

Strategies for Franchise Value Growth and Liquidity Management Today

MAY 2025

Agenda

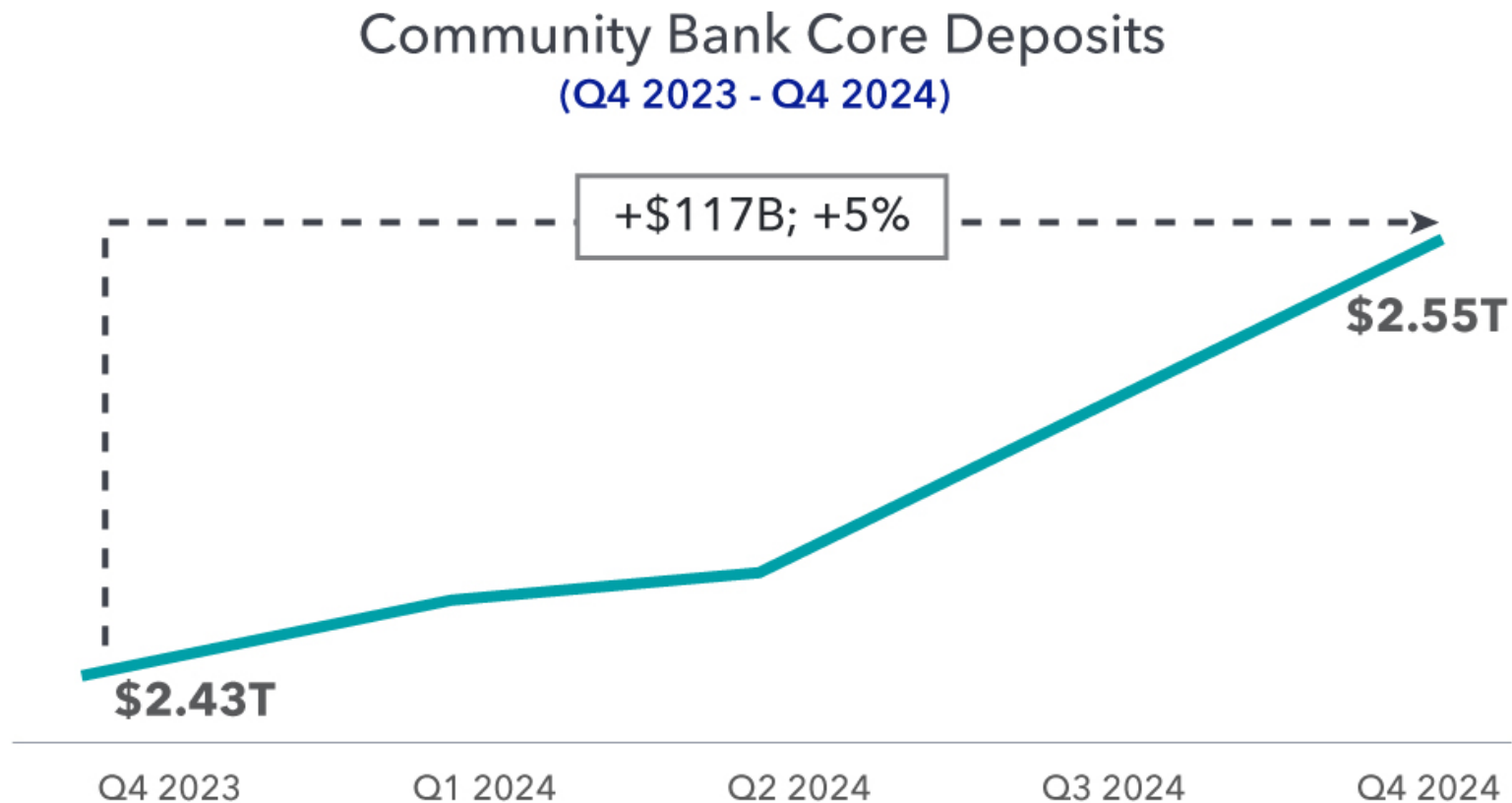
This session, designed for treasury and other financial professionals, covers:

- Current market environment
- Typical cash management choices
- Liquidity management
- Other considerations



Community Bank Core Deposit Growth

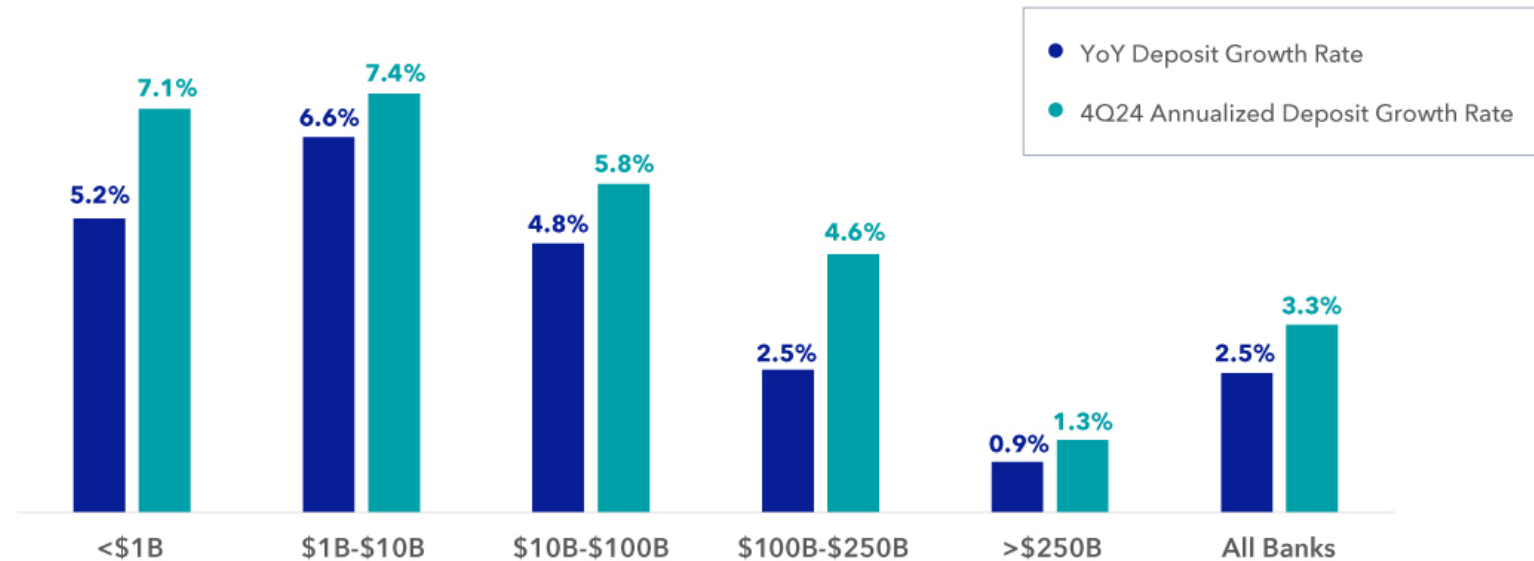
Year-end call report data shows that community banks increased their core deposits by \$117 billion, or 5%, in 2024. This represents more than two-thirds of community banks' total deposit growth last year.



Deposit Growth Rate by Asset Size

Call report data for Q4 2024 shows that annualized Q4 deposit growth rates outpaced year-over-year growth rates for banks of all sizes, suggesting continued strength in bank deposit growth going into 2025.

Q4 2024 Deposit Growth Rates by Bank Asset Size

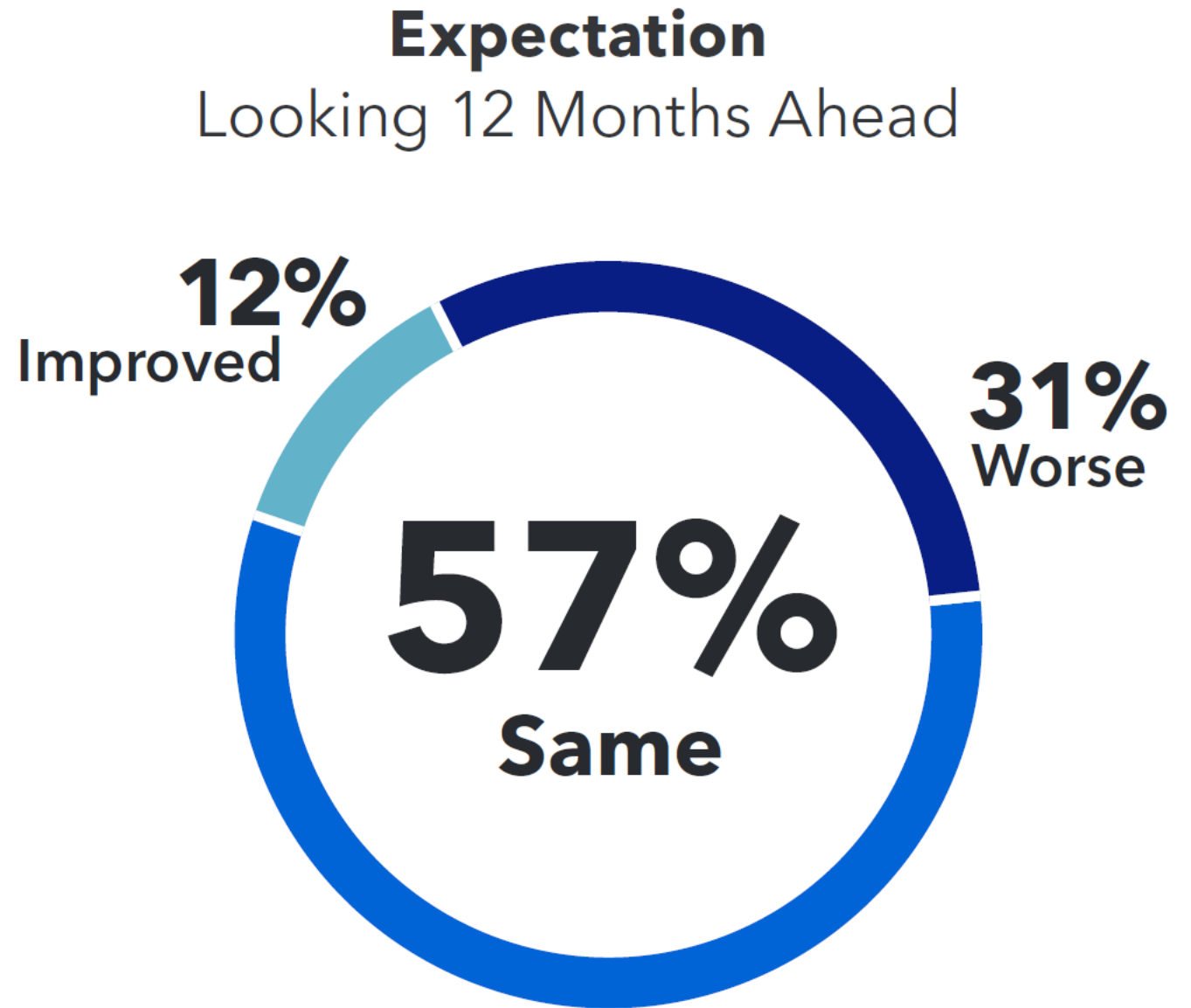


Source: S&P Capital IQ



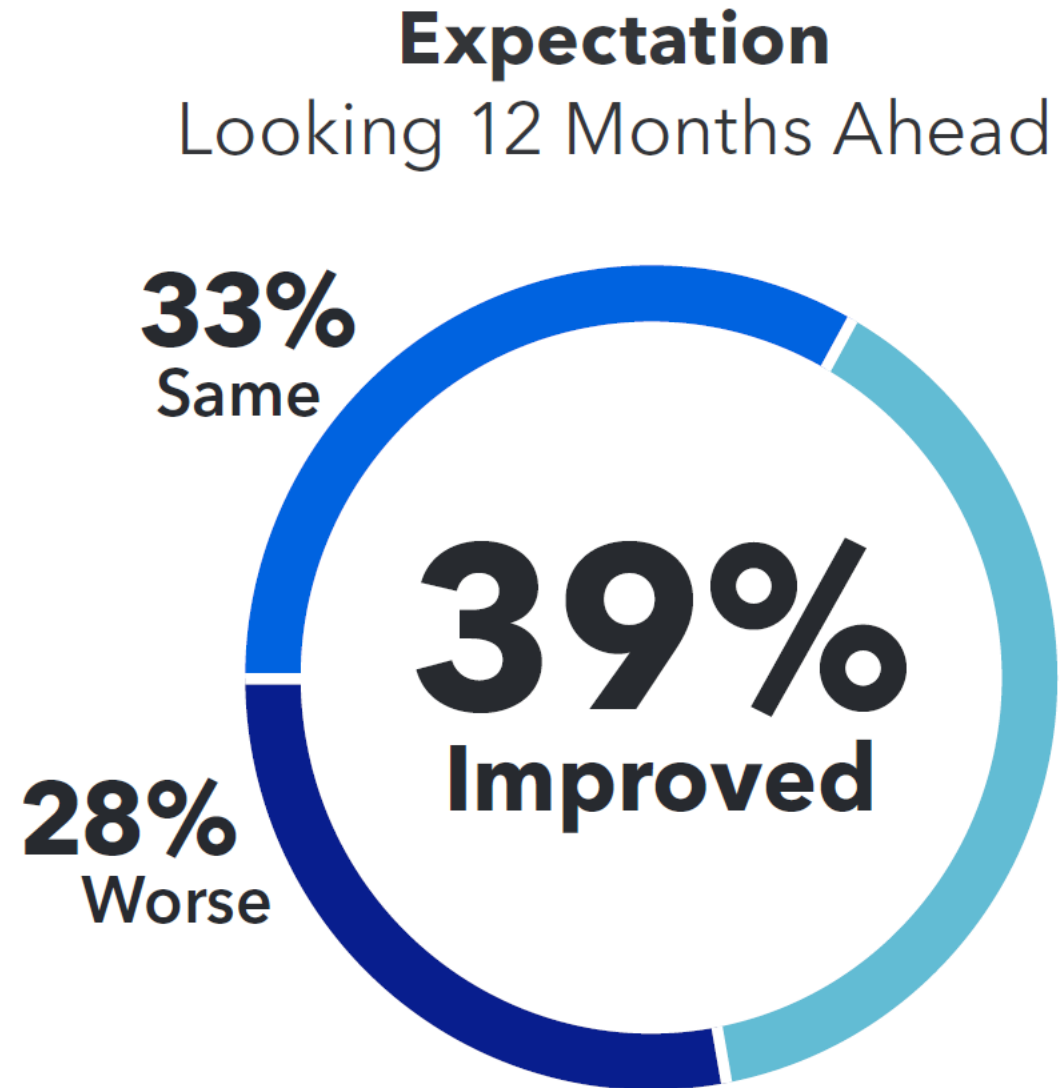
Banker Perspectives Deposit Competition

Bankers continue to believe the deposit competition will remain at elevated levels (57% or will tighten further (31%) over the next 12-months.



Banker Perspectives Loan Demand

Bankers predict that loan demand will stay the same (33%) or will improve (39%) over the next 12-months.



Economic Uncertainty Prevails

**The collapse of dollar shows
'the biggest damage right now is
to the U.S. brand'**

marketwatch.com, April 11, 2025

**As Fears of Bank Failure
Persist, Corporate Finance
Leaders Prioritize Liquidity
and Safety**

Bankingexchange.com, March 10, 2025

**Wall Street Uncertain Over When
Fed's Balance-Sheet Unwind Will End**

bloomberg.com, March 20, 2025

**It's Not a Great Time to Be a Saver—or
a Borrower**

WallStreetJournal.com, March 13, 2025

**Recession Alarms are
Ringing on Wall Street**

businessinsider.com, March 25, 2025

**Fed Hold Rates Steady and
Predicts Higher Inflation, Slower
Growth Ahead**

nytimes.com, March 19, 2025

**Powell Revives a
Debate on
'Transitory' Inflation**

nytimes.com, March 20, 2025

**Government debt interest
costs hit highest level
since 2007**

financialtimes.com, March 20, 2025



Banker Perspectives

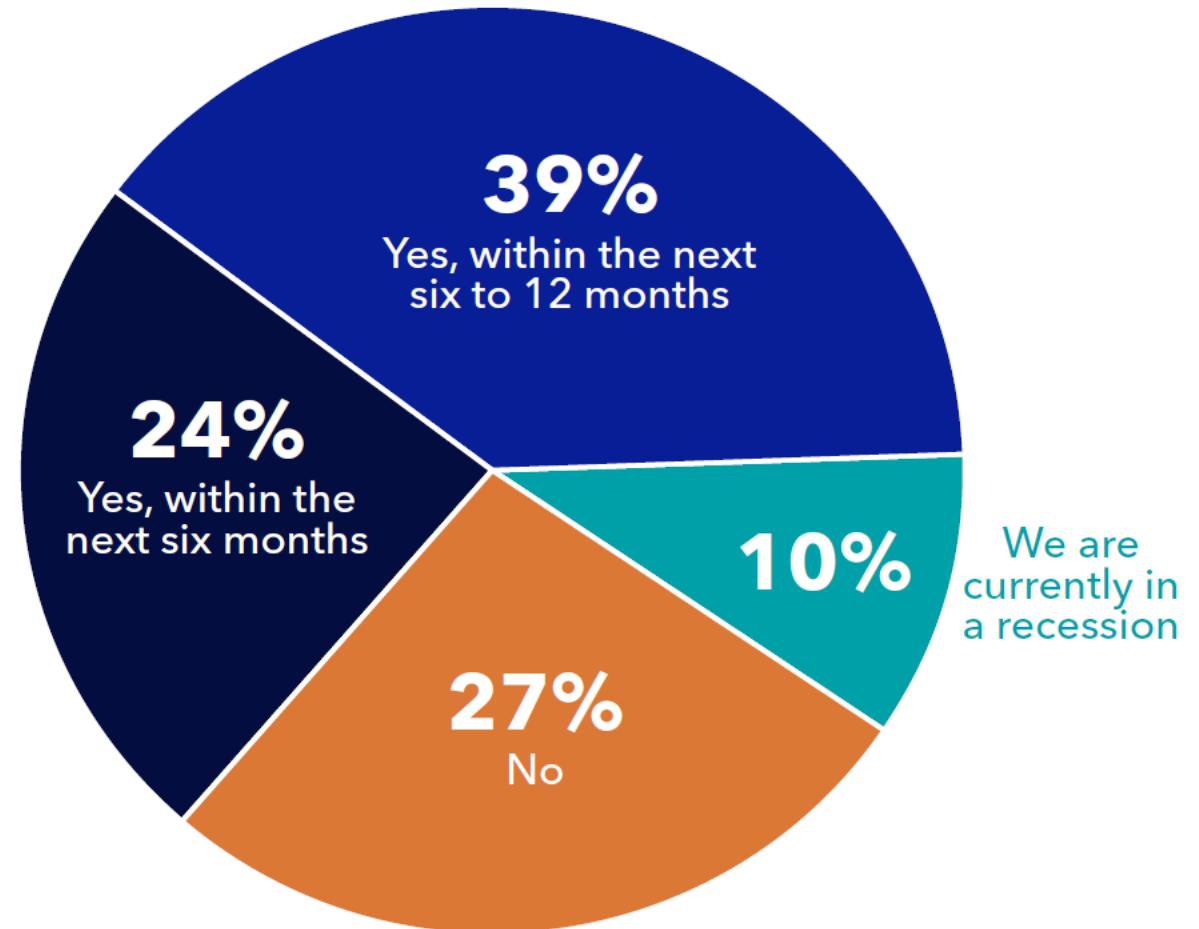
According to IntraFi's most recent survey, 10% of bankers believe the economy is already in a recession, and another 63% believe we will enter one within the next 12 months.¹ These results align with recent national surveys on the direction of the U.S. economy.²

¹ Source: Q1 2025 Bank Executive Business Outlook Survey.

² <https://news.gallup.com/poll/659630/americans-economic-financial-expectations-sink-april.aspx>

IS A RECESSION ON THE HORIZON?

Consumer confidence hit its lowest point in more than two years in March, sparking renewed fears of a recession. Do you think a recession is on the horizon?



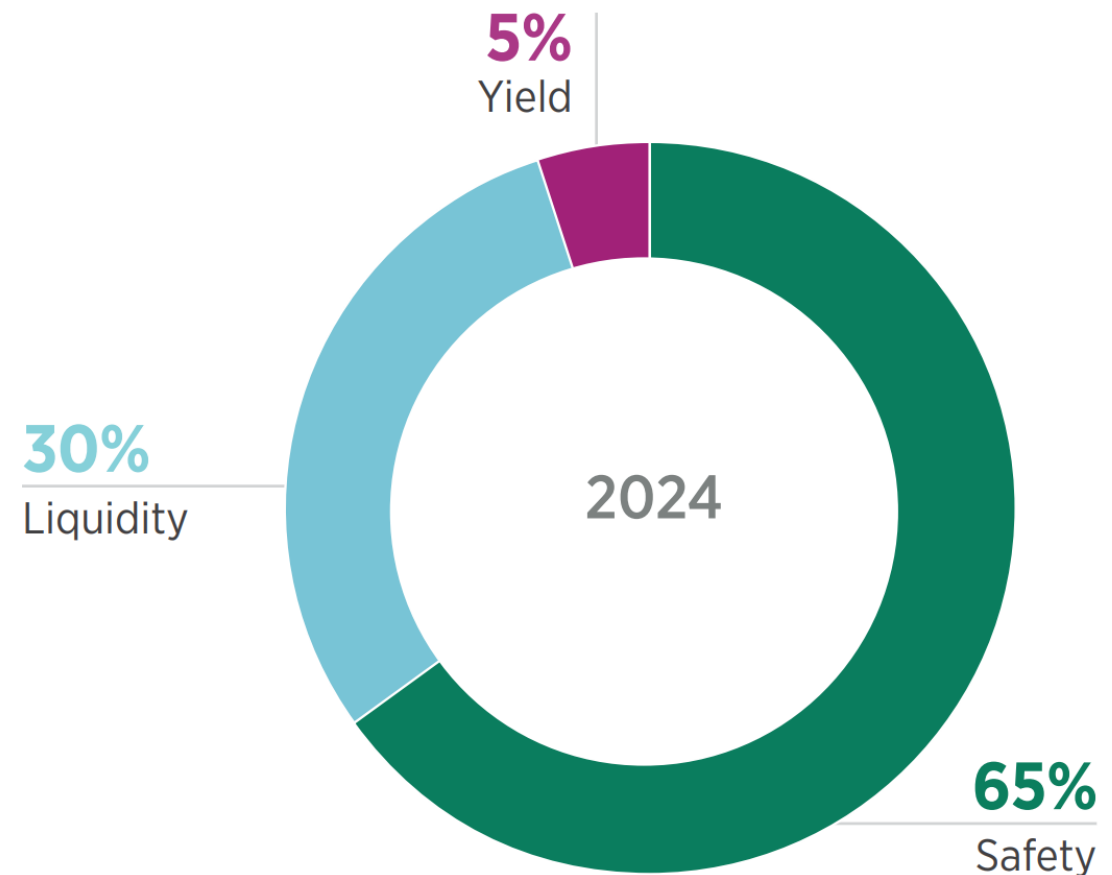
Safety Ranked Most Important

Per the Association of Financial Professionals Liquidity Survey respondents, safety was the top priority for short-term cash investments, up from 63% in 2023.

Source: 2024 AFP Liquidity Survey;
<https://www.afponline.org/training-resources/resources/survey-research-economic-data/Details/liquidity-survey>

The Most Important Objective of Organizations' Cash Investment Policy

(percentage distribution of organizations with a written cash investment policy)



Cash Management Choices

Appeal to Desire for Safety



For many customers, safety of funds is a top priority– and proactively reaching out to tout their safe cash management options is likely welcome. Customers remember who is in their corner in tumultuous times and meeting their security needs helps build loyalty.



Cash Management Choices

Repurchase Sweeps and Collateralized Deposits

PROS

- Provide liquidity
- Provide security
- May earn interest (although the yield can be very low)
- Unlimited withdrawals

CONS

- Repo process carries administrative burdens
- Resources are needed to track and mark-to-market changing collateral values on an ongoing basis
- Risk potential exists due to changing value of pledged collateral
- Customer relies on issuer's credit
- Customer may have to include a footnote on financial statements about collateral



Cash Management Choices

Letters of Credit/Private Insurance

PROS

- Provide security

CONS

- Tend to be more expensive
- Generally require collateralization



Cash Management Choices

Money Market Mutual Fund Sweeps/Short-Term Bond Funds

PROS

- Provide returns
- Provide liquidity

CONS

- These funds are not FDIC-insured
- Returns may be lower than bank rates on CDs or money market deposit accounts
- Some money market funds may have withdrawal restrictions, liquidity fees, or redemption gates
- The net asset value (NAV) may fluctuate based on changes in credit and rate)
- Some entities may need to disclose unsecured investments in financial statements



FDIC-Insured Cash Management Option

Deposit Placement Network Services

PROS

- May provide access to millions in aggregate FDIC insurance across network banks (limits vary widely by provider)¹
- Can be interest-bearing
- User can forego the hassles of requiring and monitoring collateralization on an ongoing basis
- Provide various liquidity options

CONS

- Limited number of providers
- May have some withdrawal limits (withdrawal limits vary by provider)

[1] Network is not a bank and deposit insurance covers the failure of an insured bank. Certain conditions must be satisfied for “pass-through” FDIC deposit insurance coverage to apply.



Selection Criteria

**When choosing an insured deposit option, it is vital to choose wisely.
Below are some criteria to consider.**

Due Diligence (research and inquire)

- Organizational stability—company reputation, financial stability, quality, and thought leadership of senior management and board of directors

Confidentiality and Integrity

- How is my information protected?

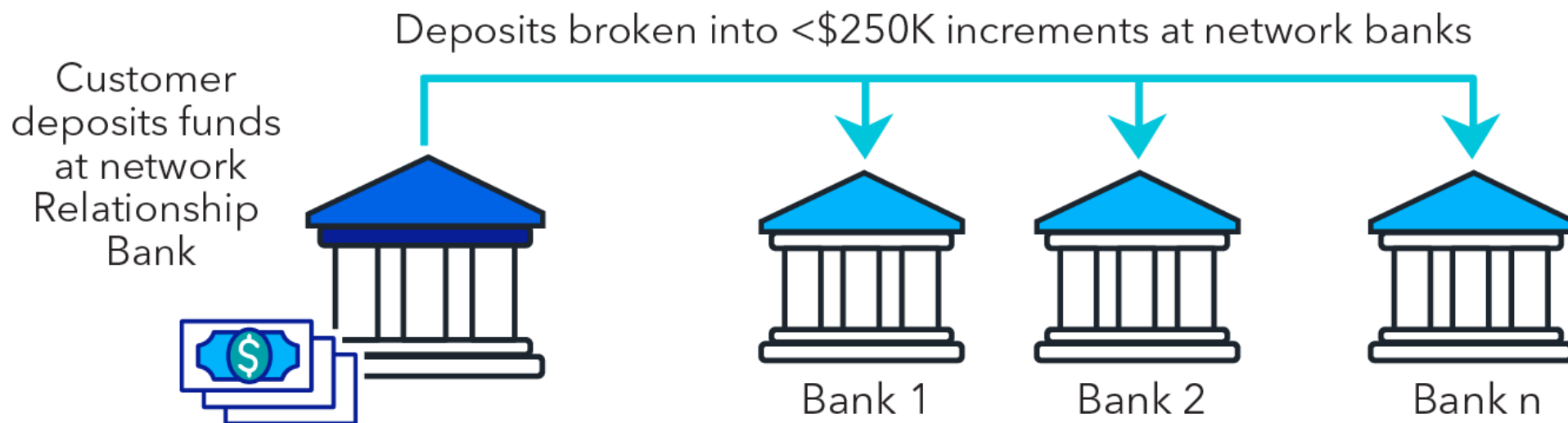
Third-Party Independent Validation

- Industry endorsements
- Security assessments & audits (e.g., penetration testing, secure software development & verification, and SSAE 16 SOC 1)



Offer Security and Simplicity in Accessing FDIC Insurance

With FDIC-insured deposit services such as IntraFi Cash Service, or ICS[®], and CDARS[®], your bank can provide customers with returns and access to multi-million-dollar aggregate FDIC insurance across network banks directly through one bank relationship—yours—for large deposits placed into demand deposit accounts, money market deposit accounts, and CDs.



Note: Deposits are placed in demand deposit accounts or money market deposit accounts when using ICS, or CDs when using the CD option.

IntraFi is not an FDIC-insured bank, and deposit insurance covers the failure of an insured bank. A list identifying IntraFi network banks appears at <https://www.intrafi.com/network-banks>. Certain conditions must be satisfied for “pass-through” FDIC deposit insurance coverage to apply.

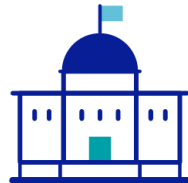


Attract All Types of Safety-Conscious Customers



Businesses

- Corporations (public and private)
- Mid-size companies (public and private)
- Small businesses (partnerships, sole proprietorships, entrepreneurial ventures)
- Franchises



Government Entities

- Government agencies
- Municipalities (towns, cities, counties)
- Police departments
- Fire districts
- Public colleges and universities
- Public hospitals
- School districts
- State funds
- Utility districts (power, water, sewer, etc.)



Nonprofits

- Charities
- Religious institutions
- Colleges and universities
- Community foundations
- Endowment funds
- Foundations
- Homeowners / Condo associations
- Hospitals



Others

- Other large-dollar depositors, which may include:
- Banks and credit unions (for CRA credit or as earning assets)
 - Escrow/Title companies
 - Estate planners
 - Private investors
 - Trusts/Trustees
 - 1031 exchange participants

REPLACE Collateralized Deposits

By replacing collateralized deposits with deposits eligible for FDIC insurance, your bank can

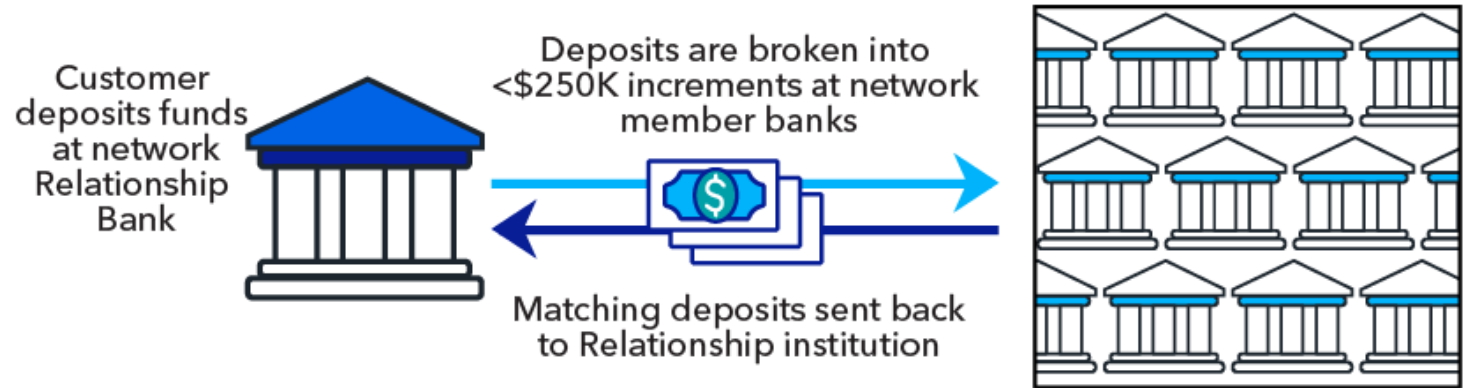
- Replace higher-cost funding
- Improve asset liquidity
- Generate additional revenue by repurposing funds invested in collateral into higher-earning assets
- Reduce collateral-tracking burdens and associated costs
- Lower the risk of shortfall due to collateral-value deterioration



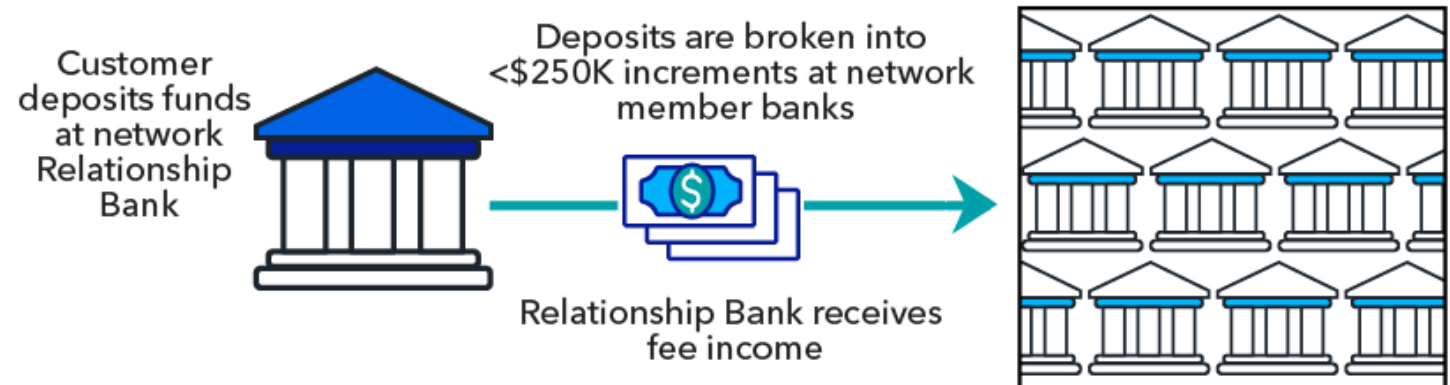
Liquidity Management

Choose a **FLEXIBLE** Balance Sheet Solution

On Balance Sheet Solution



Off Balance Sheet Solution

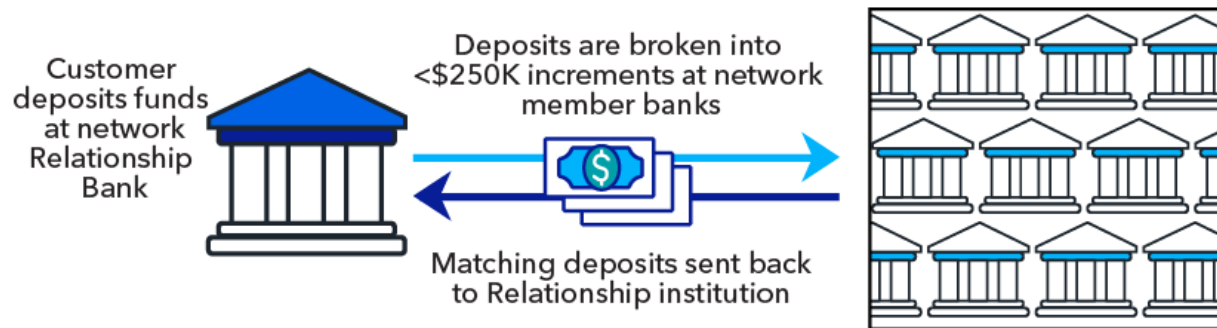


BNY Mellon – Custody, Settlement, Recordkeeping



Enhance **FRANCHISE VALUE** with Reciprocal Deposits

On Balance Sheet Solution



BNY Mellon – Custody, Settlement, Recordkeeping

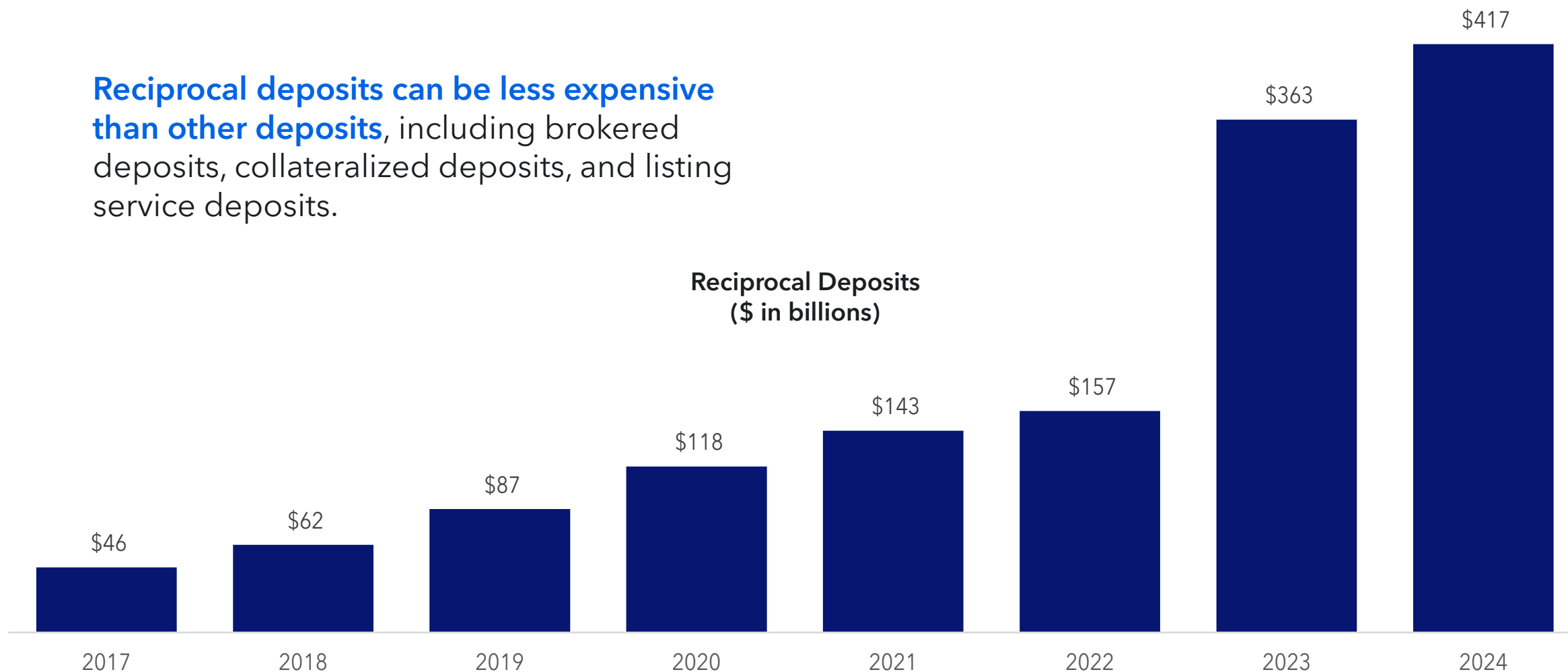


Most reciprocal deposits are reportable as core.

Since they tend to be lower-cost deposits that come in large increments from local customers, reciprocal deposits can help your bank grow franchise value.

Use of Reciprocal Deposits Continues to Grow

Reciprocal deposits can be less expensive than other deposits, including brokered deposits, collateralized deposits, and listing service deposits.

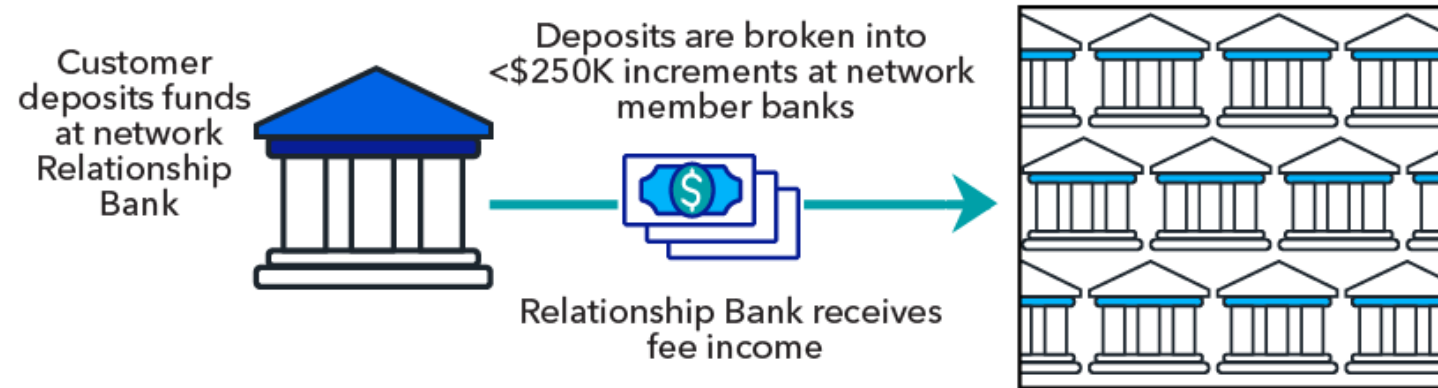


Note: Prior to the second quarter of 2018, Reciprocal Deposits represents Call Report line "Reciprocal Brokered Deposits." From the third quarter of 2018 onwards, it represents Call Report line "Total Reciprocal Deposits." Includes U.S. Commercial Banks, Savings Banks, and Savings and Loan Associations.



Proactively Manage LIQUIDITY¹

Off Balance Sheet Solution



BNY Mellon – Custody, Settlement, Recordkeeping

Other Considerations for Today's Rate Environment

Examine and Reprice Short-Term Liabilities

To counterbalance falling/paused rate environment, banks will need to reprice a portion of their liabilities, reducing interest paid to some depositors.

While some customer runoff will be inevitable, bankers should prudently consider their approach, as cutting rates too swiftly (or for too many customers) could lead to unexpectedly large losses in funding.

Thoughtfully considering which classes of customer will see the first rate cuts (preserving higher rates for higher-value depositors), in conjunction with using short-term funding solutions or by selling deposits, can help banks maintain desired funding and optimal liquidity levels.

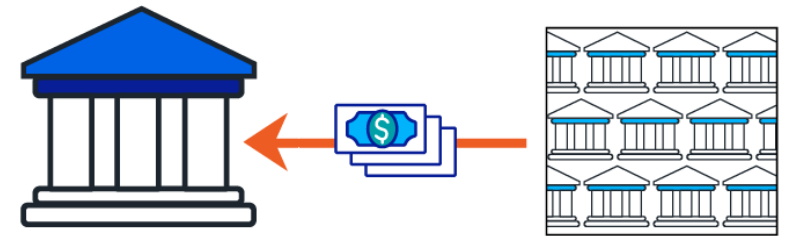


Diversify Funding Solutions

- IntraFi's ICS[®] service can provide floating-rate, short-term funding that reprices quickly, enabling banks to take full advantage of lower rates and replace high-cost deposits.

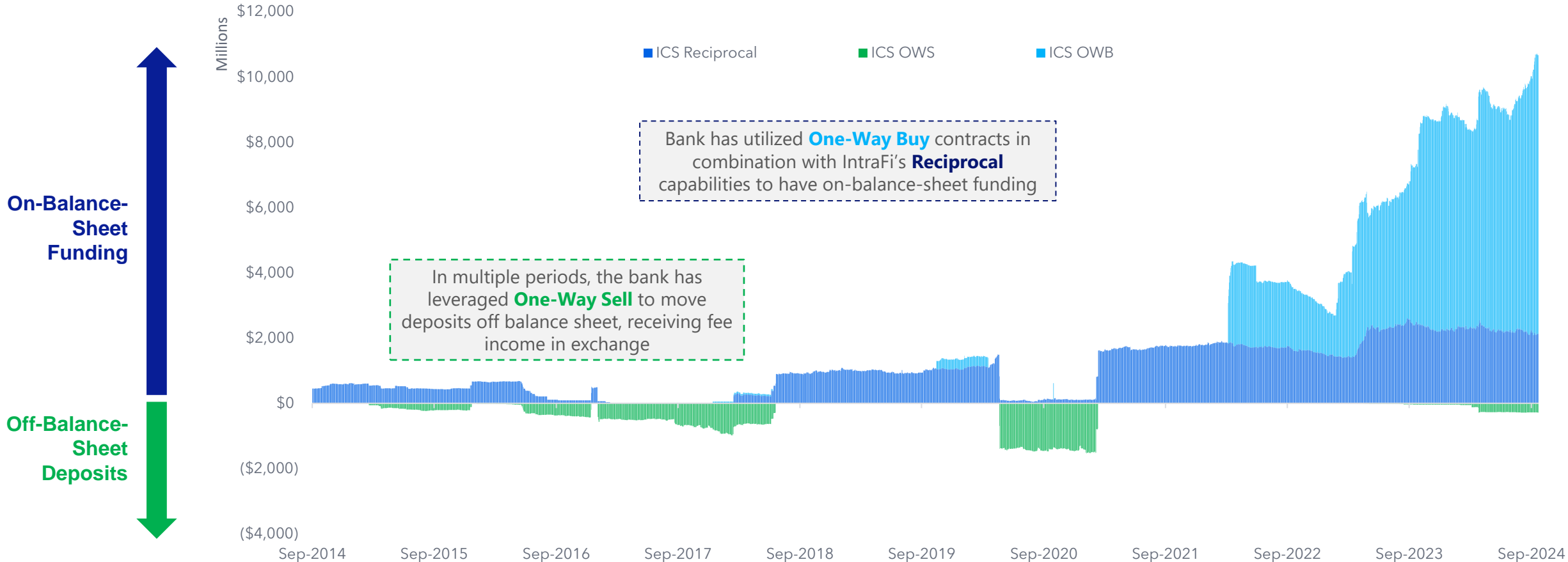
This can be done through the ICS One-Way Buy[®] feature. With One-Way Buy, banks can access floating-rate funding at select terms (from overnight to multi-year) without collateralization requirements.

- Institutions looking to reduce the burden of longer- term liabilities who still desire fixed-rate funding may benefit from leveraging brokered CD funding, which allows banks to acquire large blocks of fixed-rate, wholesale funding and mitigate margin compression – while paying a single all-in rate with no transaction fees.



Case Study

A regional bank utilizing IntraFi's services to dynamically switch between having deposits on balance sheet (**ICS Reciprocal**) and moving them off balance sheet (**ICS One-Way Sell**) for fee income when there is a surplus. Bank also uses wholesale funding (**ICS One-Way Buy**) to supplement its deposit needs



In Summary

A changing market environment can be difficult, but there are opportunities.

- Know that a changing environment makes it a good time to strengthen relationships with your customers, to invite customers back who may have left for higher rates, and to reach out to classes of customers that may be re-evaluating their cash positions now.
- A deposit network solution offers benefits beyond rates that help build large, franchise-building relationships and improve liquidity management.
- Carefully re-price liabilities, considering the value of existing customers and utilize off balance sheet deposit solutions and wholesale funding to manage your balance sheet.



Disclosures

A list identifying IntraFi network banks appears at <https://www.intrafi.com/network-banks>.

Deposit placement through an IntraFi service is subject to the terms, conditions, and disclosures in applicable agreements. Deposits that are placed through an IntraFi service at FDIC-insured banks in IntraFi's network are eligible for FDIC deposit insurance coverage at the network banks. The depositor may exclude banks from eligibility to receive its funds. To meet the conditions for pass-through FDIC deposit insurance, deposit accounts at FDIC-insured banks in IntraFi's network that hold deposits placed using an IntraFi service are titled, and deposit account records are maintained, in accordance with FDIC regulations for pass-through coverage. Although deposits are placed in increments that do not exceed the FDIC standard maximum deposit insurance amount ("SMDIA") at any one bank, a depositor's balances at the institution that places deposits may exceed the SMDIA before settlement for deposits or after settlement for withdrawals or be uninsured (if the placing institution is not an insured bank). The depositor must make any necessary arrangements to protect such balances consistent with applicable law and must determine whether placement through an IntraFi service satisfies any restrictions on its deposits.

IntraFi, the IntraFi logo, ICS, IntraFi Cash Service, and CDARS are registered service marks of IntraFi LLC.



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IntraFi Insights for Bankers

Bank Executive Business Outlook Survey

IntraFi's quarterly Bank Executive Business Outlook Survey, now in its 10th year, is designed to gather and share insight into the experience and expectations of banking leaders on the industry landscape.

if you'd like to participate (C-level and presidents), email:
marketing@intrafi.com

Peer Intelligence

A secure, online community where bank executives can share information and ask each other questions. It's bankers talking with bankers. More than 2,000 bank leaders representing 1,110+ banks help keep this community vibrant and active.

Learn more: [Peer Intelligence](#)

Banking with Interest

The podcast features regular, in-depth discussions with top policymakers, bank and fintech executives, and other industry thoughtleaders.

Find it here: [Banking with Interest Podcast Hosted by Rob Blackwell | IntraFi®](#)



IntraFi has built the largest network of its kind with financial institutions of all types and sizes.

Recognized & Trusted For Over 20 Years Throughout the Industry

Largest Deposit Network

3,000+
U.S. financial institutions
as members of the network

Broad National Reach

10
largest U.S.
banks

92
of the top 100
banks

2,900+
community banks²

19
of the top 20
banks

90%
of U.S. banks above
\$10bn in assets¹

Working with FIs of All Types and Sizes³

77%
of CDFI⁴ banks

95%
of Native American
banks by assets

100%
of African American
banks by assets

95%
of Asian American
banks by assets

82%
of Hispanic Banks
by assets

Note: Includes members of one or more services of IntraFi. [1] Bank asset sizes determined at the parent level as of September 30, 2024. [2] Bank charters with less than \$10 billion in assets. [3] As of February 25, 2025. [4] Designation given by the CDFI Fund to specialized organizations that provide financial services in low-income communities and to people who lack access to financing.

