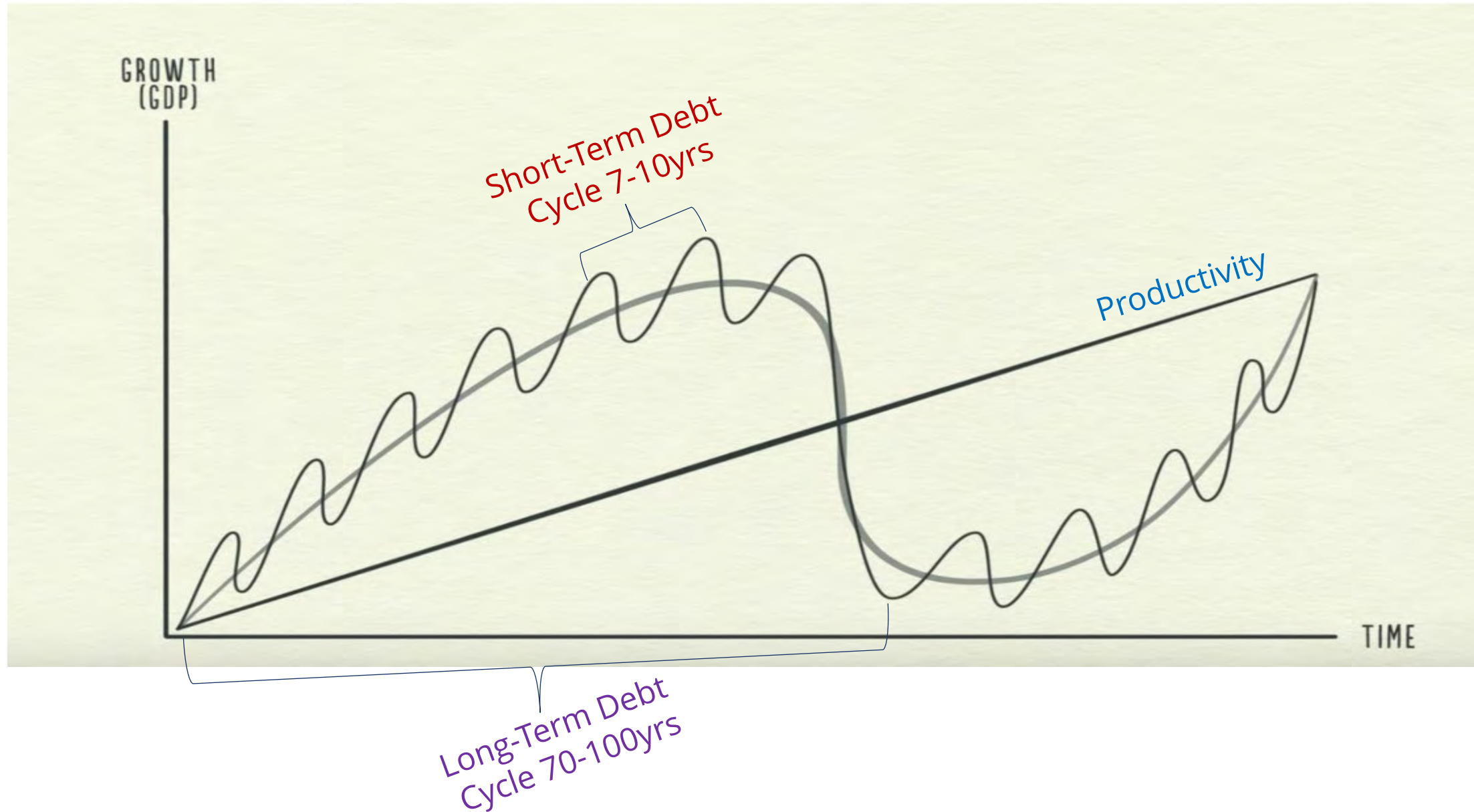


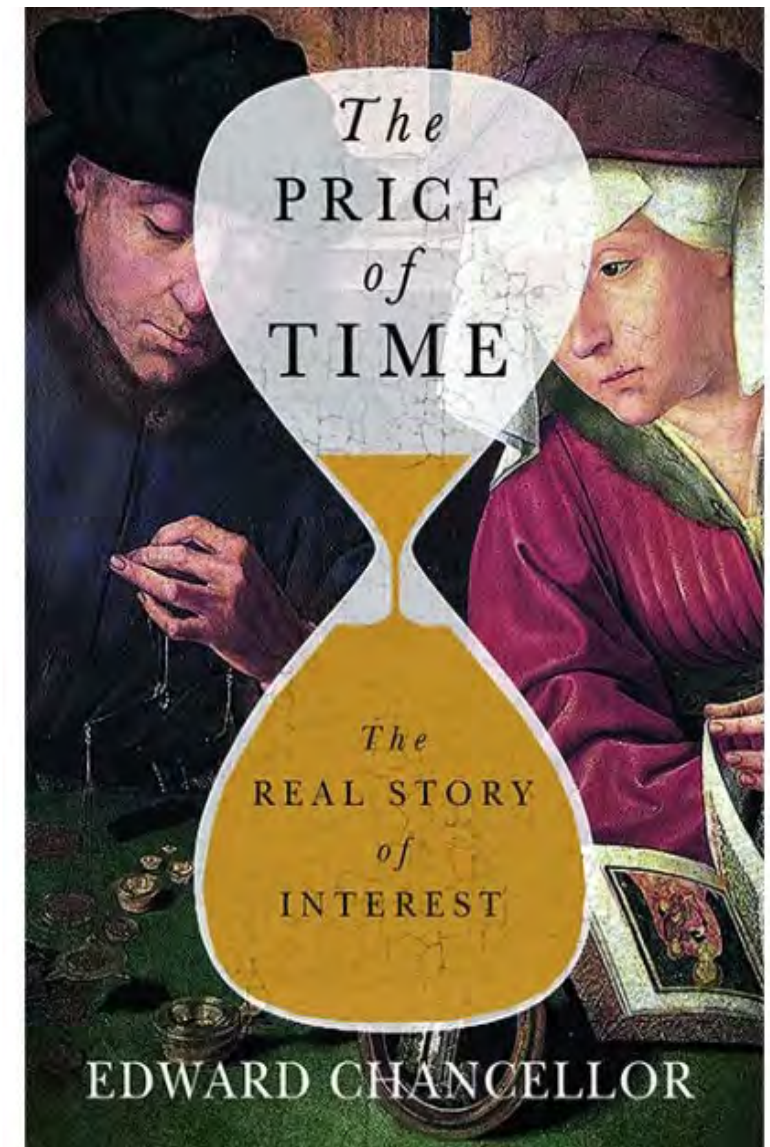
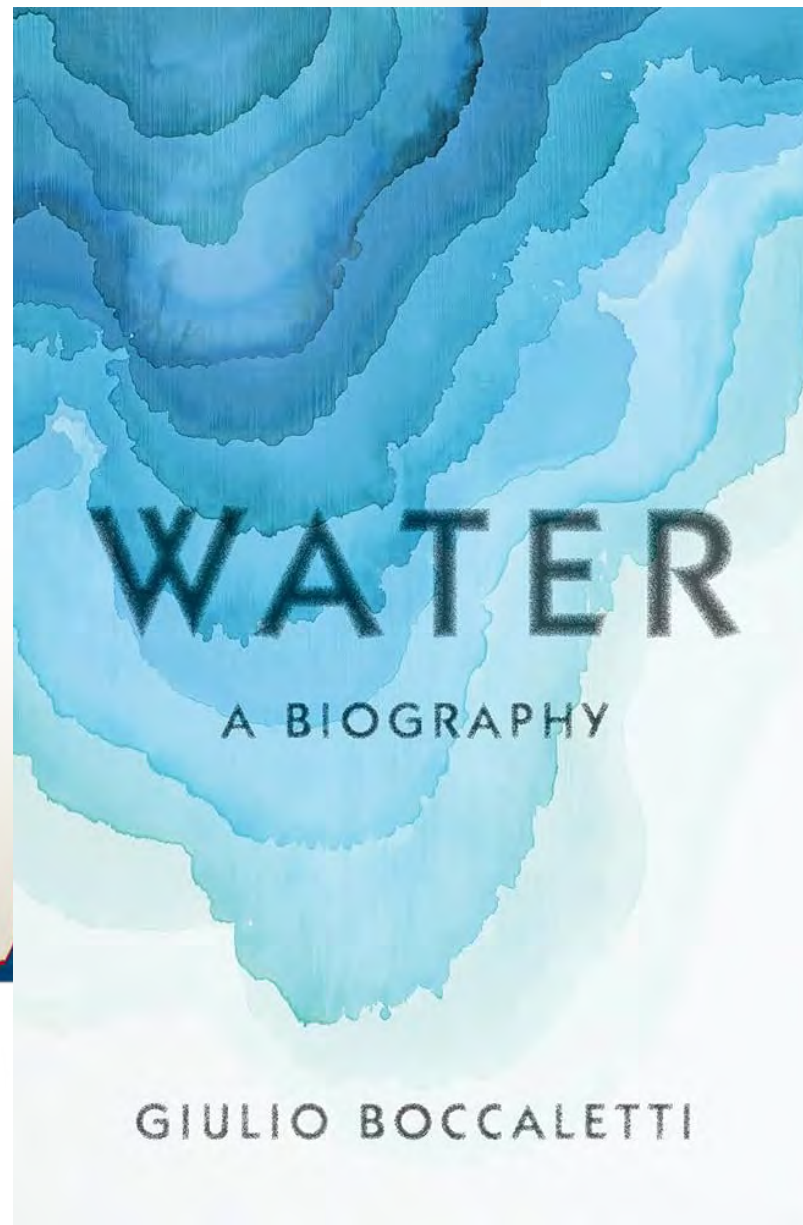
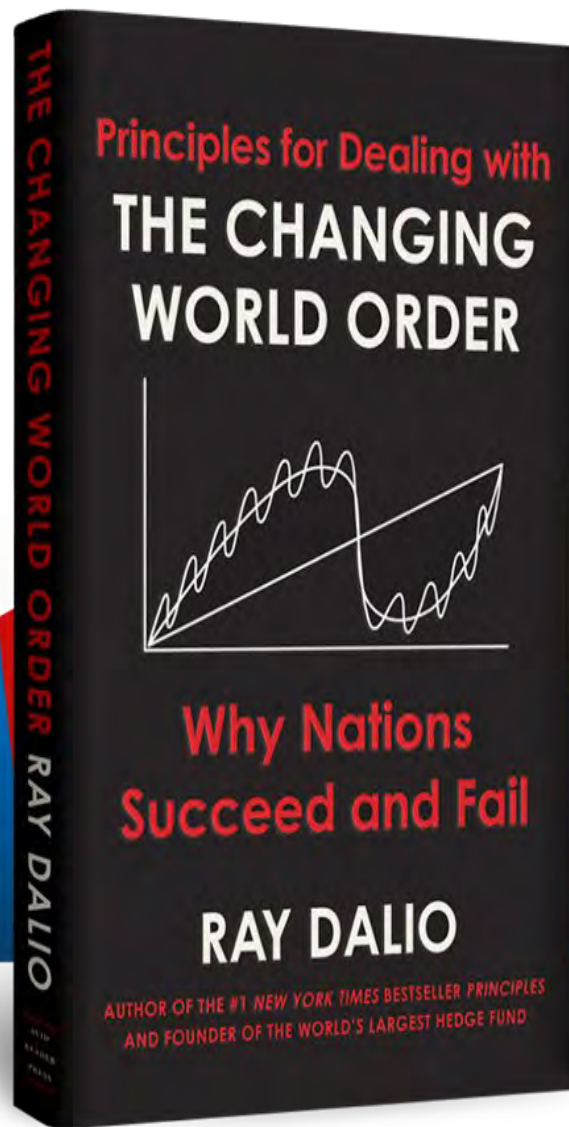


# Understanding the Relationship Between Credit Cycles and Interest Rates

# DEBT CYCLES







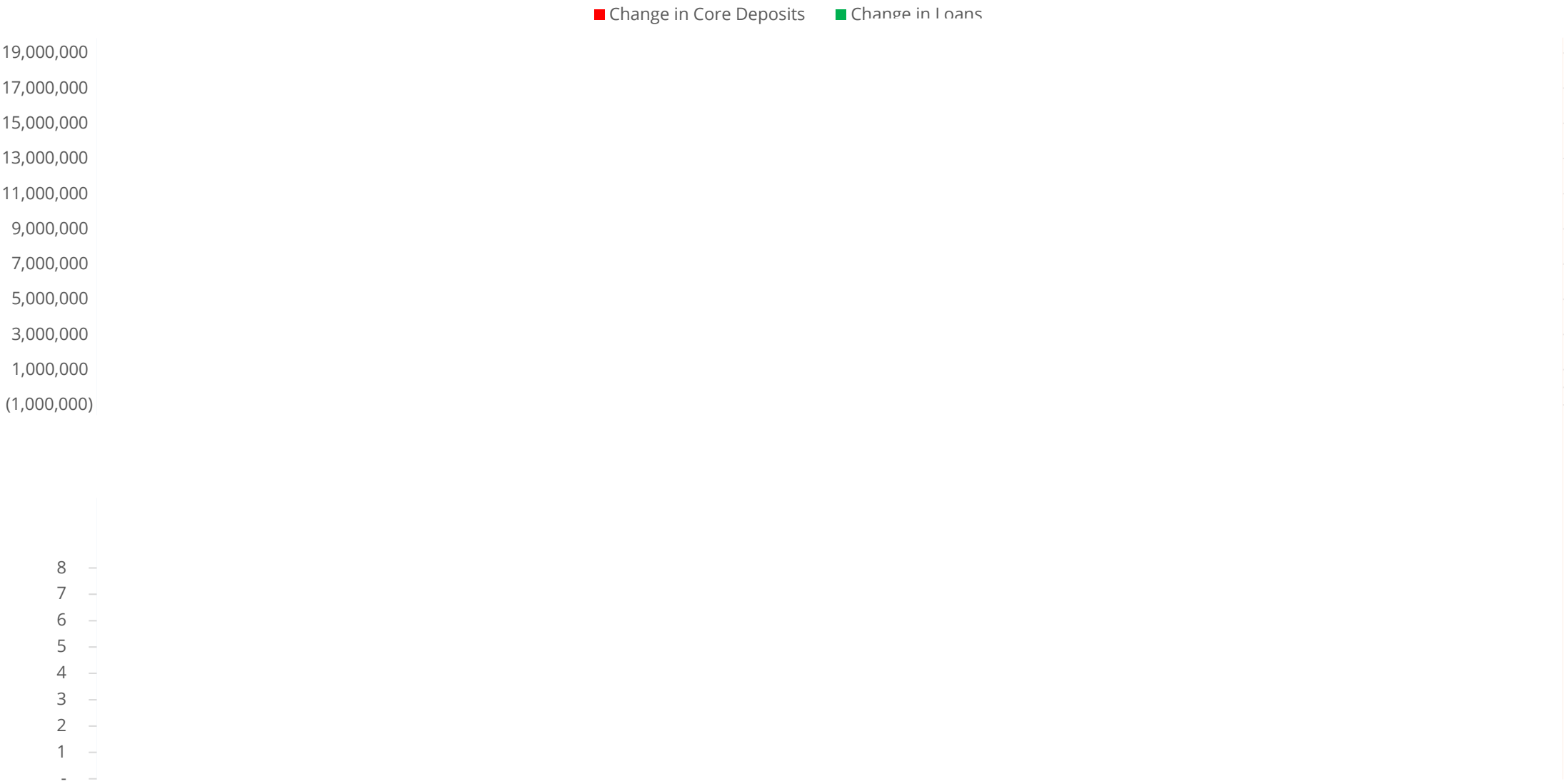
# ASSET MIX U.S. <15B

100%  
90%  
80%  
70%  
60%  
50%  
40%  
30%  
20%  
10%  
0%

Source: S&P Global Market Intelligence,  
Data for all banks Nationally <\$15B as of 6/30/24

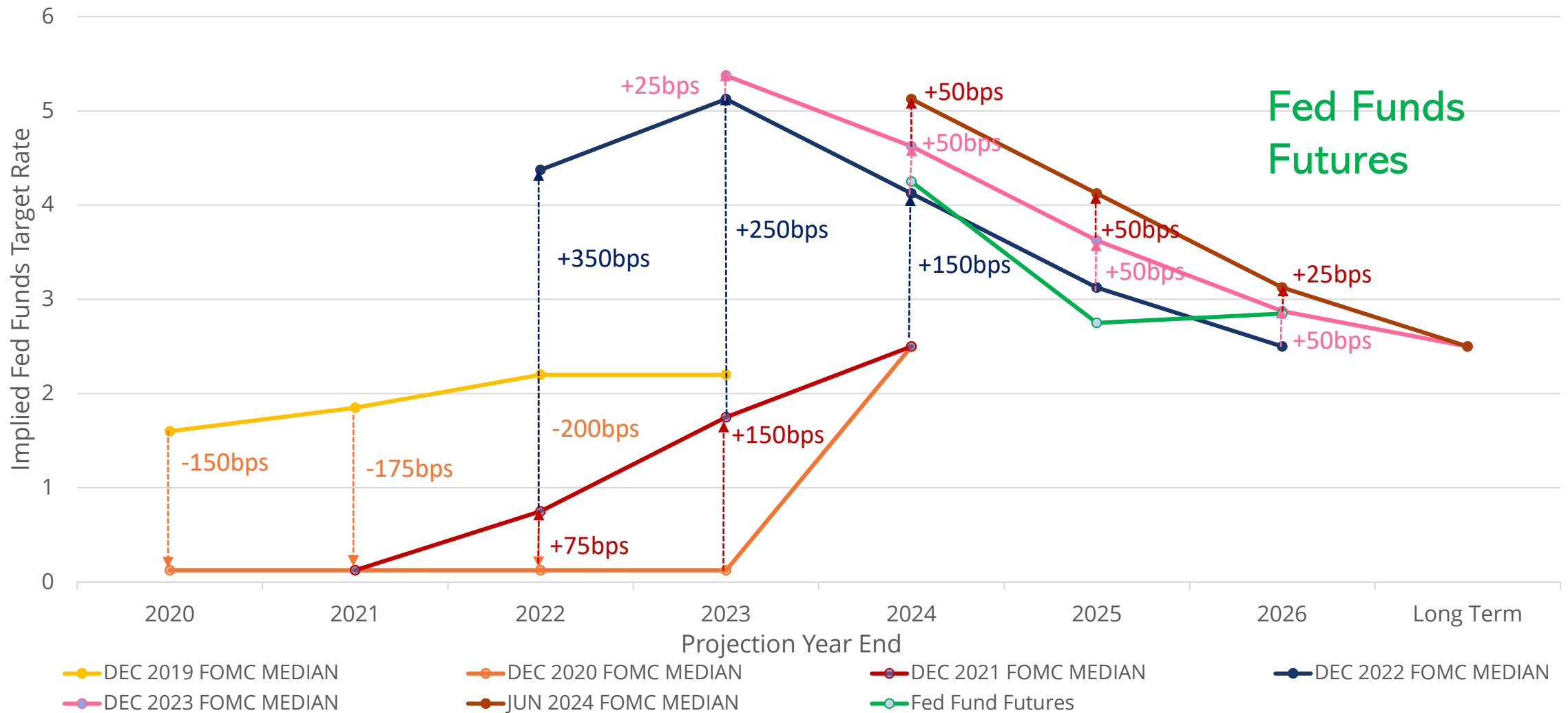
—

# FLOW OF FUNDS PENNSYLVANIA <15B



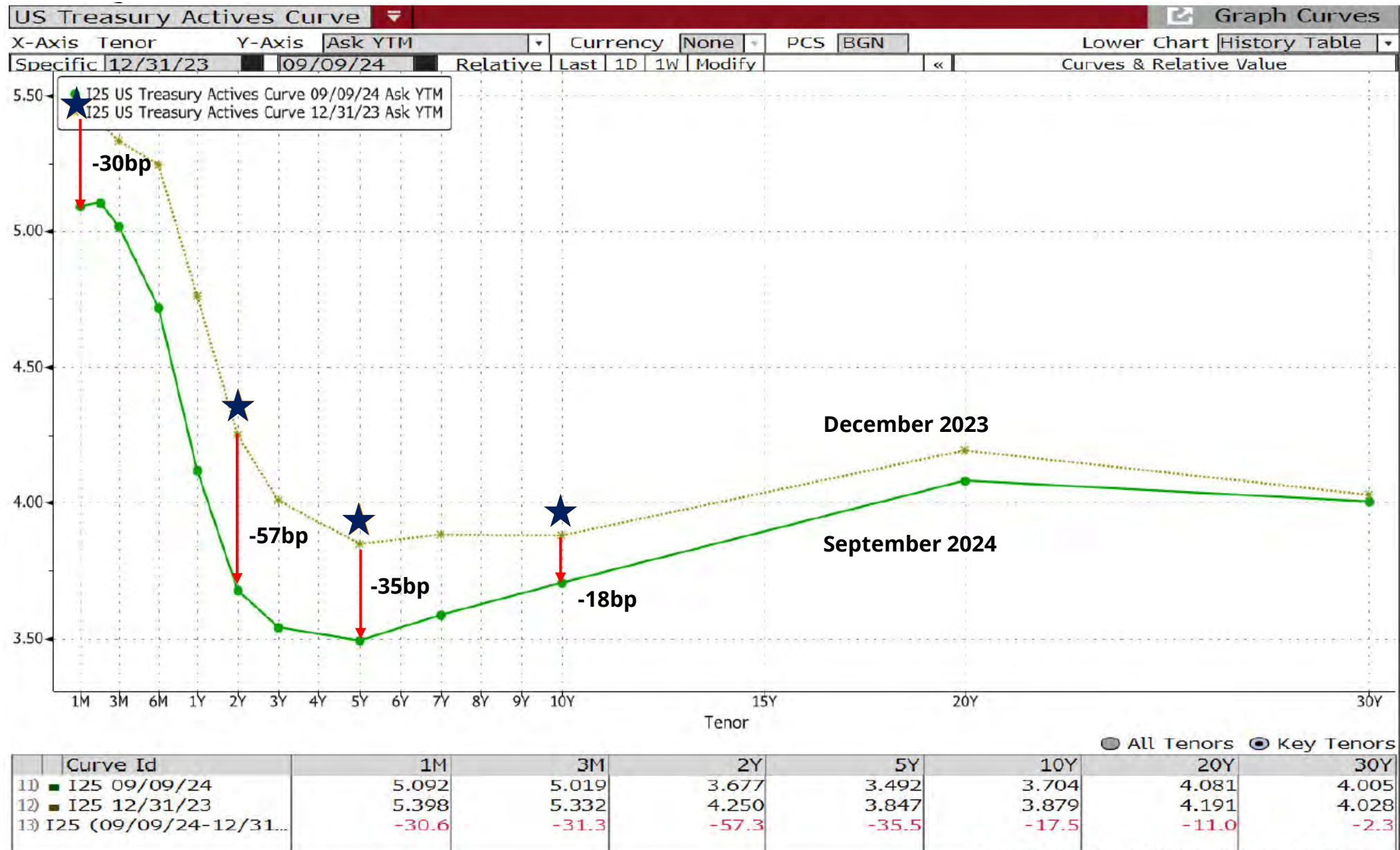
Source: S&P Global Market Intelligence, Federal Reserve  
Data for all Pennsylvania banks <\$15B as of 6/30/24

# FED DOT PLOT & IMPLIED FED FUNDS TARGET RATE





# TREASURY RATES





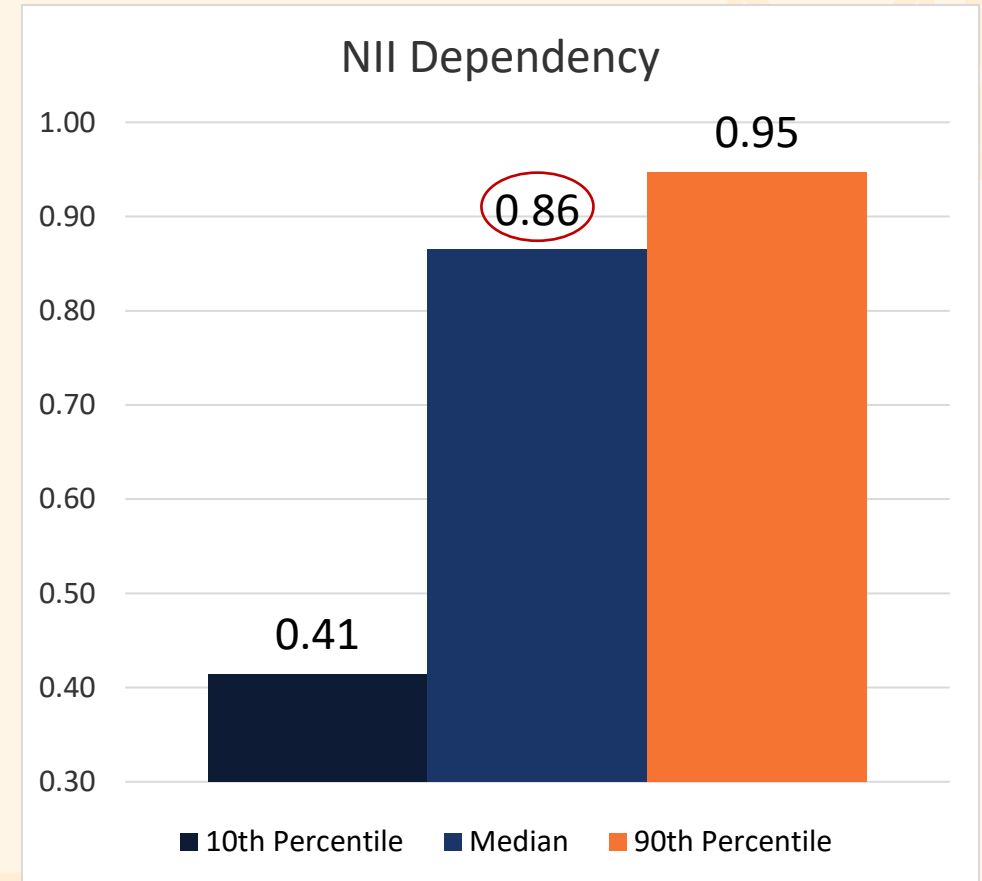
# NII DEPENDENCY AMONG ALL PENNSYLVANIA BANKS

Net Interest  
Income (NII)

Net Interest  
Income (NII)

+

Non-Interest  
Income



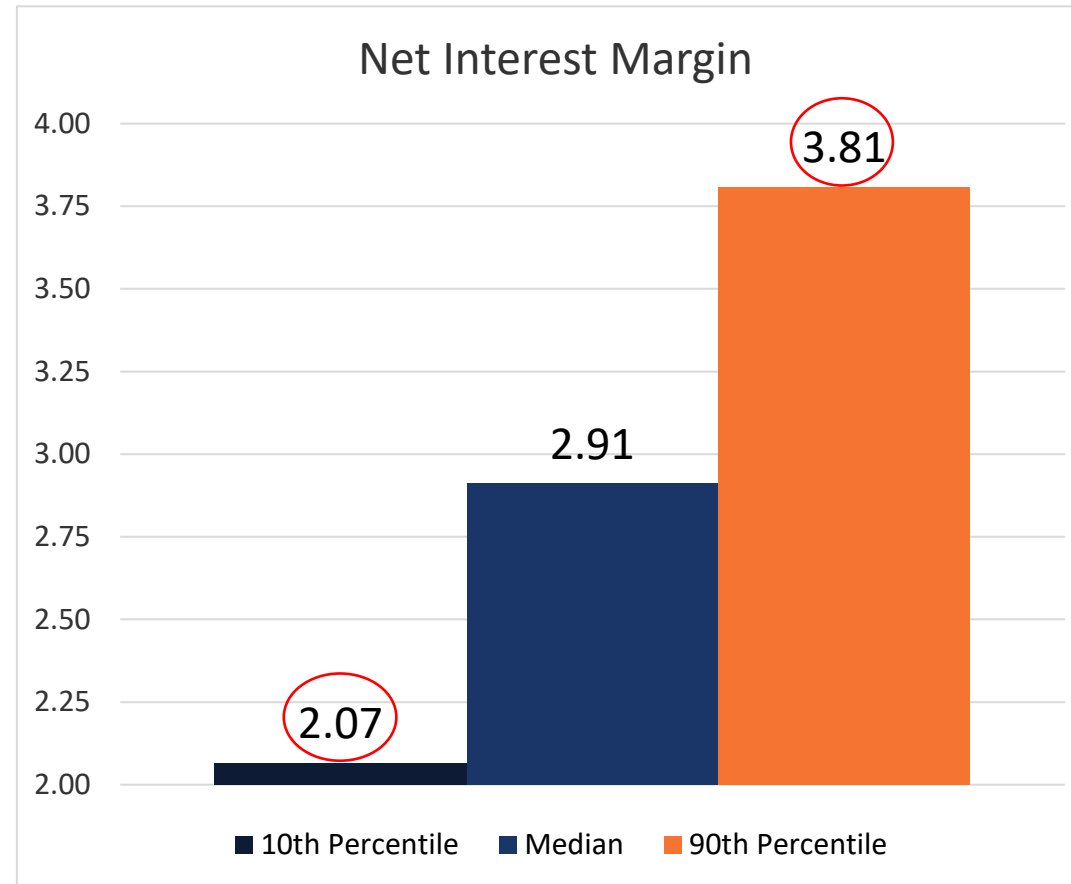
Source: S&P Global Market Intelligence,  
Data for all Pennsylvania Banks <\$15B as of 6/30/24



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



# NET INTEREST MARGIN AMONG ALL PENNSYLVANIA BANKS



Source: S&P Global Market Intelligence,  
Data for all Pennsylvania Banks <\$15B as of 6/30/24

**MARGIN VOLATILITY = PROFIT VOLATILITY**

WHAT IS YOUR INSTITUTION'S

NET INTEREST INCOME  
DEPENDENCY?

NET INTEREST MARGIN?







<https://tinyurl.com/yc2x265f>

**Use your Phone to Scan our QR Code to  
Access Your Banks Performance Snapshot**

- Scan to go to our Landing Page
- Enter your Bank & City
- Go to the Google Drive to find your Snapshot

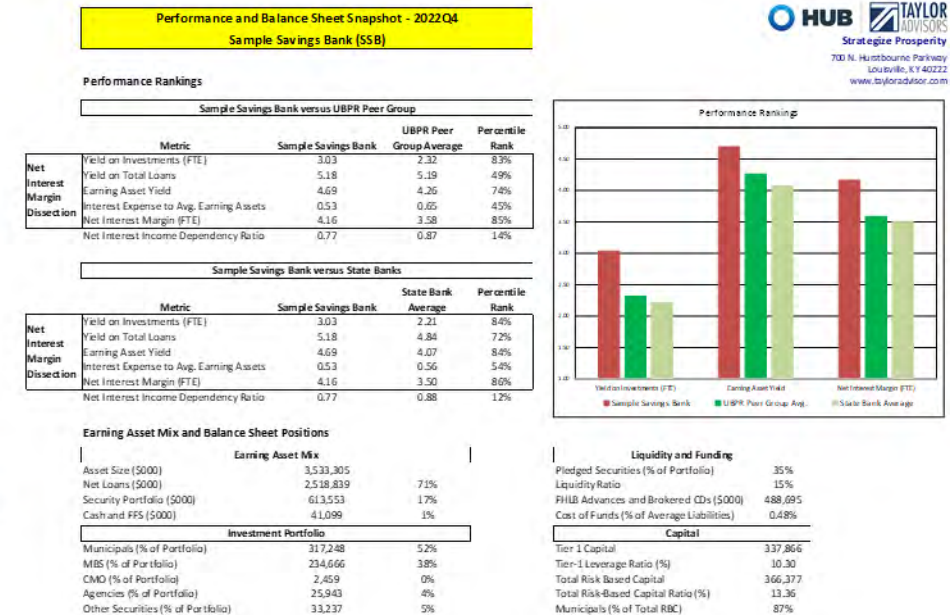
# PERFORMANCE SNAPSHOT REQUEST

[Info.tayloradvisor.com/snapshot](https://info.tayloradvisor.com/snapshot)

The Taylor Advisors Performance Snapshot is an in depth report on your institution's margin, yield, and costs in comparison to UBPR and State Peer Averages.

As you'll see, the graph on the top right shows performance data about the institution (red) and compares it to other institutions in its UBPR peer group and its home state (green).

The Net Interest Margin Dissection to the left shows the numbers that correspond to the graph and also ranks the institution versus its peer group, approximating the UBPR report. Below that is additional balance sheet information about the institution.



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)	3.92	2.81	86%
	Yield on Total Loans	5.64	6.12	28%
	Earning Asset Yield	5.46	5.38	57%
	Interest Expense to Avg. Earning Assets	2.67	1.94	90%
	Net Interest Margin (FTE)	2.79	3.07	28%
	Net Interest Income Dependency Ratio	0.80	0.83	28%

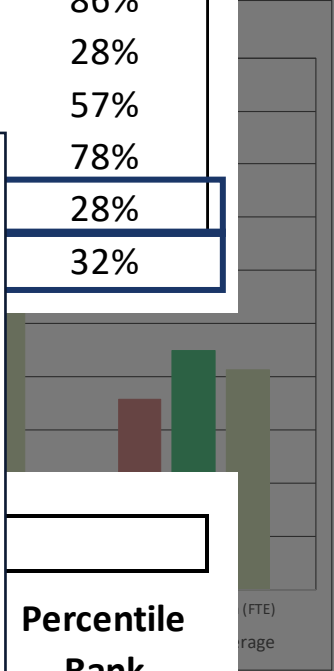
What's the Range of Net Interest Margin?

90<sup>th</sup> Percentile is 4.74%

10<sup>th</sup> Percentile is 2.34%

Range of 2.40%

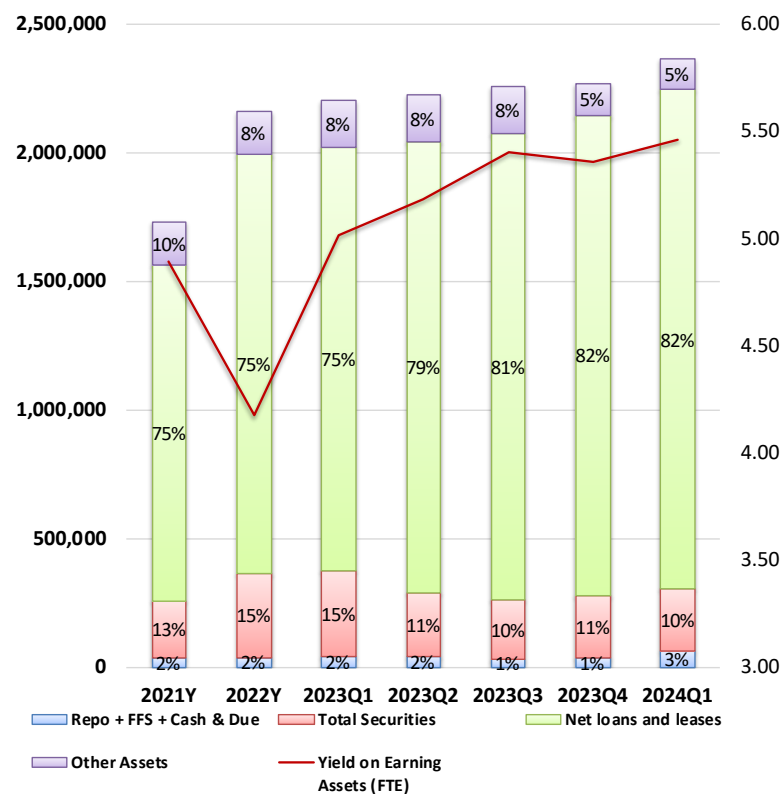
Source: S&P Global Market Intelligence,  
Data for all Banks Nationally <\$15B as of 6/30/24



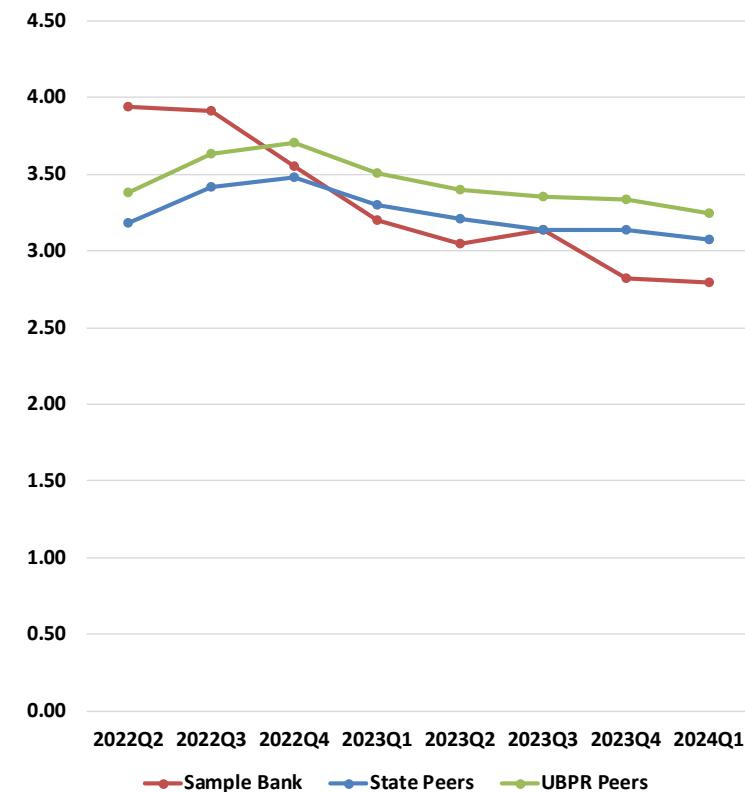
## Historical Performance

### Historical Performance

Balance Sheet Trend



Net Interest Margin - FTE

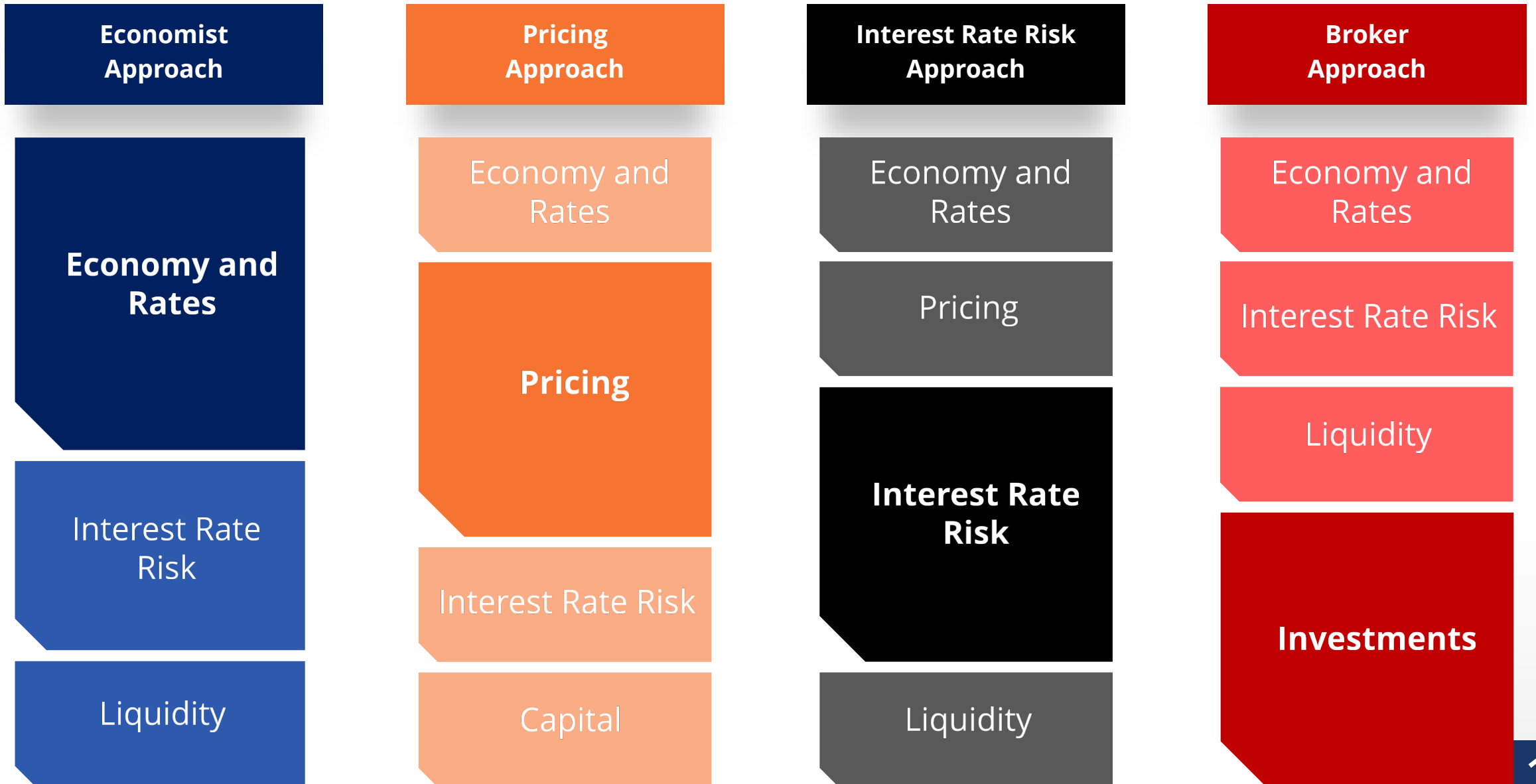




# WHAT ARE COMMON COMMITTEE APPROACHES?



# COMMITTEE APPROACHES



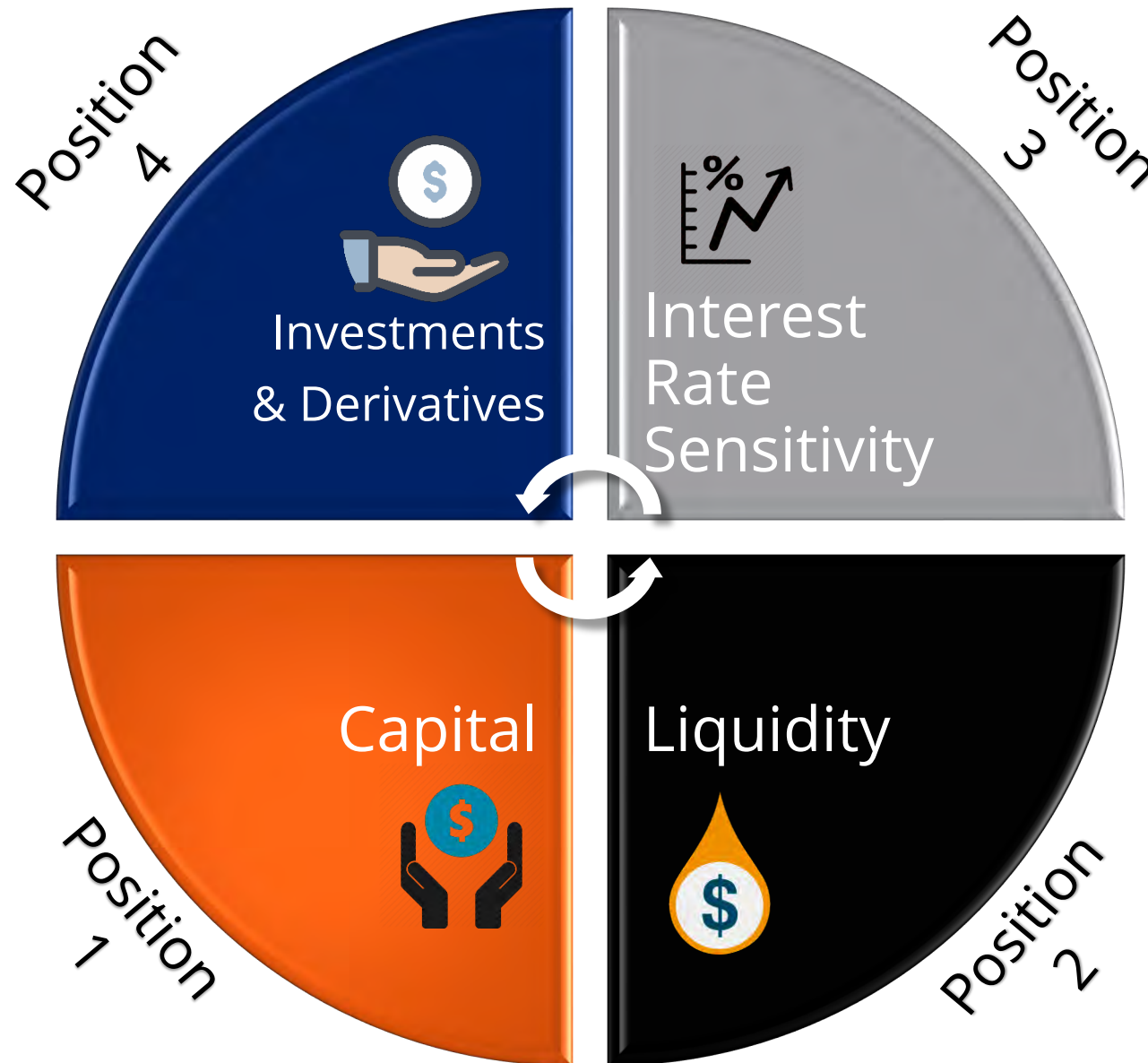
# HOW SHOULD WE PREPARE FOR SHORT-TERM DEBT CYCLES?



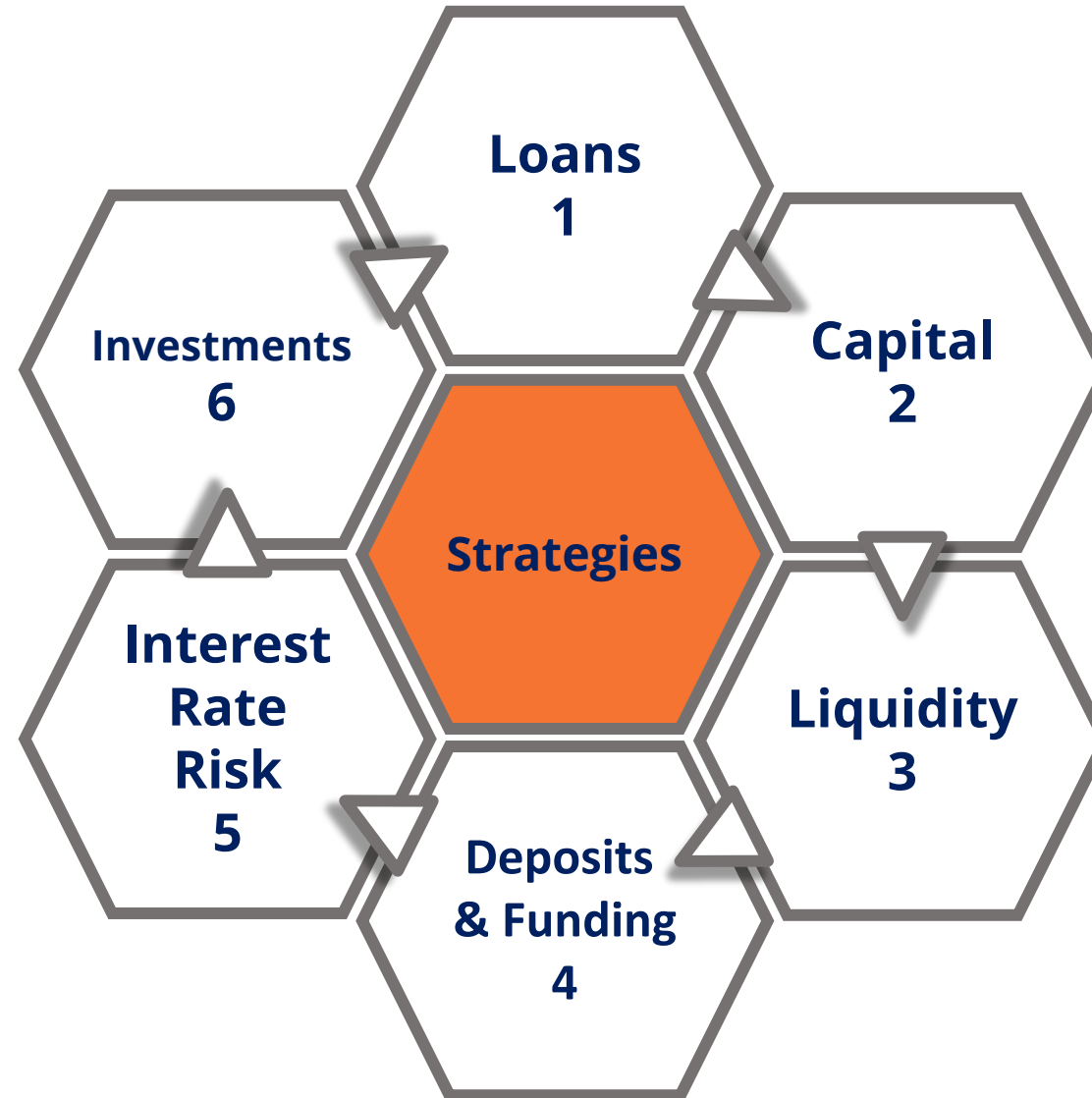
# Position Assessment



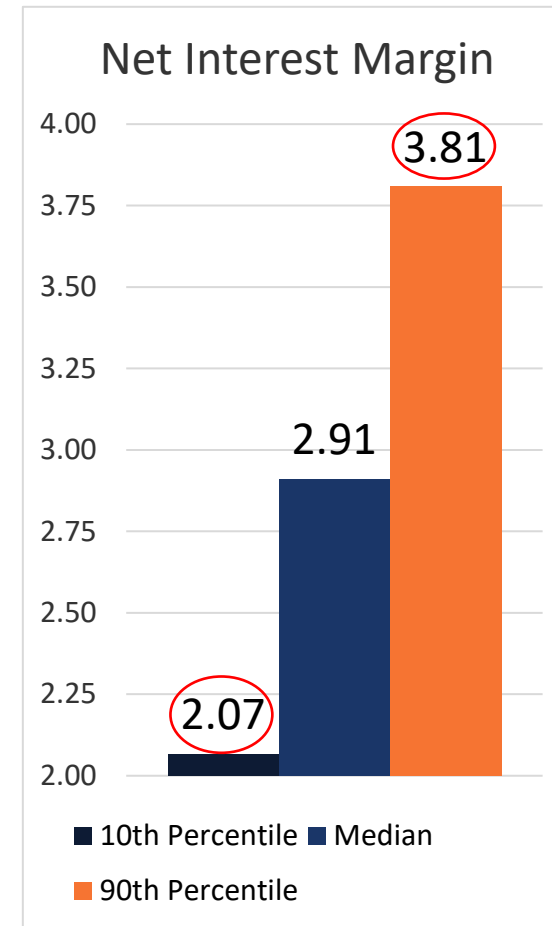
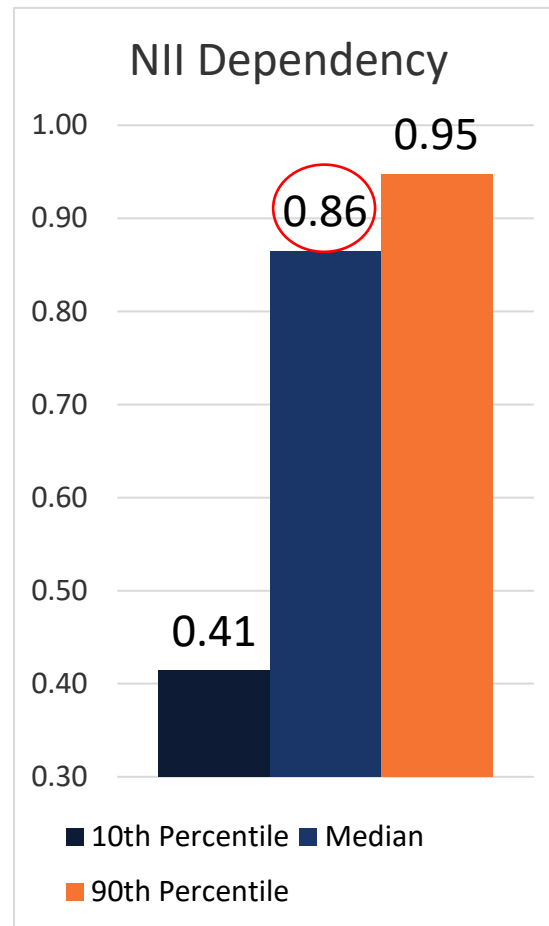
# DEBT CYCLE BEST PRACTICES



# OBJECTIVES AND STRATEGIES



# NII DEPENDENCY AND NIM AMONG ALL PENNSYLVANIA BANKS



Source: S&P Global Market Intelligence,  
Data for all Pennsylvania Banks <\$15B as of 6/30/24

**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
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
5,000,000	2,500	5,000	7,500	10,000	12,500	15,000
10,000,000	5,000	10,000	15,000	20,000	25,000	30,000



# DEBT CYCLE BEST PRACTICES

- Study the Past
- Monitor the Present
- Prepare for the Future



# STUDY THE PAST



**BLAST**  
**FROM**  
**THE PAST**

- Where were we?
  - Trend Analysis
  - Historical Ratios
  - Peer Comparison
  - Balance Sheet Mix
  - Rate Movements
  - Spread Changes
- Reflect
  - What did we do right?
  - What did we do wrong?
  - Were our strategies effective?
  - How did environment change?

# MONITOR THE PRESENT

be.  
here.  
now.

- Where are we?
  - Position Assessment
  - Net Interest Margin Dissection
  - Competition Analysis
  - Word-Problem Approach
  - Re-focus on Objectives
  
- Reflect
  - Loan Demand vs. Deposit Growth
  - Rate Climate
  - Current Profitability (or not!)
  - Resources: Loan/Deposit Officers

# PREPARE FOR THE FUTURE



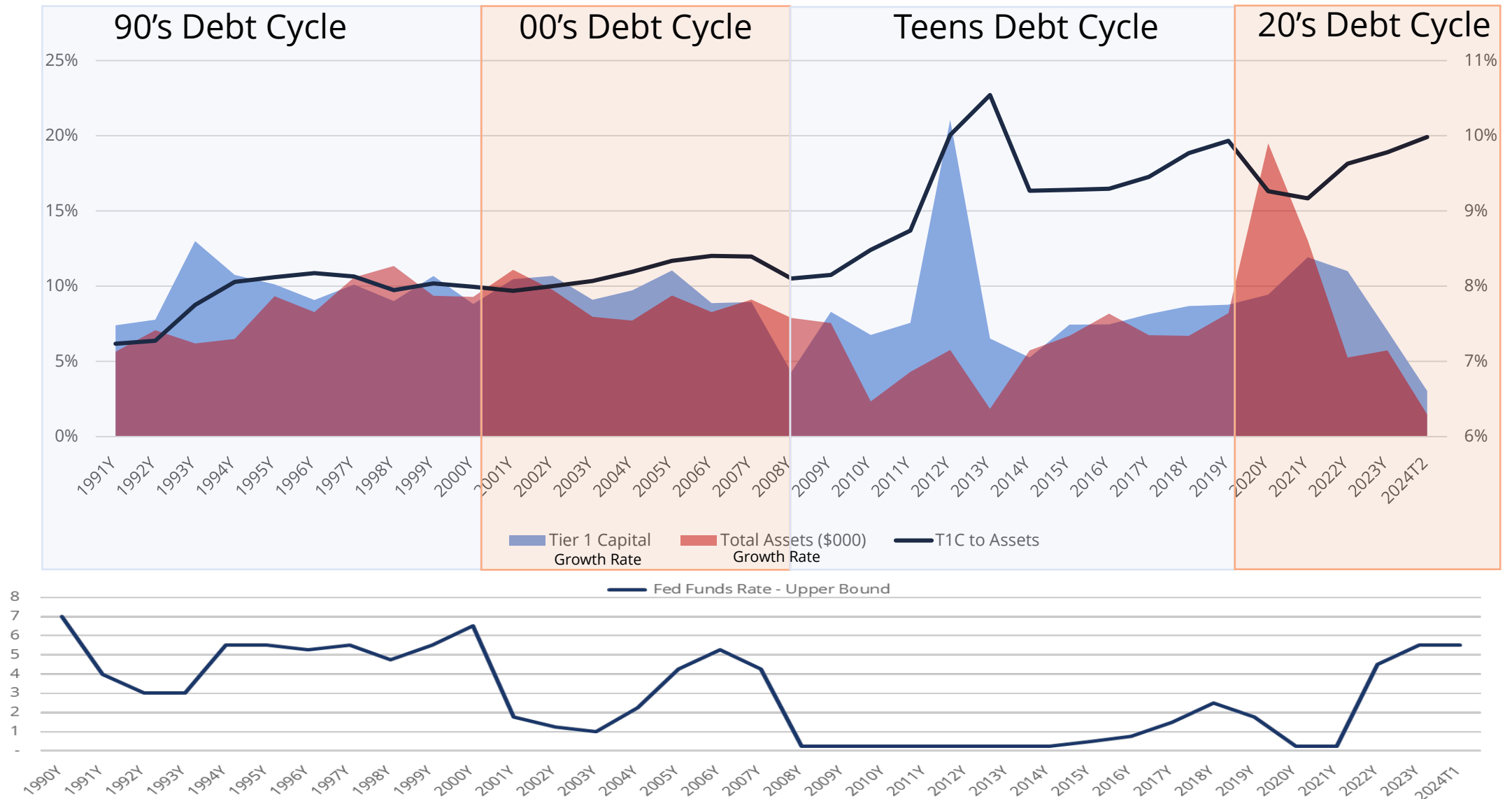
- Where could we go?
  - Accountability
    - Review Minutes: Action Items, Strategies
  - Tactical Forecasting
    - Loans vs. Deposit Projection
    - Liquidity Flows
  - Stress Testing
    - Capital: Credit Deterioration
    - Interest Rate Risk: Higher/Different Betas
    - Liquidity: Reduced Access to Funding
    - Securities: Cash Flow Volatility, Duration
  - Strategic Forecasting

# BALANCE SHEET MANAGEMENT - CAPITAL



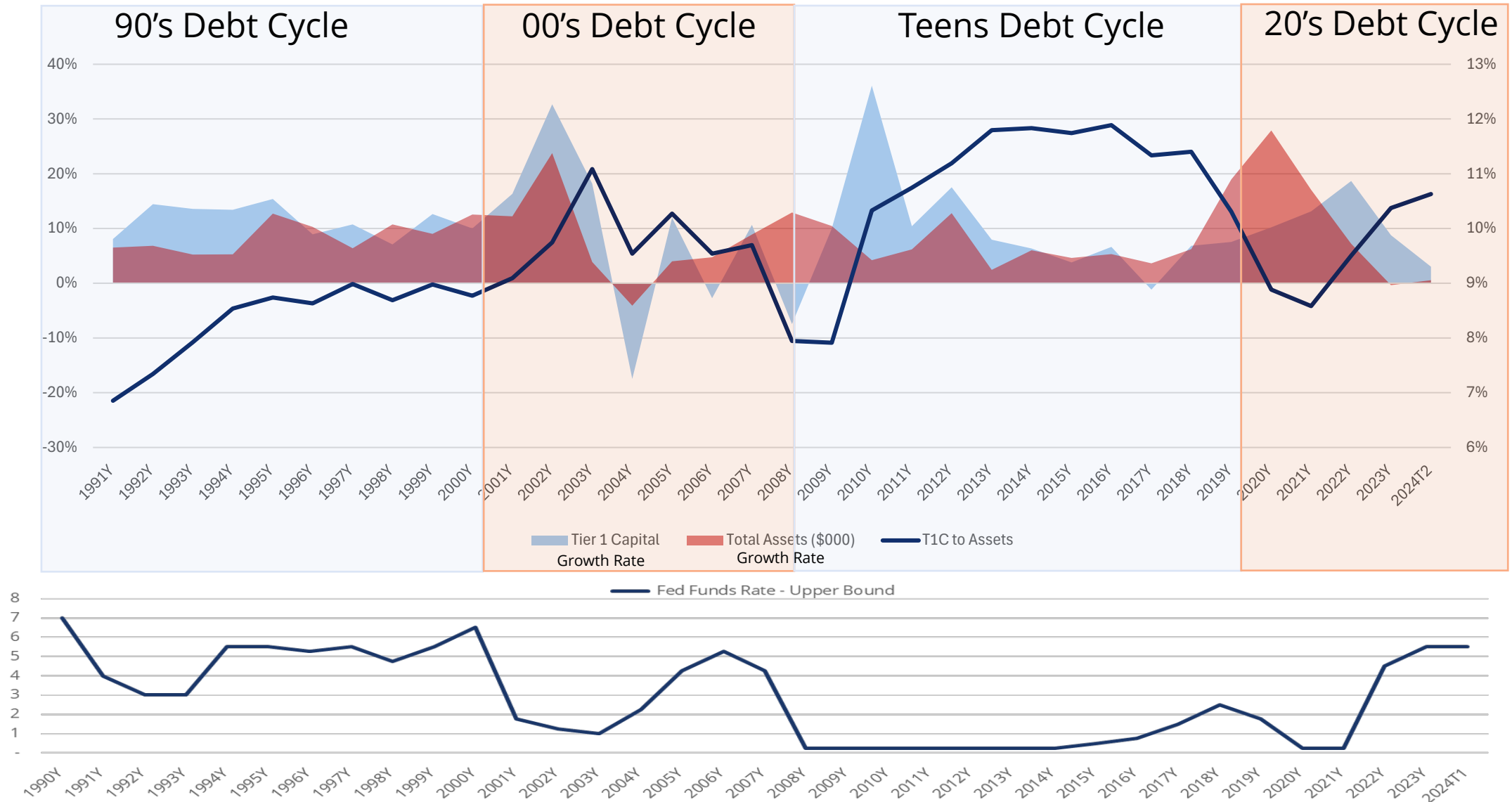


# TIER 1 CAPITAL TO ASSETS U.S. <15B



Source: S&P Global Market Intelligence,  
Data for all banks Nationally <\$15B as of 6/30/24

# TIER 1 CAPITAL TO ASSETS PENNSYLVANIA <15B



Source: S&P Global Market Intelligence,  
Data for all Pennsylvania banks <\$15B as of 6/30/24

# ASSET MIX PENNSYLVANIA <15B

100%  
90%  
80%  
70%  
60%  
50%  
40%  
30%  
20%  
10%  
0%

8  
7  
6  
5  
4  
3  
2  
1  
-

Source: S&P Global Market Intelligence,  
Data for all Pennsylvania banks <\$15B as of 6/30/24