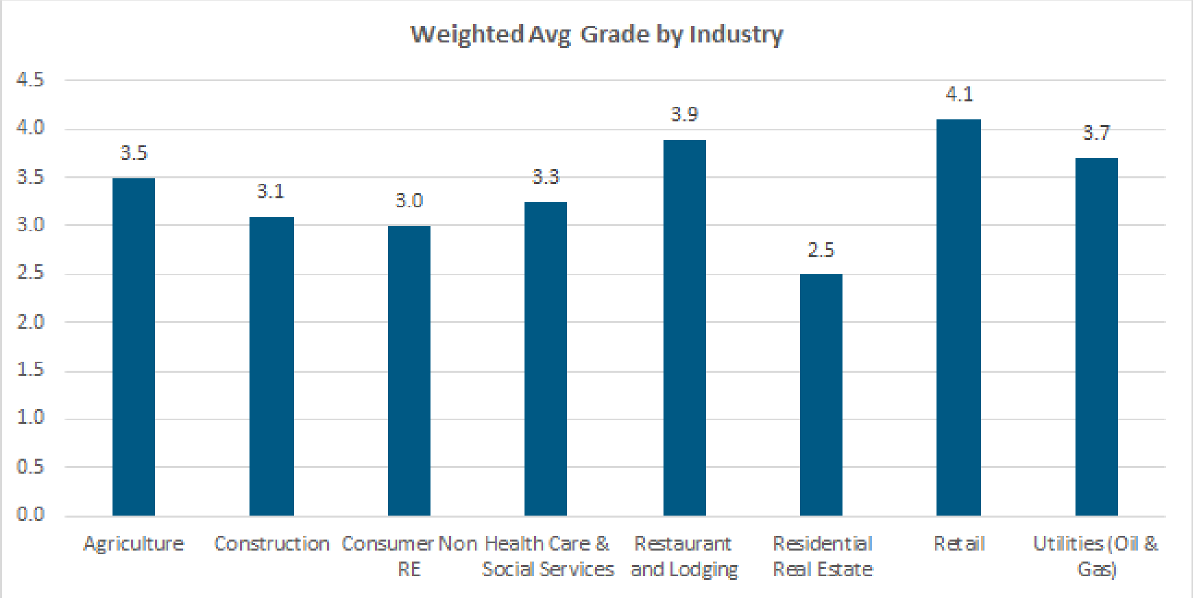
Loan Allowance & COVID-19

Understanding Concentration Risks





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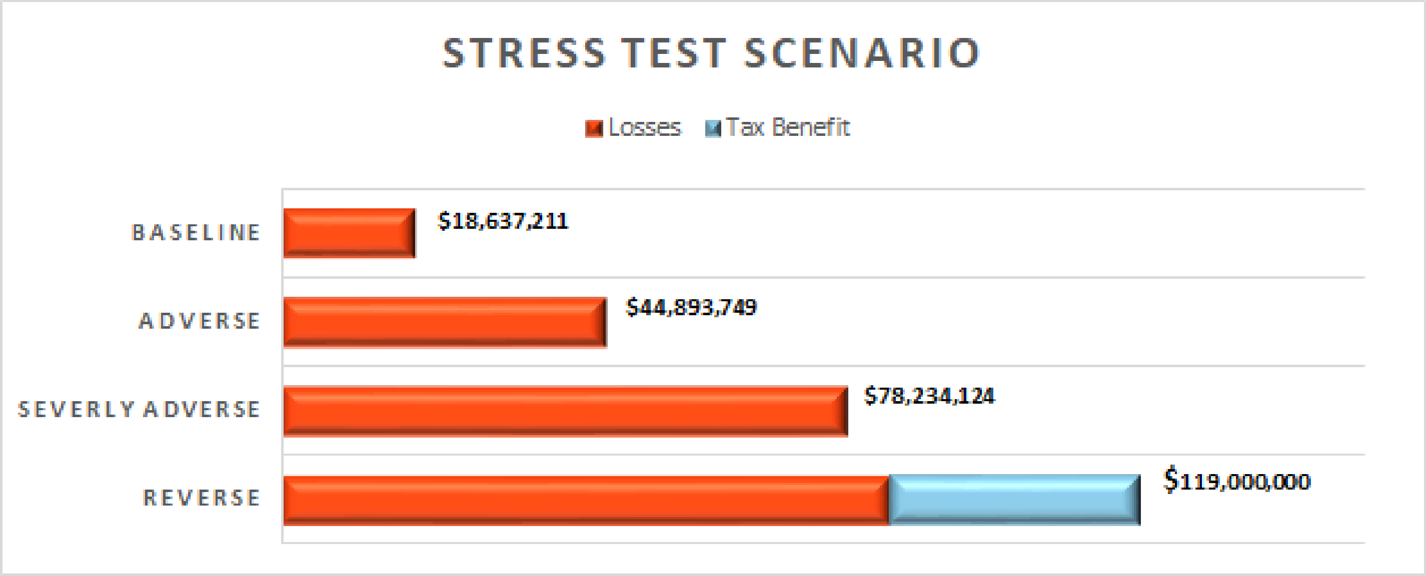
Loan Allowance & COVID-19

Impact of COVID-19 on allowance calculations

- Will regulatory guidance accelerate loss for loans that were delinquent prior to COVID-19 impacts
- The delayed impact of COVID-19 credit risk impacts on performing loans
- Adjustments to qualitative and environment factors



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Liquidity Risk & Supply Chain

IS YOUR LIQUIDITY MANAGEMENT PROGRAM WORKING NOW IN A TIME OF NEED?

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Liquidity Definitions

- Operational liquidity
  - Asset based or core liquidity: Cash and other financial assets that can be easily converted to cash for operational needs
    - Withdrawals
    - Originations
  - Total (cash flow based) liquidity : Does your projection maintain sufficient sources to meet financial obligations: withdrawals, loan demands and other commitments.
    - To what extent is liquidity changing level and/or form
    - Should include measures of debt or borrowing capacity.
- Contingent liquidity
  - Asset sales, wholesale borrowing, non-core funding sources

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Liquidity Sources

- Pools or reservoirs (stock of funds)
  - Cash
  - Stock of high-quality assets that can be converted to cash

- Flows
  - Loan repayments
  - Investment repayments and maturities not in the "HQLA" pool
  - Planned deposit growth

- Contingent sources
  - Borrowing lines

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Liquidity Risk Today

- Impact of pandemic economic slowdown
  - Deposit impact?
  - Loan repayment/credit risk?
  - Deferrals & Forbearance
  - Draws on credit lines?

- You need to test the “volatility” of funding inflows\outflows during economic and market disintermediation!

Building the Basic Liquidity Ratio (BLR)

- Step 1: What is our stock of available "liquid assets" ?

Section 1: Liquid Assets			Total $ 90 Days		% of Ttl Assets
1-1		Overnight Funds + ST Investments	$	249,479	14.10%
1-2	*plus*	Market value of available securities	$	75,104	4.24%
1-3	*plus*	Other Liquid assets	$	-	0.00%
1-4	*plus*	Projected 30 day cash flows from securities (not included in 1 or 2)	$	-	0.00%
-15	*plus*	**Loans held for sale (% of Commitments sold)**	$	-	0.00%
1-6	*plus*	**Projected cumulative cash flows from loans (contractual and prepayment)**	$	76,399	4.32%
1-7	*equals*	*Total Liquid Assets & Sources*	*$*	*400,982*	*22.66%*

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Building the Basic Liquidity Ratio (BLR)

- Determine short-term liabilities to fund

Section 2: Short term volitale liabilities			Total $ 90 Days	% of Ttl Assets
2-1		Wholesale funds maturing	$ -	0.00%
2-2	*plus*	Core Deposit runoff assumptions (Maturing CDs @ x% + y% of NMDs)	$ 115,087	6.50%
2-3	*plus*	Brokered CD Maturities	$ -	0.00%
2-4	*plus*	Reciprocal CD Maturities	$ -	0.00%
2-5	*plus*	**Firm commitments to originate**	$ 75,000	4.24%
2-6	*plus*	**Potential draws on lines of credit (Assumed 10% -90 days)**	$ 2,572	0.15%
2-7	*equals*	*Total Liabilities & Uses*	*$ 192,660*	*10.89%*
		Basic Liquidity Ratio	**$ 208,322**	**11.77%**

- Basic liquidity ratio (BLR) calculation options
  - (Total liquid asset sources - total liability uses) / Total Assets - Set a minimum level as policy
  - Total liquid asset sources / total liability uses - > 100% is excess < 100% is shortage. Set a range as policy

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Building the Basic Liquidity Ratio (BLR)

- Step 3: Add contingent liability sources to the basic measure from step 2
- Create a section for each source
- Limit source availability by:
  - Policy limits
  - Remaining capacity

Section 3: Contingent Liquidity FHLB			Total $ 90 Days	% of Ttl Assets
3-1		Maximum FHLB Line of Credit	$ 495,000	27.97%
3-2a		Qualifying collateral	$ 784,089	44.30%
3-2b	*less*	Outstanding borowings	*$ 218,444*	12.34%
3-2	*equals*	**Collateralized advance capacity**	$ 565,645	31.96%
3-5		**Maximum policy limit on FHLB Advances**	$ 442,464	*25.00%*
3-6		*Remaining Capacity (Lesser of 3-1, 3-2a or 3-5) less outstandings*	*$ 224,020*	*12.66%*
		Basic Liquidity Ratio with FHLB	**$ 330,530**	**18.68%**

Building the Basic Liquidity Ratio (BLR)

Section 4: Brokered Deposits			Total $ 90 Days	% of Ttl Assets
4-1		Maximum Brokered Deposit Policy Limit	$ 265,479	*15.00%*
4-2a	*less*	Current Balance Brokered Deposits	$ -	0.00%
4-2b	*plus*	Recipricol brokered CDs	$ -	0.00%
4-3	*equals*	*Remaining Brokered Capacity*	*$ 265,479*	*15.00%*
		Basic Liquidity Ratio with FHLB & Brokered	**$ 596,009**	**33.68%**

Section 5: Internet & Rate Board Deposits			Total $ 90 Days	% of Ttl Assets
5-1		Maximum Internet\Rate Board Deposit Policy Limit	$ 176,986	*10.00%*
5-2	*less*	Current Balance Internet & Rate Board Deposits	$ -	0.00%
5-3	*equals*	*Remaining Internet CD Capacity*	*$ 176,986*	*10.00%*
		Basic Liquidity Ratio with FHLB & Brokered & Rate Boards	**$ 772,994**	**43.68%**

Section 6: Correspondent Bank Lines			Total $ 90 Days	% of Ttl Assets
6-1		Total Correspondent Lines	$ -	0.00%
6-2	*less*	Current Balance Correspondant Banks	$ -	0.00%
6-3	*equals*	*Remaining Correspondant Lines*	*$ -*	*0.00%*
		Basic Liquidity Ratio with FHLB & Brokered & Rate Boards	**$ 772,994**	**43.68%**

Section 7: Federal Reserve Bank\FF Purchased			Total $ 90 Days	% of Ttl Assets
7-1		Maximum Internet\Rate Board Deposit Policy Limit	$ 176,986	*10.00%*
7-2	*less*	Current Balance Federral Reserve	$ -	0.00%
7-3	*equals*	*Remaining Federal Reserve Capacity*	*$ 176,986*	*10.00%*
		Basic Liquidity Ratio with FHLB & Brokered & Rate Boards	**$ 949,980**	**53.68%**

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Stress Testing the BLR

Applying today's concerns to the BLR for liquidity testing

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Scenario Test Assumptions

- Loan repayments decline due to slowdown from pandemic impact to economy
- Deposit outflows increase from projected levels as depositors lean on savings for funds in difficult times
- Business and consumer lines of credit experience increased draws to 50% of total outstanding levels
- Securities portfolio take additional 5% discount to normal expected pricing due to volatile markets

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Liquid Asset Comparison – Base to Stress

- Step 1: What is our stock of available “”liquid assets” ?

Section 1: Liquid Assets			Total $ 90 Days	Total $ 90 Days
1-1		Overnight Funds + ST Investments	$ 249,479	$ 249,479
1-2	*plus*	Market value of available securities	$ 75,104	$ 70,767
1-3	*plus*	Other Liquid assets	$ -	$ -
1-4	*plus*	Projected 30 day cash flows from securities (not included in 1 or 2)	$ -	$ -
-15	*plus*	**Loans held for sale (% of Commitments sold)**	$ -	$ -
1-6	*plus*	**Projected cumulative cash flows from loans (contractual and prepayment)**	$ 76,399	$ 50,933
1-7	*equals*	***Total Liquid Assets & Sources***	***$ 400,982***	***$ 371,179***

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Volatile Liability Comparison – Base to Stress

- Liquidity declines by nearly $500,000 under this scenario

Section 2: Short term volitale liabilities			Total $ 90 Days	% of Ttl Assets	Total $ 90 Days	% of Ttl Assets
2-1		Wholesale funds maturing	$ -	0.00%	$ 48,077	2.72%
2-2	*plus*	Core Deposit runoff assumptions (Maturing CDs @ x% + y% of NMDs)	$ 115,087	6.50%	$ 216,216	12.22%
2-3	*plus*	Brokered CD Maturities	$ -	0.00%	$ -	0.00%
2-4	*plus*	Reciprocal CD Maturities	$ -	0.00%	$ -	0.00%
2-5	*plus*	**Firm commitments to originate**	$ 75,000	4.24%	$ 75,000	4.24%
2-6	*plus*	**Potential draws on lines of credit (Assumed 10% -90 days)**	$ 2,572	0.15%	$ 321,628	18.17%
2-7	*equals*	*Total Liabilities & Uses*	*$ 192,660*	*10.89%*	*$ 660,921*	*37.34%*
		Basic Liquidity Ratio	**$ 208,322**	**11.77%**	**$ (289,741)**	**-16.37%**

- Question: How would you go about replacing this for a short or longer-term scenario?
  - Would this place pressure on financial performance that might impact access to contingent sources

Contingent Sources – Stress Test

Source	Amount available under policy
• FHLB:	$224,000
• Brokered Deposits	$265,500
• Internet/Rate Board	$175,000
• Federal Reserve	$175,000

Which option you choose depends on longevity of the crisis, your overall financial condition, timing of the need…

Document your thoughts and plan!

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Have you developed your planned impact of COVID-19 on future cash flow projections?

- Yes
- No, but in the process
- No
- Unsure

Back to Our Future…Managing Sustainability

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What Does The Future Hold

- Lower rates for longer?
  - How long is long?
  - Return to positive slope or inverted curve?
  - Negative rates?
- Margin compression?
- Is your biggest risk from rising rates?
- What is our planning horizon?
  - Tactical: 1-2 Years or less
  - Strategic: 3-5 Years

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Our Sample Bank – December 2019

Total Loans	$	600
Total Investments	$	105
Other Assets	$	45
Total Assets	**$**	**750**
Total Deposits	$	660
Total Borrowings	$	15
Common Equity	$	75
Total Liab & Equity	**$**	**750**

TCE/ Assets	10%
Leverage Ratio	10%
Loan/Asset	80.00%
Loan/Deposit	90.91%
ROA	0.75%

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Our Sample Bank – Asset Mix

Earning Asset Mix	Balance	% of Loans	Current Yield	Current New $ Offer Rate
CRE	$ 210.00	35.00%	4.25%	3.75%
RE Mtg	$ 150.00	25.00%	3.88%	3.00%
Construction/Dev	$ 90.00	15.00%	4.25%	4.00%
Other	$ 150.00	25.00%	5.50%	5.00%
Total Loans	**$ 600.00**	**100.00%**	**4.47%**	**3.91%**
ALLL	$ (7.50)			
Investments	$ 77.50		2.00%	1.25%

- Historical loan yield = 4.47%
- New rates 50bp lower
  - Prepayment impact?
- New securities @ 1.25% vs lower cash returns
  - Do we buy rate or stay liquid?

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Our Sample Bank – Funding Mix

- Strong DDA mix
- MMDA, NOW & Savings rates have some room for rate reduction
- Slight increase in brokered CDs in past year
  - Expensive
- Using FHLB overnight for cash needs

Deposit Mix	Balance	% of Deposits	Current Cost	Current Offer Rate
DDA	$ 99.00	15.00%	0.00%	0.00%
NOW	$ 115.50	17.50%	0.15%	0.15%
Savings	$ 132.00	20.00%	0.10%	0.10%
MMDA	$ 165.00	25.00%	1.00%	1.00%
Time - Retail	$ 115.50	17.50%	1.85%	1.30%
Time - Brokered	$ 33.00	5.00%	2.01%	1.60%
Total Deposits	**$ 660.00**	**100.00%**	**0.72%**	**0.60%**

Our Sample Bank – Projected Earnings

Income Statement	
Int Income / AA	3.78%
Int Expenes / AA	0.64%
NII / AA	3.14%
Non-Int Inc/AA	1.00%
Non-Int Exp/AA	3.00%
Non-Int Margin	-2.00%
Pre-tax, Pre-PLL NI	**1.14%**
PLL	0.20%
NI after PLL	0.94%
Taxes	0.32%
ROA	**0.62%**

- Assuming:
  - all yields and costs hold at current levels
  - Minimal credit risk
  - Strong non-int income levels
- Results
  - NII/AA of 3.14%
- ROA

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Our Sample Bank – Projected Earnings with Rate Change

Income Statement	**Rates Down**
Int Income / AA	3.08%
Int Expenes / AA	0.00%
NII / AA	3.08%
Non-Int Inc/AA	1.00%
Non-Int Exp/AA	3.00%
Non-Int Margin	-2.00%
Pre-tax, Pre-PLL NI	**1.08%**
PLL	0.20%
NI after PLL	0.88%
Taxes	0.30%
ROA	**0.58%**

Income Statement	**Rates Same**
Int Income / AA	3.78%
Int Expenes / AA	0.64%
NII / AA	3.14%
Non-Int Inc/AA	1.00%
Non-Int Exp/AA	3.00%
Non-Int Margin	-2.00%
Pre-tax, Pre-PLL NI	**1.14%**
PLL	0.20%
NI after PLL	0.94%
Taxes	0.32%
ROA	**0.62%**

Income Statement	**Rates Up**
Int Income / AA	5.78%
Int Expenes / AA	2.24%
NII / AA	3.54%
Non-Int Inc/AA	1.00%
Non-Int Exp/AA	3.00%
Non-Int Margin	-2.00%
Pre-tax, Pre-PLL NI	**1.54%**
PLL	0.20%
NI after PLL	1.34%
Taxes	0.45%
ROA	**0.88%**

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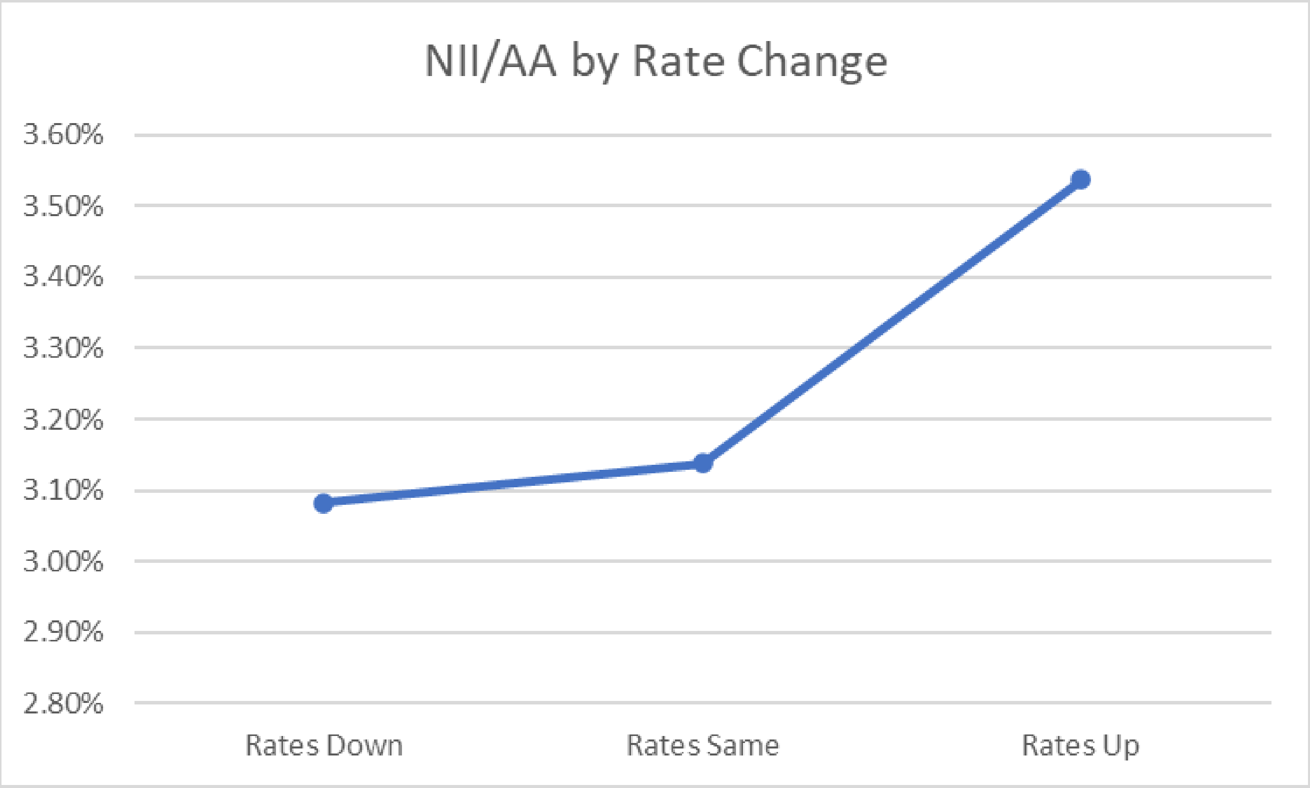
What Bet Are We Making on Sustainability?

- Is your bet today any different today than 2 years ago when rates were higher?

- What rates do you most fear today?



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Taking Action

Can we grow our way out of this?

- Add $75 million in new assets
  - LT Assets with 2.90% Avg yield
  - ST Funding with 0.40% Avg cost

- Margin on growth 2.50%
  - Why would I add growth at a margin lower than current?

Income Statement	**Rates Same**		**After Growth**
Int Income / AA	3.78%		3.70%
Int Expenes / AA	0.64%		0.62%
NII / AA	3.14%		3.08%
Non-Int Inc/AA	1.00%		1.00%
Non-Int Exp/AA	3.00%		2.73%
Non-Int Margin	-2.00%		-1.73%
Pre-tax, Pre-PLL NI	**1.14%**		**1.35%**
PLL	0.20%		0.20%
NI after PLL	0.94%		1.15%
Taxes	0.32%		0.39%
ROA	**0.62%**		**0.76%**

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Our Sample Bank – Projected Earnings with Rate Change

Income Statement	**Rates Down**
Int Income / AA	3.15%
Int Expenes / AA	0.00%
NII / AA	3.15%
Non-Int Inc/AA	1.00%
Non-Int Exp/AA	2.73%
Non-Int Margin	-1.73%
Pre-tax, Pre-PLL NI	**1.42%**
PLL	0.20%
NI after PLL	1.22%
Taxes	0.42%
ROA	**0.81%**

Income Statement	**Rates Same**		**After Growth**
Int Income / AA	3.78%		3.70%
Int Expenes / AA	0.64%		0.62%
NII / AA	3.14%		3.08%
Non-Int Inc/AA	1.00%		1.00%
Non-Int Exp/AA	3.00%		2.73%
Non-Int Margin	-2.00%		-1.73%
Pre-tax, Pre-PLL NI	**1.14%**		**1.35%**
PLL	0.20%		0.20%
NI after PLL	0.94%		1.15%
Taxes	0.32%		0.39%
ROA	**0.62%**		**0.76%**

Income Statement	**Rates Up**
Int Income / AA	5.40%
Int Expenes / AA	2.52%
NII / AA	2.88%
Non-Int Inc/AA	1.00%
Non-Int Exp/AA	2.73%
Non-Int Margin	-1.73%
Pre-tax, Pre-PLL NI	**1.15%**
PLL	0.20%
NI after PLL	0.95%
Taxes	0.32%
ROA	**0.63%**

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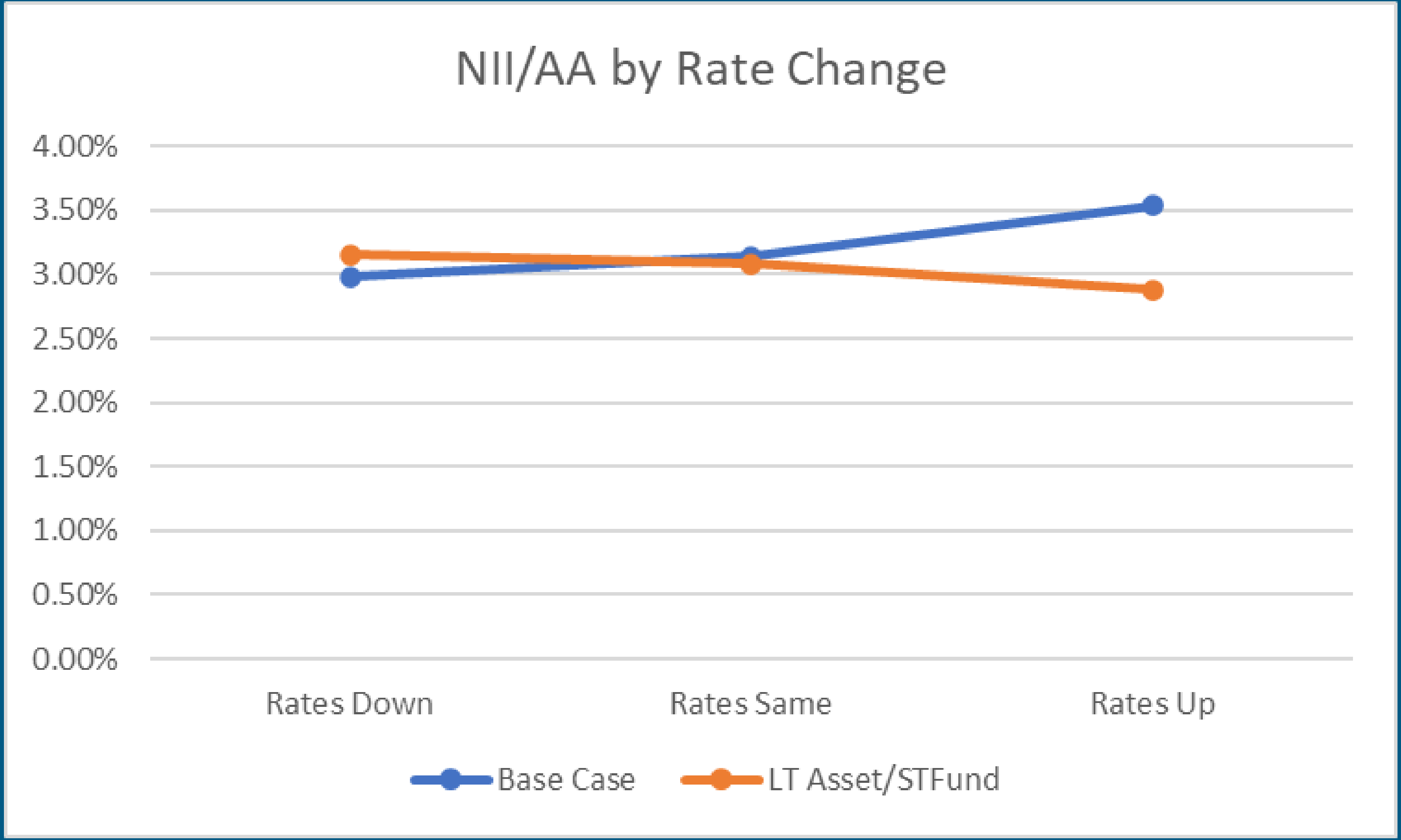
Did We Accomplish Our Goal?



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Did We Accomplish Our Goal?

Goals for the coming 1-2 years:

- Maintain or Net Int Income\Net Income in rates unchanged, or rates down
- Maintain capital 2% above regulatory well-capitalized levels
- Retain long-term, excellent credit clients
- Willing to give up potential earnings for real earnings

Examining the results

- Net Int Income
  - Remains at same level as rates unchanged
  - Improves in rates unchanged
  - Drops significantly in rates up
- What is the cause of rates up decline?
  - Is this an asset problem?
    - No, Yields higher on assets in Rates Up than pre-growth
  - Is this a liability problem?
    - Yes, Original funding beta lower
    - Addition of ST funds raises increase in funding costs
- Can we fix the funding problem?
- Can we manage to increase the “yield” on the asset?
- What happens to other relevant measures?
  - Capital, ROE, etc.

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Balance Sheet Management

- Management must act now to embark on measure the risk vs. return of changes to balance sheet structures – Define your goals for sustainability
- Strong pressures remain on returns from markets, competition and scale
- Recognize that past strategies to forego interest rate risk resulted in reduced earnings levels, and potentially impacted competitive relevance

Defining Your Priorities

- What are the most important factors to you for the coming 3-5 years
- What are you expecting for economic conditions?
  - Curve remains relatively flat with a possible rise in 1-2 years
  - Potential exists for continued Inversion
- Given that, our goals are
  - Support current Net Interest Income Levels in Rates Unchanged or Rates Down situations
  - Maintain adequate levels of capital,
    - Define what that level is for your FI
  - Willing to forgo possible upside to earnings gain to support current or falling rates
  - Ensure that all plans are held to the same standards set

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Session 2 Agenda

1. **Institution Strategy**
   Does my lending strategy fit with my funding situation?

2. **Market Awareness**
   Growth no longer comes from keeping doors open.

3. **Quality of Inventory**
   Is what we offer the same as what the consumer is looking for?

4. **What about Wholesale?**
   We have dry powder, now what? How do we fit wholesale into our plan?

5. **How Do We Track Progress?**
   What does a budget look like? How do we measure marketing success vs. pricing success?

6. **Nurturing the Plan**
   Does our staff know what we are trying to accomplish?

Thank You

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