



IntraFi



# Managing Liquidity Risk in Turbulent Waters

April 21, 2024

Mark A. Haberland | Managing Director - DCG | [mhaberland@darlingconsulting.com](mailto:mhaberland@darlingconsulting.com)

Max Damm | Managing Director – IntraFi | [mdamm@intrafi.com](mailto:mdamm@intrafi.com)

# Liquidity Management Is Challenging Leaders

Kristin Dupuis,  
Chief Financial Officer



The current environment and regulatory pressures present new challenges – are we prepared?

As liquidity concerns grow, do I have adequate flexibility in funding options

Last year's bank failures have me concerned I'm not doing enough for stress testing and risk monitoring

I'm concerned about the stability of my deposits and how that impacts my key ALCO decisions

# Liquidity Management Is Challenging Leaders

Kristin Dupuis,  
Chief Financial Officer



The current environment and regulatory pressures present new challenges – are we prepared?

As liquidity concerns grow, do I have adequate flexibility in funding options

Last year's bank failures have me concerned I'm not doing enough for stress testing and risk monitoring

I'm concerned about the stability of my deposits and how that impacts my key ALCO decisions

# Heightened Regulatory Concerns

More robust assumption development and support



Inclusion of “relief” scenarios demonstrating ability to manage



Integration with other risk management activities



Enhanced liquidity risk monitoring (KRIs, KPMs)

More robust Contingency Funding Plan

More rigorous model validation and effective challenge

# Liquidity Management Is Challenging Leaders

Kristin Dupuis,  
Chief Financial Officer



The current environment and regulatory pressures present new challenges – are we prepared?

As liquidity concerns grow, do I have adequate flexibility in funding options

Last year's bank failures have me concerned I'm not doing enough for stress testing and risk monitoring

I'm concerned about the stability of my deposits and how that impacts my key ALCO decisions

# Flexibility in Funding Options

Details of all potential funding sources

Source	How Quick?	Term	Contact Info	Deadlines	Authorized Bank Staff	Last Tested	Comments
Federal Reserve Discount Window	Same Day	Overnight	Name: _____ (xxx) xxx-xxxx	4:00 PM	Name, Title	mm/dd/yyyy	<ul style="list-style-type: none"> <li>Collateral pledge <u>required</u></li> <li>Policy limit: ____</li> </ul>
FHLB	Same Day	Overnight to 30 years	Name: _____ (xxx) xxx-xxxx	1:30 PM Term Borrowing 3:00 PM Overnight	Name, Title	mm/dd/yyyy	<ul style="list-style-type: none"> <li>Limited by collateral pledged and <u>stock</u></li> <li>Policy limit: ____</li> <li>Collateralized by: _____</li> </ul>
Brokered Deposits	1 Week	3 months to 5 years	Name: _____ (xxx) xxx-xxxx	N/A	Name, Title	mm/dd/yyyy	<ul style="list-style-type: none"> <li>May not be allowed if below Well-Capitalized</li> </ul>
CD Special	2-4 Weeks	6 months to 5 years	Name: _____ (xxx) xxx-xxxx	N/A	Name, Title	mm/dd/yyyy	
Loan Sales – Name of Broker/Counterparty	1-2 Months	N/A	Name: _____ (xxx) xxx-xxxx	N/A	Name, Title	mm/dd/yyyy	<ul style="list-style-type: none"> <li>May reduce collateral available for pledging</li> </ul>
Loan Participation Sales – Broker	1-2 Months	N/A	Name: _____ (xxx) xxx-xxxx	N/A	Name, Title	mm/dd/yyyy	
Security Sales – Name of Counterparty	1-3 Days	N/A	Name: _____ (xxx) xxx-xxxx	N/A	Name, Title	mm/dd/yyyy	

# Liquidity Management Is Challenging Leaders

Kristin Dupuis,  
Chief Financial Officer



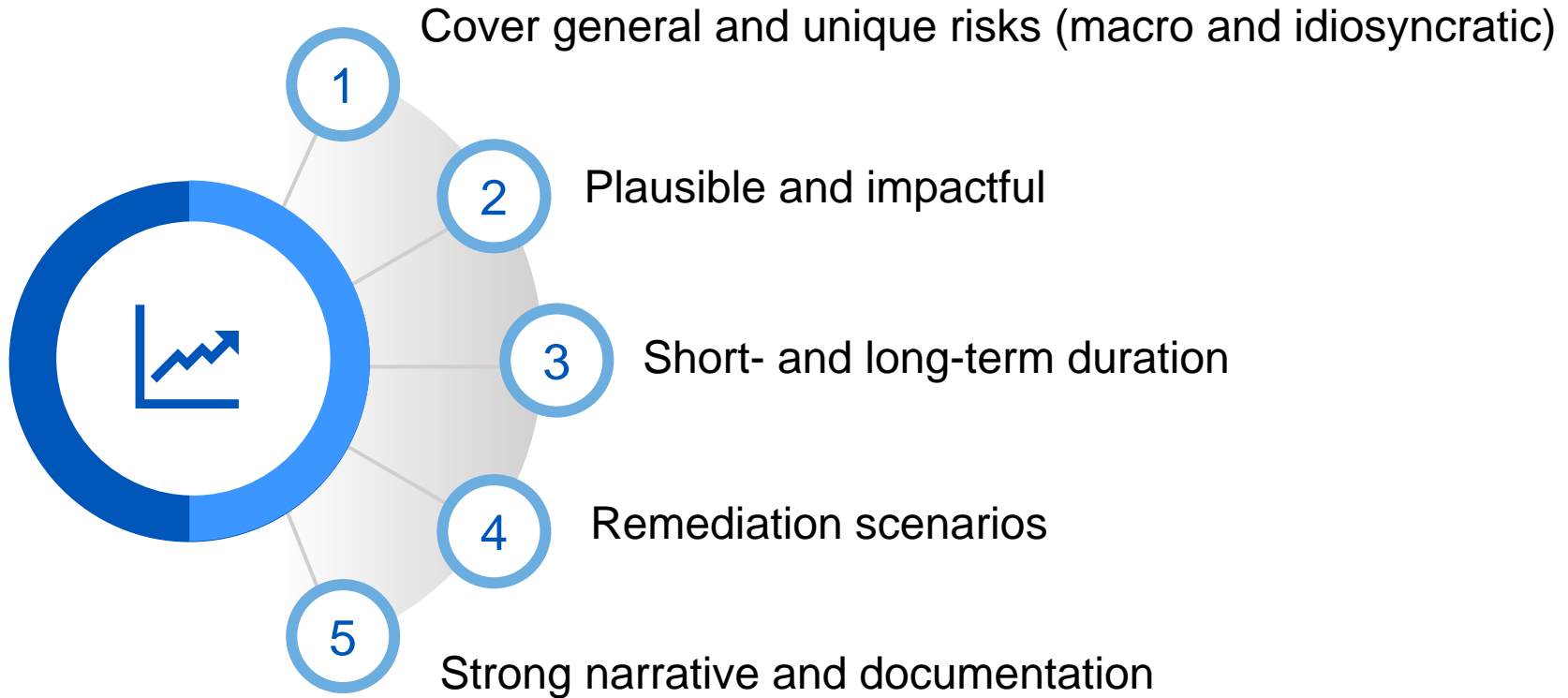
The current environment and regulatory pressures present new challenges – are we prepared?

As liquidity concerns grow, do I have adequate flexibility in funding options

Last year's bank failures have me concerned I'm not doing enough for stress testing and risk monitoring

I'm concerned about the stability of my deposits and how that impacts my key ALCO decisions

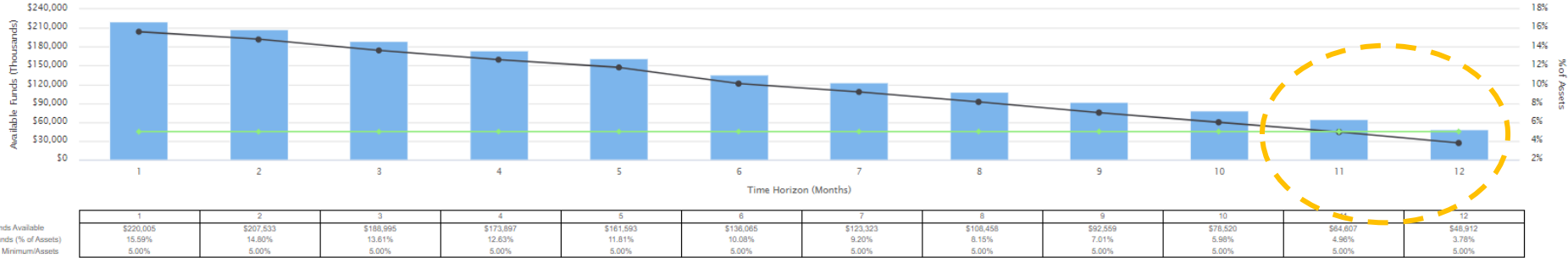
# Scenario Design Considerations



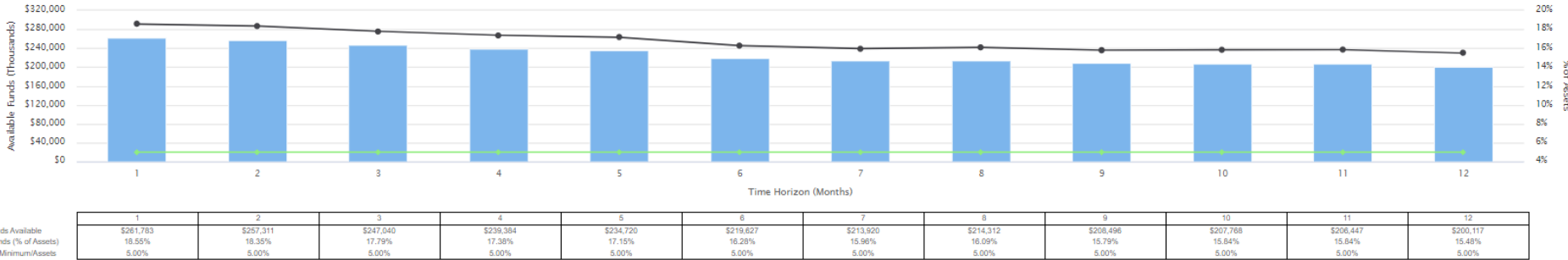


# Severe Stress/Relief

Severe 2023 Stress – Stress Case – LIQUIDITY FORECAST (TOTAL FUNDS AVAILABLE)

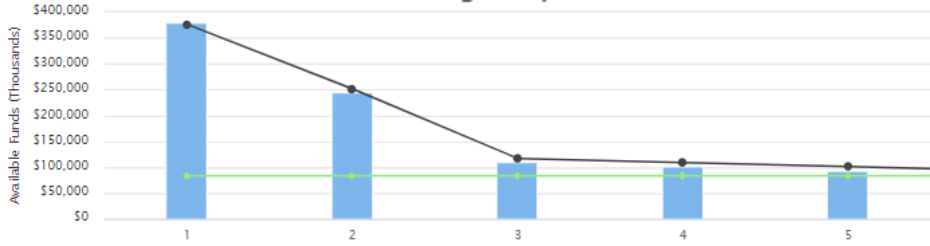


Severe 2023 Stress – Relief Case – LIQUIDITY FORECAST (TOTAL FUNDS AVAILABLE)



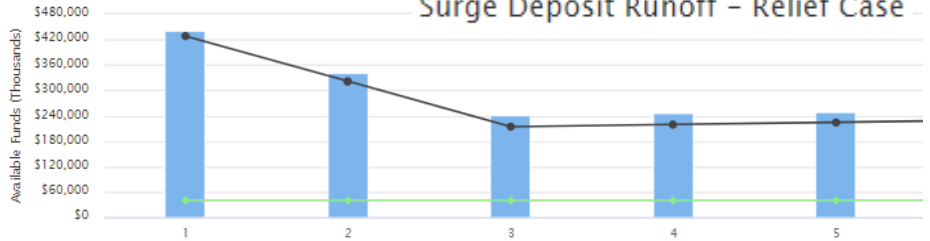
# Liquidity Stress: Deposit Runoff

## Surge Deposit Runoff – Stress Case



	1	2	3	4	5
Total Funds Available	\$378,622	\$243,913	\$109,204	\$101,670	\$94,136
Avail. Funds (% of Assets)	22.87%	15.09%	7.02%	6.55%	6.07%
Liquidity Minimum/Assets	5.00%	5.00%	5.00%	5.00%	5.00%

## Surge Deposit Runoff – Relief Case



	1	2	3	4	5
Total Funds Available	\$441,249	\$340,423	\$241,778	\$245,087	\$248,165
Avail. Funds (% of Assets)	24.38%	19.05%	13.70%	13.96%	14.22%
Liquidity Minimum/Assets	5.00%	5.00%	5.00%	5.00%	5.00%

Liquidity Ratios	Min / Max	Current	Oct-22	Nov-22
Cash + Unencumbered Coll. / Assets		7.06%	11.25%	10.41%
Net Loans / Deposits	115.00	82.30%	80.71%	84.38%
Brokered Deposits / Assets	25.00	14.96%	20.80%	22.37%
Borrowings / Assets	15.00	1.15%	4.10%	7.19%

# Liquidity Risk Monitor

	Risk Level 1	Risk Level 2	Risk Level 3	Current Value	03/31/2023 Value	Risk Level	Cons. Periods Triggered	Stress Level
<b>Indicators - Heightened Funding Needs</b>								
1. \$ Change in Loan Growth less Non-Brokered Deposit Growth (3 Months)	\$100,000	\$150,000	\$200,000	-65,017	\$149,396	N/A	N/A	N/A
2. % Change in Non-Maturity Deposit Balances (3 Months)	-3.00%	-5.00%	-10.00%	-2.78%	-3.98%	N/A	N/A	N/A
3. % Change of Loans / Deposits (3 Months)	2.00%	4.00%	6.00%	0.81%	2.44%	N/A	N/A	N/A
<b>Indicators - Liquidity/Funding Ratios</b>								
4. On Balance Sheet Liquidity <sup>1</sup>	15.00%	12.50%	10.00%	14.81%	15.26%	Level 1	1	Level A
5. Basic Surplus – Tier 1	5.00%	4.00%	3.00%	6.01%	9.36%	N/A	N/A	N/A
6. Basic Surplus – Tier 2	18.00%	14.00%	10.00%	25.23%	26.72%	N/A	N/A	N/A
7. Basic Surplus – Tier 3	25.00%	20.00%	15.00%	37.35%	37.70%	N/A	N/A	N/A
8. Borrowings / Assets	22.00%	26.00%	30.00%	18.68%	19.30%	N/A	N/A	N/A
9. Brokered Deposits / Assets	10.00%	12.50%	15.00%	7.88%	9.02%	N/A	N/A	N/A
10. Brokered Deposits / Total Deposits	10.00%	12.50%	15.00%	11.29%	12.97%	Level 1	5	Level A
11. Wholesale Funds / Assets <sup>2</sup>	20.00%	25.00%	30.00%	26.63%	28.42%	Level 2	5	Level A
12. Free Investment Collateral & Short Term Inv.'s / Assets	10.00%	9.00%	8.00%	13.14%	13.56%	N/A	N/A	N/A
13. Free FHLE Loan Collateral / Assets	15.00%	12.50%	10.00%	19.22%	17.37%	N/A	N/A	N/A
14. Loans / Deposits	100.00%	112.50%	125.00%	102.86%	102.05%	Level 1	2	Level A
15. Pledged Securities / Investments <sup>3</sup>	45.00%	55.00%	65.00%	52.91%	52.65%	Level 1	7	Level A
<b>Indicators - Capital at Risk</b>								
16. C&I Loans / Capital	25.00%	35.00%	50.00%	19.62%	21.71%	N/A	N/A	N/A
17. Non-Agency Bonds / Capital	75.00%	100.00%	125.00%	90.33%	92.72%	Level 1	11	Level A
18. Commercial RE Loans / Capital	450.00%	525.00%	600.00%	506.71%	519.34%	Level 1	5	Level A
19. Construction Loans / Capital	30.00%	40.00%	50.00%	27.87%	26.25%	N/A	N/A	N/A
20. Tier One Leverage Capital Ratio <sup>4</sup>	11.00%	9.50%	8.50%	9.07%	9.18%	Level 2	5	Level A
21. Total Risk Based Capital Ratio <sup>5</sup>	16.50%	15.50%	14.50%	14.75%	13.78%	Level 2	5	Level A

Source: Liquidity360®

Early warning system (3 levels)

Stress Level and Response / Action Plan

# Liquidity Management Is Challenging Leaders

Kristin Dupuis,  
Chief Financial Officer



The current environment and regulatory pressures present new challenges – are we prepared?

As liquidity concerns grow, do I have adequate flexibility in funding options

Last year's bank failures have me concerned I'm not doing enough for stress testing and risk monitoring

I'm concerned about the stability of my deposits and how that impacts my key ALCO decisions

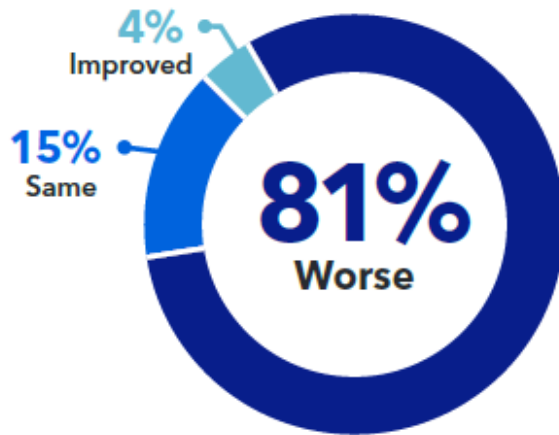
# Banker Perspectives Deposit Competition

Deposit competition remains tight, though expectations have improved. Over the past 12 months, 81% of respondents experienced greater competition for deposits

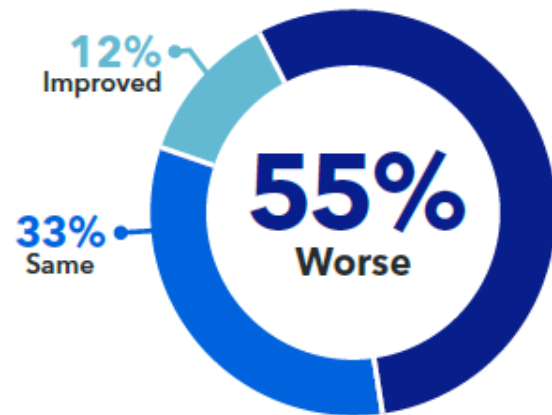
With expectations that the Fed will cut rates in 2024, the percentage of banks (55%) projecting that deposit competition will worsen in the year ahead slid significantly compared to prior quarters.

Source: Q4 2023 Bank Executive Business Outlook Survey.

### Experience Compared to 12 Months Prior



### Expectation Looking 12 Months Ahead



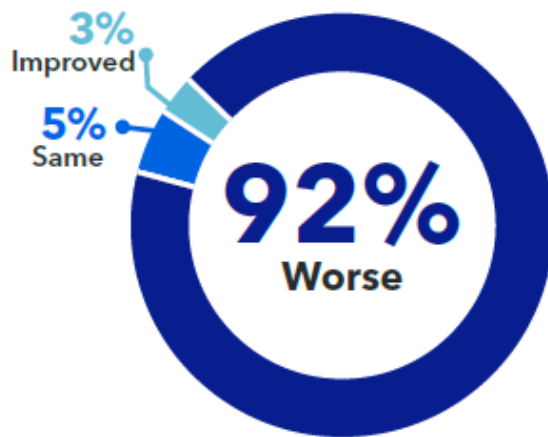
# Banker Perspectives Funding Costs

Banks continued to experience higher funding costs, with 92% of respondents reporting an increase over the last 12 months.

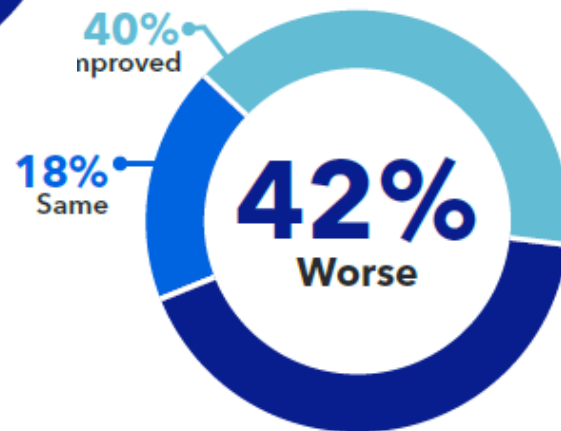
However, expectations for funding costs greatly improved in this survey.

Source: Q4 2023 Bank Executive Business Outlook Survey.

**Experience**  
Compared to 12 Months Prior

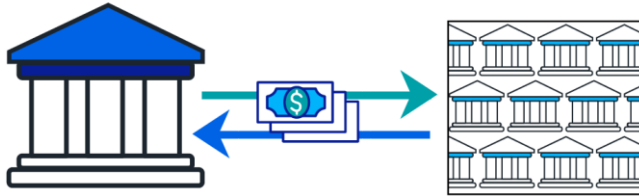


**Expectation**  
Looking 12 Months Ahead

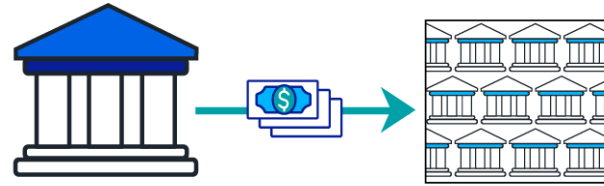


# Choose a Flexible Deposit Network

A network that offers multiple ways to manage liquidity.



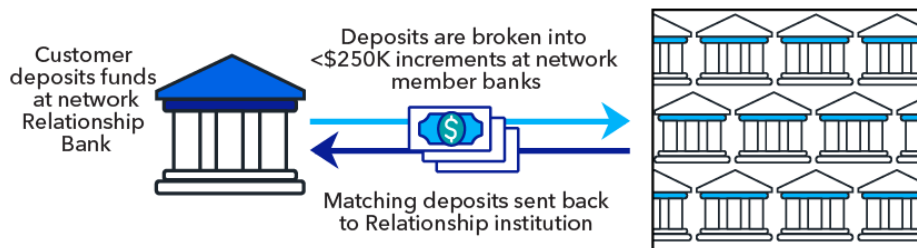
**Bring deposits on balance sheet**  
with reciprocal deposits



**Sell deposits to other banks**  
and earn fee income

# 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.

A list identifying IntraFi network banks may be found at <https://www.intrafi.com/network-banks>. IntraFi is not an FDIC-insured 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.

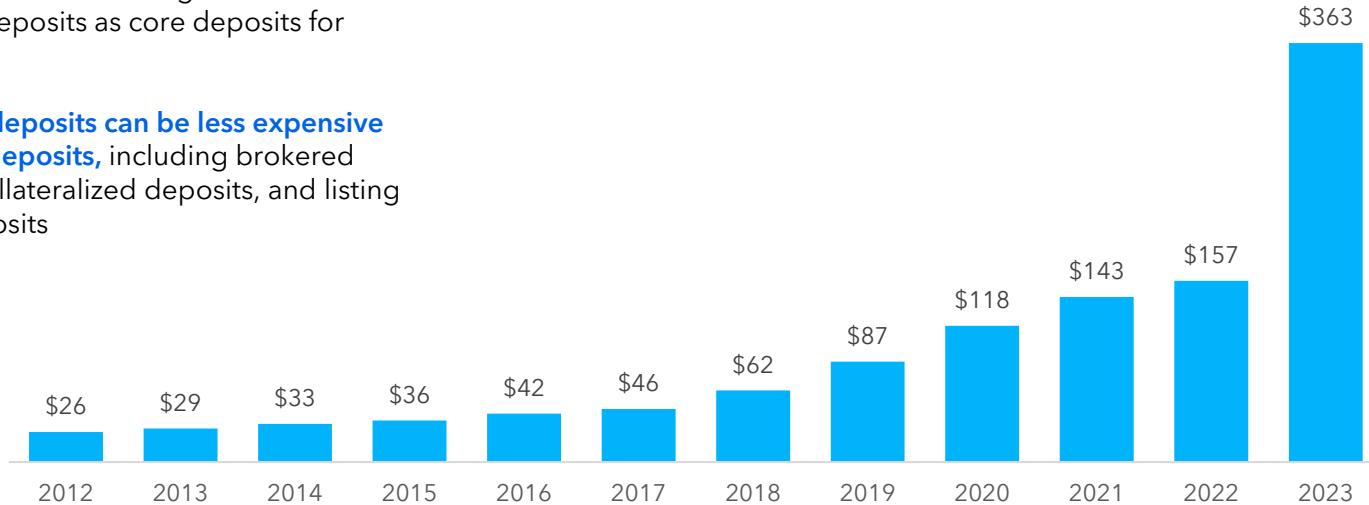


# Use of Reciprocal Deposits Continues to Grow

Total Reciprocal Deposits (\$bn)

A federal law in 2018 recognized most reciprocal deposits as core deposits for banks<sup>1</sup>

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



[1] Economic Growth, Regulatory Relief and Consumer Protection Act.

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.

# Customers Finding Peace of Mind with Reciprocal Deposits have been in the news

“

“It hit close to home, and it really made us think,” said **Tom Whittaker, president and CEO of Blue Modus** digital agency. “We realized we’d never discussed what could happen if our own bank failed.”

“

“You cannot un-live SVB. There were two weeks there when I wasn’t sure if I was going to lose my company,” recalls **Russell Franks, co-founder and president of PredictAP**, a fin-tech start-up in Boston. “We were a customer of SVB and lost access to our money.”

“

**Julian Mansfield, manager of the Village of Friendship Heights in Maryland**, is the custodian for the town’s revenues and must operate within strict guidelines set by the state. “We really can’t do much with our money. It’s all got to be very safe and secure,” Mansfield said. “It is all about avoiding risk for the taxpayers.”

“

Silicon Valley Bank’s failure last spring “pushed us over the edge,” **Phil Ruden, managing partner at Prodigy LLC** said. It was time to find a way to insure his clients’ funds without opening multiple accounts at various banks.

A list identifying IntraFi network banks may be found at <https://www.intrafi.com/network-banks>. IntraFi is not an FDIC-insured bank, and deposit insurance covers the failure of an

insured bank. Certain conditions must be satisfied for “pass-through” FDIC deposit insurance to apply.



Don't confuse strong  
liquidity with sound  
liquidity risk  
management!



IntraFi



# Questions & Answers


# Today's Presenters



**Mark A. Haberland**

Managing Director

 [mhaberland@darlingconsulting.com](mailto:mhaberland@darlingconsulting.com)

 508-237-2473

 [www.linkedin.com/in/markhaberland/](http://www.linkedin.com/in/markhaberland/)

With over 25 years of experience in balance sheet and model risk management, and hands-on experience in audit and leading the operations of DCG's Financial Analytics Department, Mark has unique expertise for optimizing and "right-sizing" risk management in the community, mid-size, and large banking space.

In his current role, Mark facilitates educational programs and collaborative workshops and is a trusted resource for financial institutions, industry, and state trade associations, as well as regulatory agencies on a variety of balance sheet and model risk management/validation topics, including IRR, Liquidity, CECL, BSA/AML, MRM/ERM and ALCO.

Mark is a frequent author and top-rated speaker on a vast array of risk management topics and is a member of the Financial Managers Society's Board of Directors and California Bankers Association's Enterprise Risk Management Committee. The son of an educator and member of the faculty of Pacific Coast Banking School, Mark's passion for teaching drives his desire to work with bankers to strive for excellence within their organizations.

Mark lives on the North Shore of Boston with his wife, two children, and two dogs. He is a graduate of St. Michael's College in Vermont with a degree in accounting.

# Today's Presenters



## Max Damm

Managing Director, Pacific

✉ [mdamm@intrafi.com](mailto:mdamm@intrafi.com)

☎ 703-292-3361

[www.linkedin.com/in/maxdamm/](https://www.linkedin.com/in/maxdamm/)

Max Damm joined IntraFi in 2004 and currently holds the position of Managing Director for California, Hawaii, and Alaska. Max has 24 years of experience in financial services, working at national and community banks along the way. Max earned his undergraduate degree in International Studies and Spanish/Latin American Studies at American University in Washington, DC. He is a proud husband and father to two young boys.

Max has served in various capacities while at IntraFi, working on the Inside Sales Desk, Treasury Desk, Product Management Team and now as Managing Director. As Managing Director, Max works hand in hand with banks on numerous activities including C-level deposit strategy, liquidity management, new product rollout, sales training, and end client education. In the area of end-client education, Max joins banks of all size in customer outreach related to IntraFi's products and has spoken at numerous events for CPAs, Public Agency Finance Officers, Businesses, Law Firms, Non-Profits, and Fiduciaries.