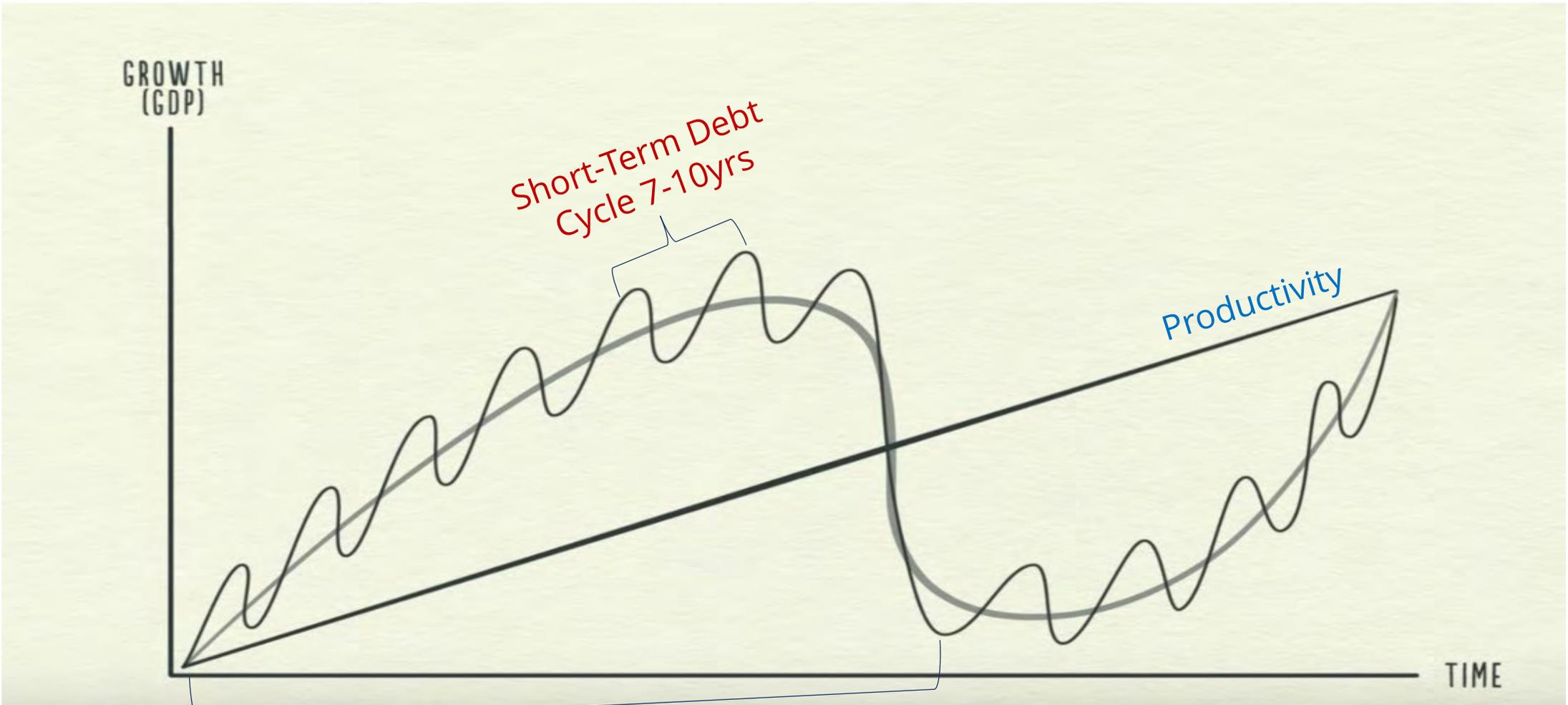


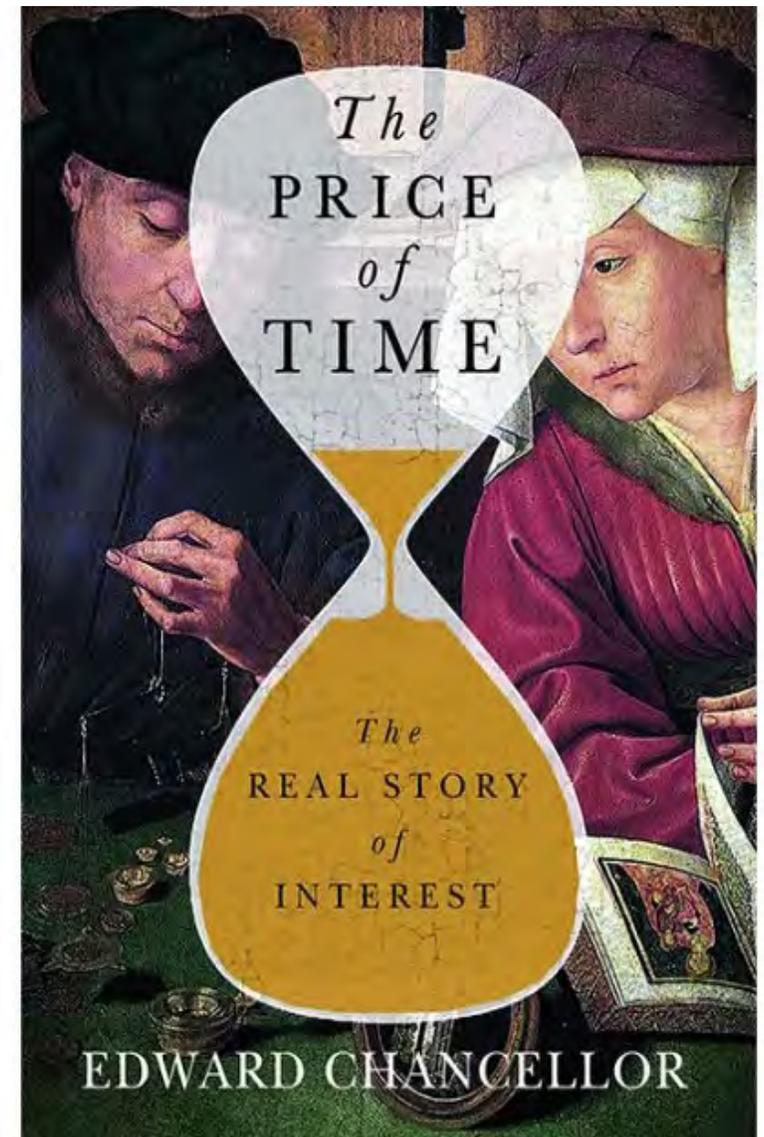
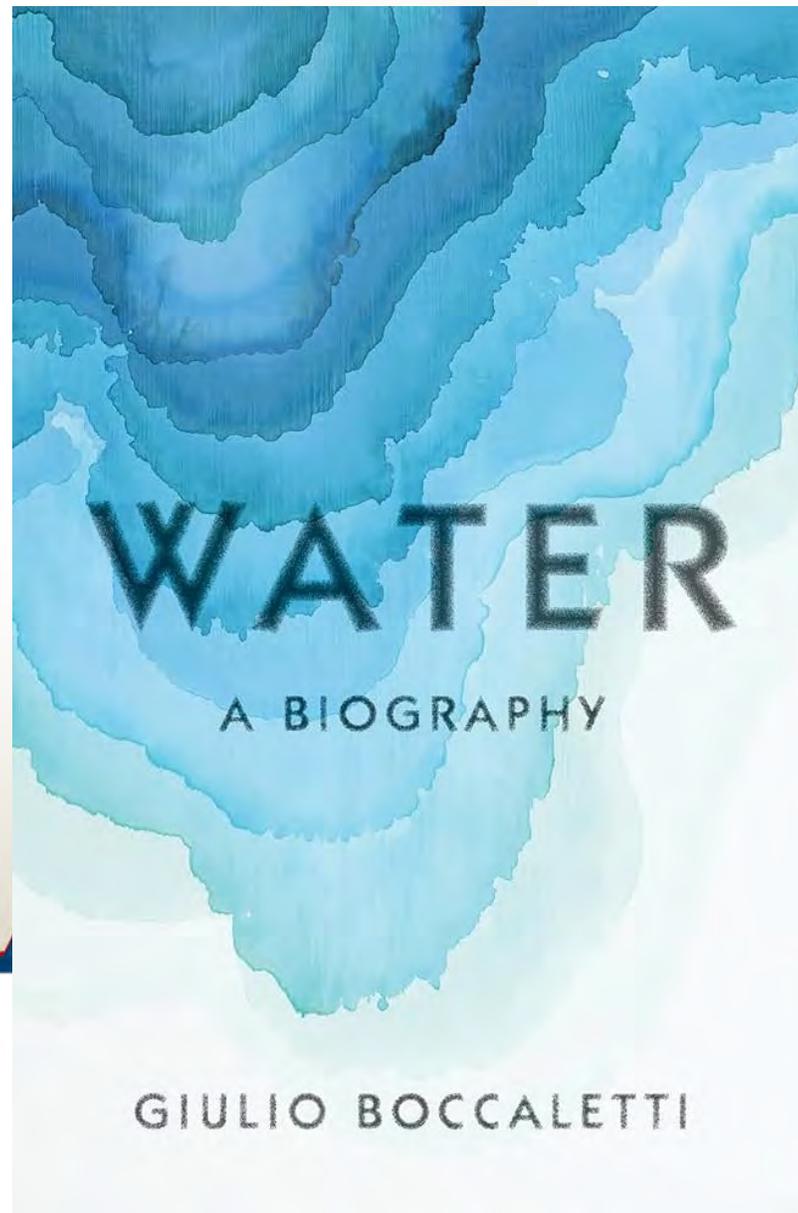
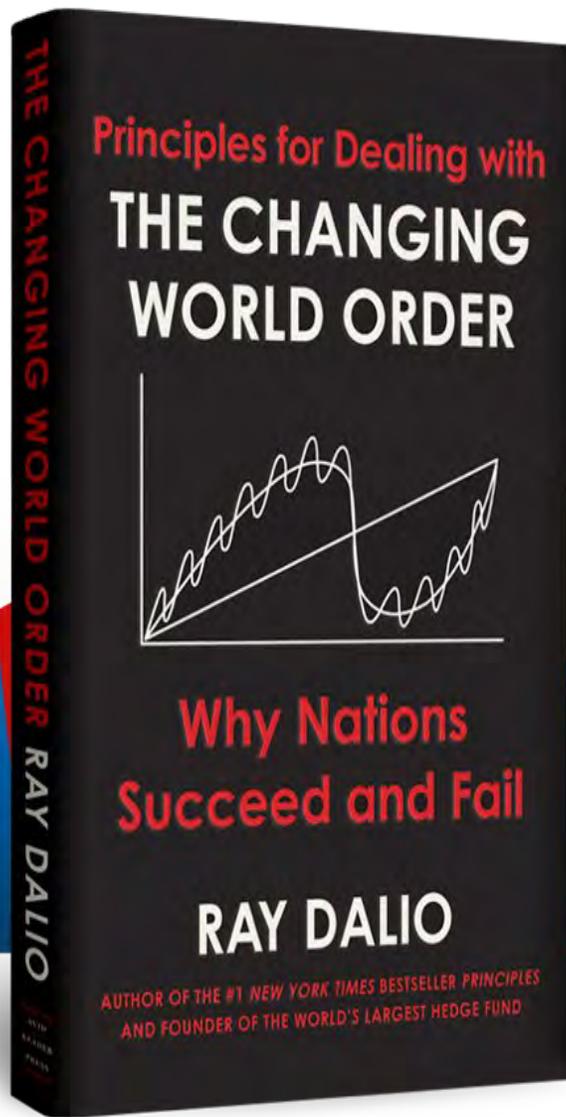


Understanding the Relationship Between Credit Cycles and Interest Rates

DEBT CYCLES



Source: Ray Dalio



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 U.S. <15B

■ Change in Core Deposits ■ Change in Loans

500,000,000
 450,000,000
 400,000,000
 350,000,000
 300,000,000
 250,000,000
 200,000,000
 150,000,000
 100,000,000
 50,000,000
 -
 -
 8
 7
 6
 5
 4
 3
 2
 1
 -

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

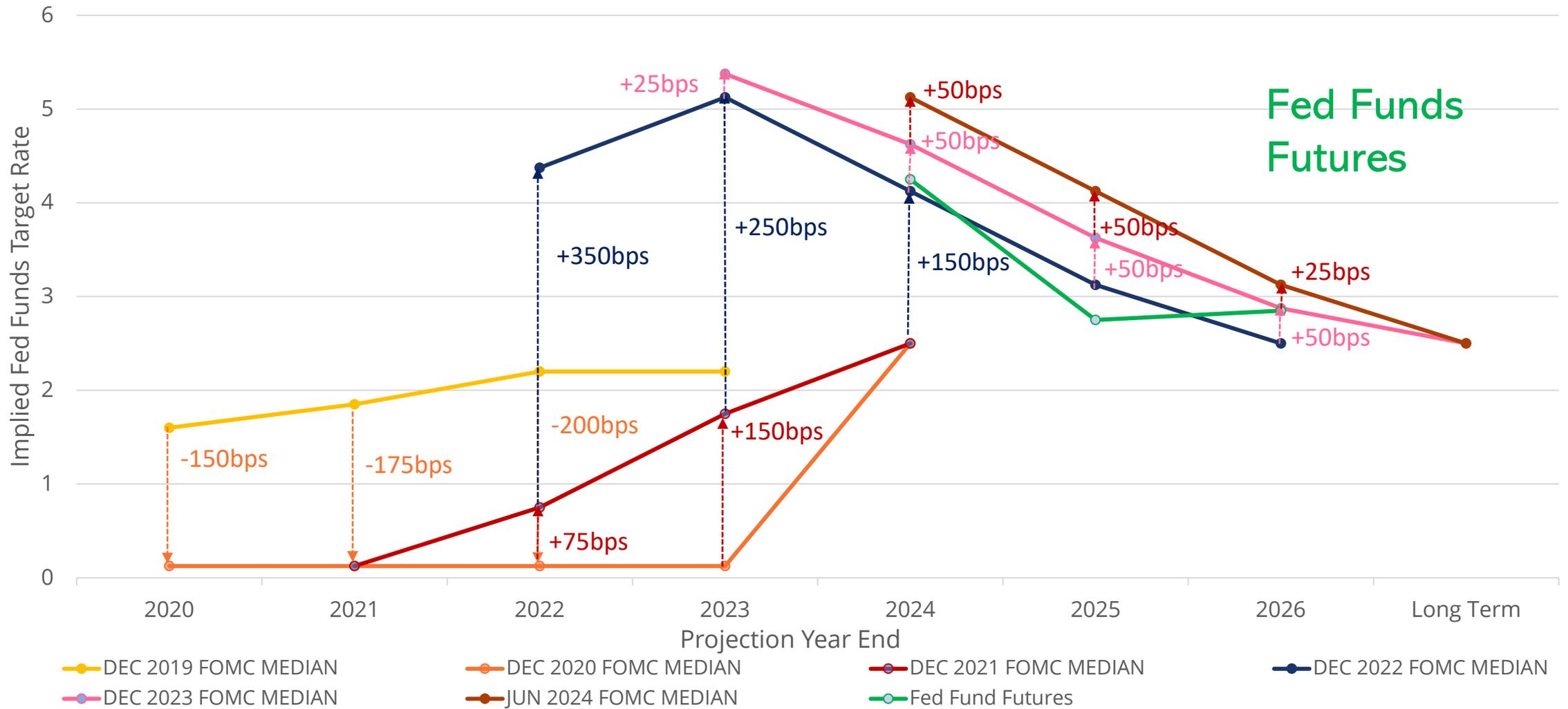
FLOW OF FUNDS PENNSYLVANIA <15B

■ Change in Core Deposits ■ Change in Loans

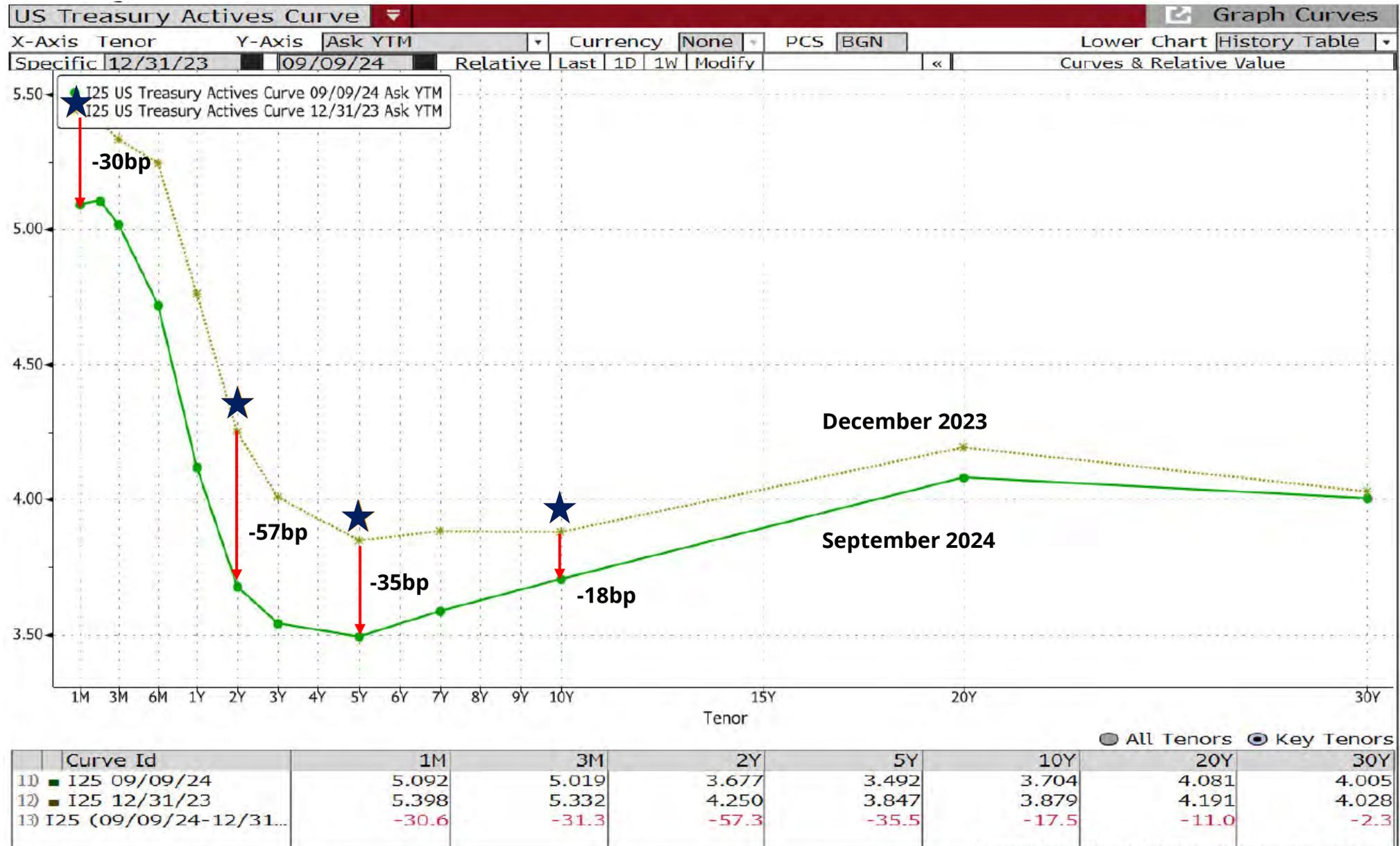
19,000,000
17,000,000
15,000,000
13,000,000
11,000,000
9,000,000
7,000,000
5,000,000
3,000,000
1,000,000
(1,000,000)

8
7
6
5
4
3
2
1
-

FED DOT PLOT & IMPLIED FED FUNDS TARGET RATE



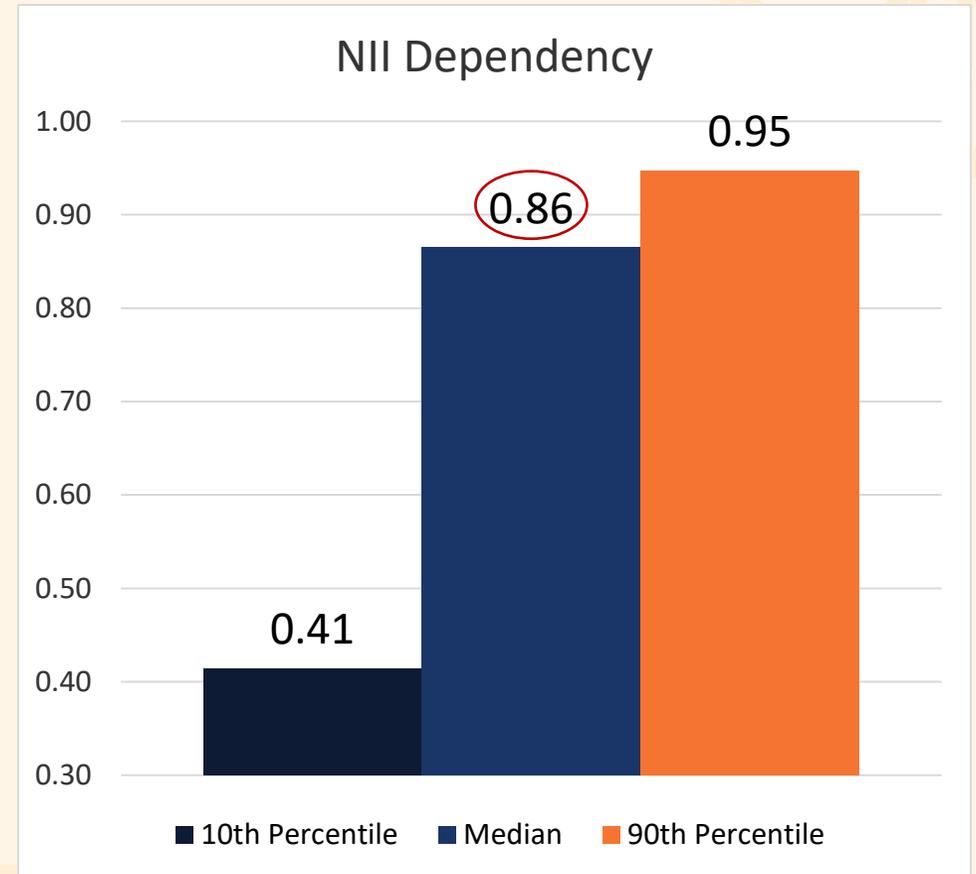
TREASURY RATES



NII DEPENDENCY AMONG ALL PENNSYLVANIA BANKS

Net Interest
Income (NII)

Net Interest
Income (NII) + Non-Interest
Income

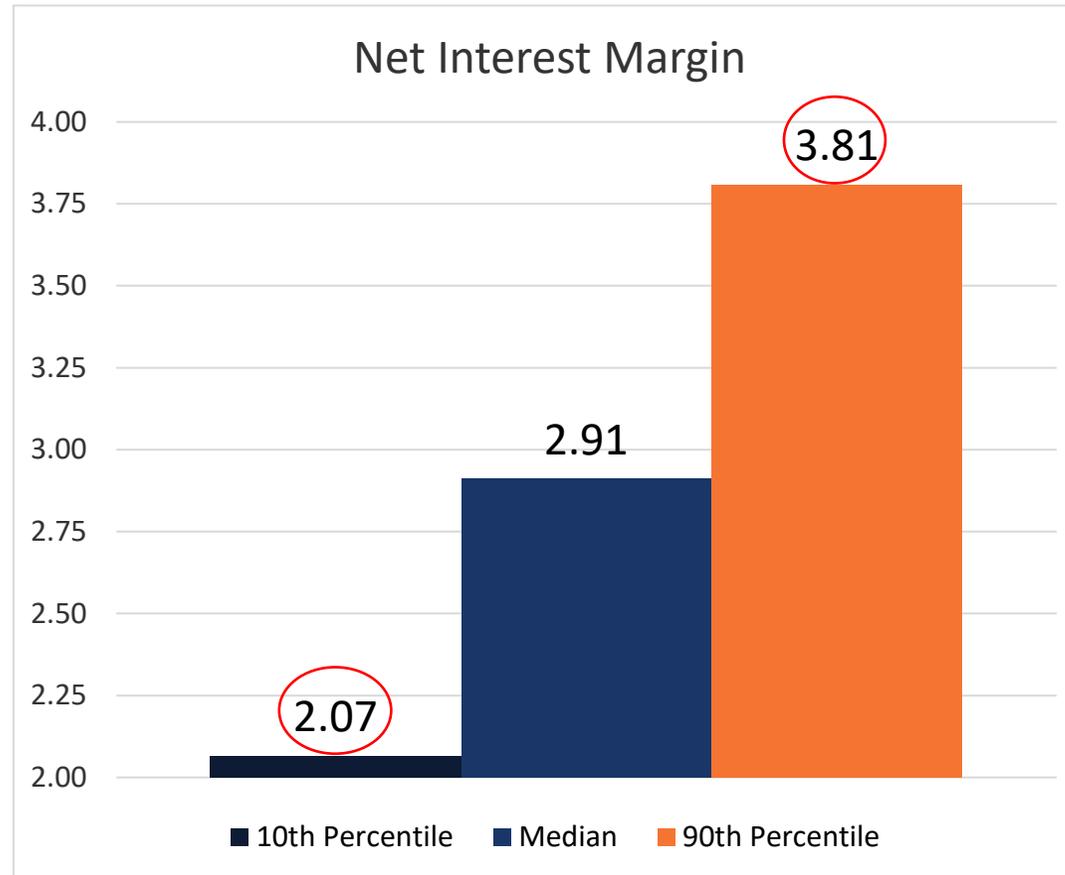


Source: S&P Global Market Intelligence,
Data for all Pennsylvania Banks <\$15B as of 6/30/24



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?





**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

<https://tinyurl.com/yc2x265f>

PERFORMANCE SNAPSHOT REQUEST

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.

Performance and Balance Sheet Snapshot - 2022Q4
Sample Savings Bank (\$5B)

Performance Rankings

Sample Savings Bank versus UBPR Peer Group				
	Metric	Sample Savings Bank	UBPR Peer Group Average	Percentile Rank
Net Interest Margin	Yield on Investments (FTE)	3.03	2.32	83%
	Yield on Total Loans	5.18	5.19	49%
Dissection	Earning Asset Yield	4.69	4.26	74%
	Interest Expense to Avg. Earning Assets	0.53	0.65	45%
	Net Interest Margin (FTE)	4.16	3.58	85%
	Net Interest Income Dependency Ratio	0.77	0.87	14%

Sample Savings Bank versus State Banks				
	Metric	Sample Savings Bank	State Bank Average	Percentile Rank
Net Interest Margin	Yield on Investments (FTE)	3.03	2.21	84%
	Yield on Total Loans	5.18	4.84	72%
Dissection	Earning Asset Yield	4.69	4.07	84%
	Interest Expense to Avg. Earning Assets	0.53	0.56	54%
	Net Interest Margin (FTE)	4.16	3.50	86%
	Net Interest Income Dependency Ratio	0.77	0.88	12%

Earning Asset Mix and Balance Sheet Positions

Earning Asset Mix		
Asset Size (\$000)	3,533,305	
Net Loans (\$000)	2,518,839	71%
Security Portfolio (\$000)	613,553	17%
Cash and FFS (\$000)	41,099	1%

Investment Portfolio		
Municipals (% of Portfolio)	31,7248	52%
MBS (% of Portfolio)	234,666	38%
CMO (% of Portfolio)	2,459	0%
Agencies (% of Portfolio)	25,943	4%
Other Securities (% of Portfolio)	33,237	5%



Liquidity and Funding	
Pledged Securities (% of Portfolio)	35%
Liquidity Ratio	15%
FHIB Advances and Brokered CDs (\$000)	488,695
Cost of Funds (% of Average Liabilities)	0.48%

Capital	
Tier 1 Capital	337,866
Tier-1 Leverage Ratio (%)	10.30
Total Risk-Based Capital	366,377
Total Risk-Based Capital Ratio (%)	13.36
Municipals (% of Total RBC)	87%

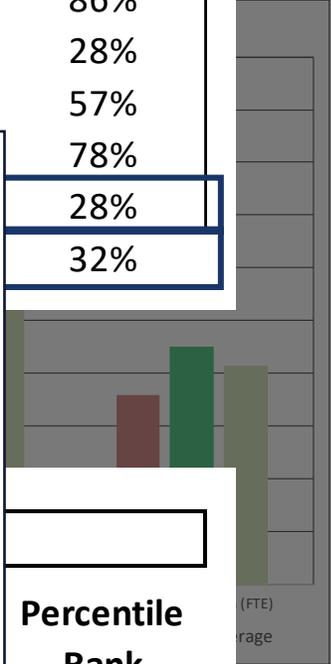
Sample Savings Bank versus UBPR Peer Group

	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?

90th Percentile is 4.74%
 10th Percentile is 2.34%
 Range of 2.40%

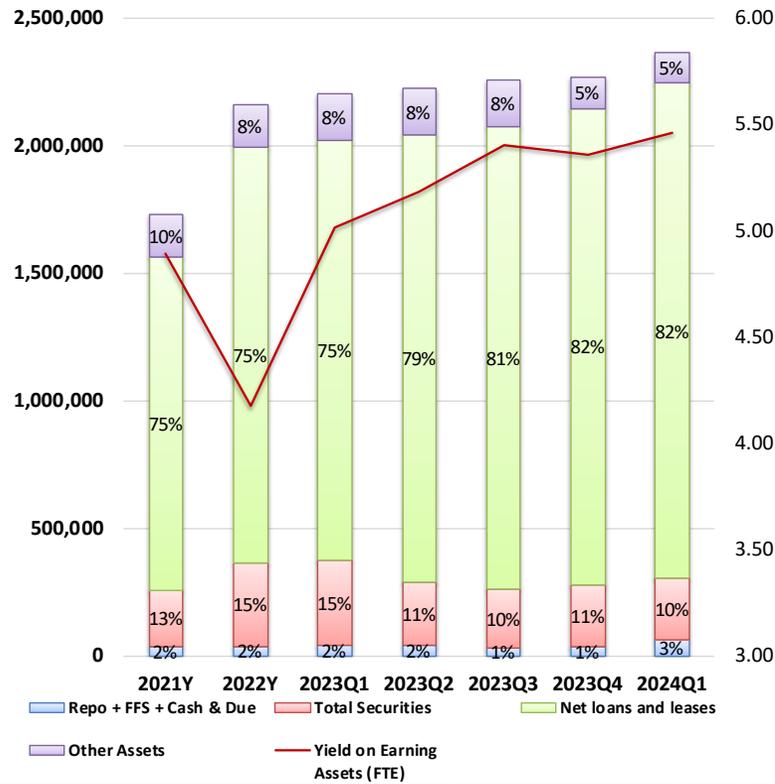
Source: S&P Global Market Intelligence,
 Data for all Banks Nationally <\$15B as of 6/30/24



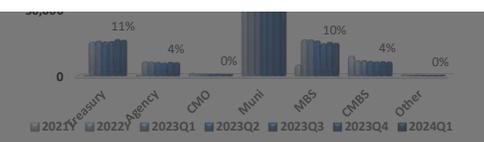
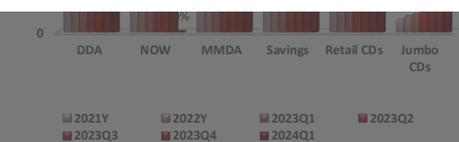
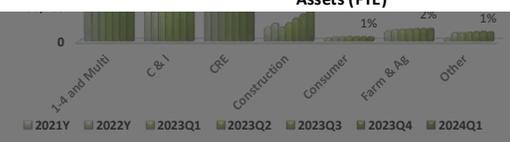
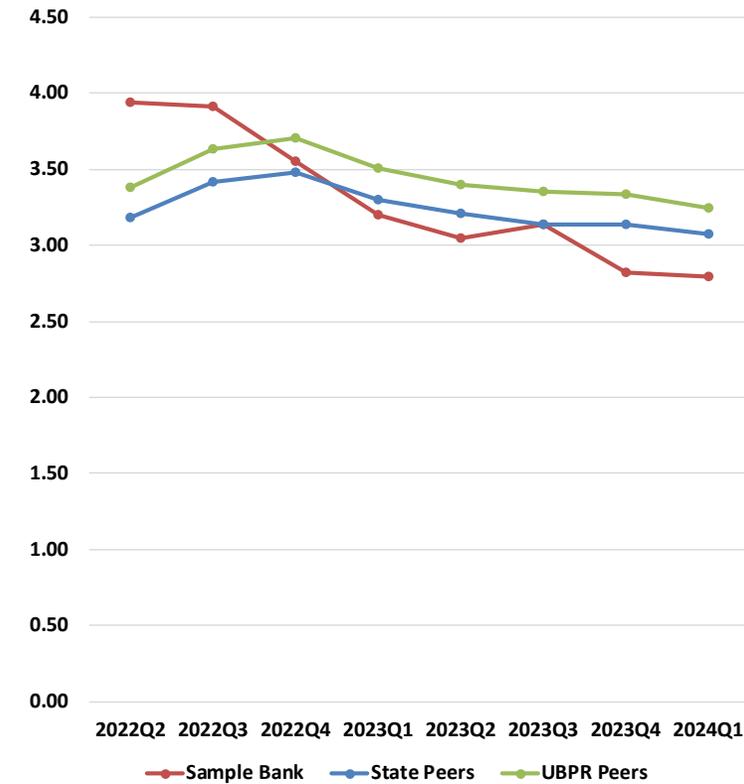
Historical Performance

Historical Performance

Balance Sheet Trend



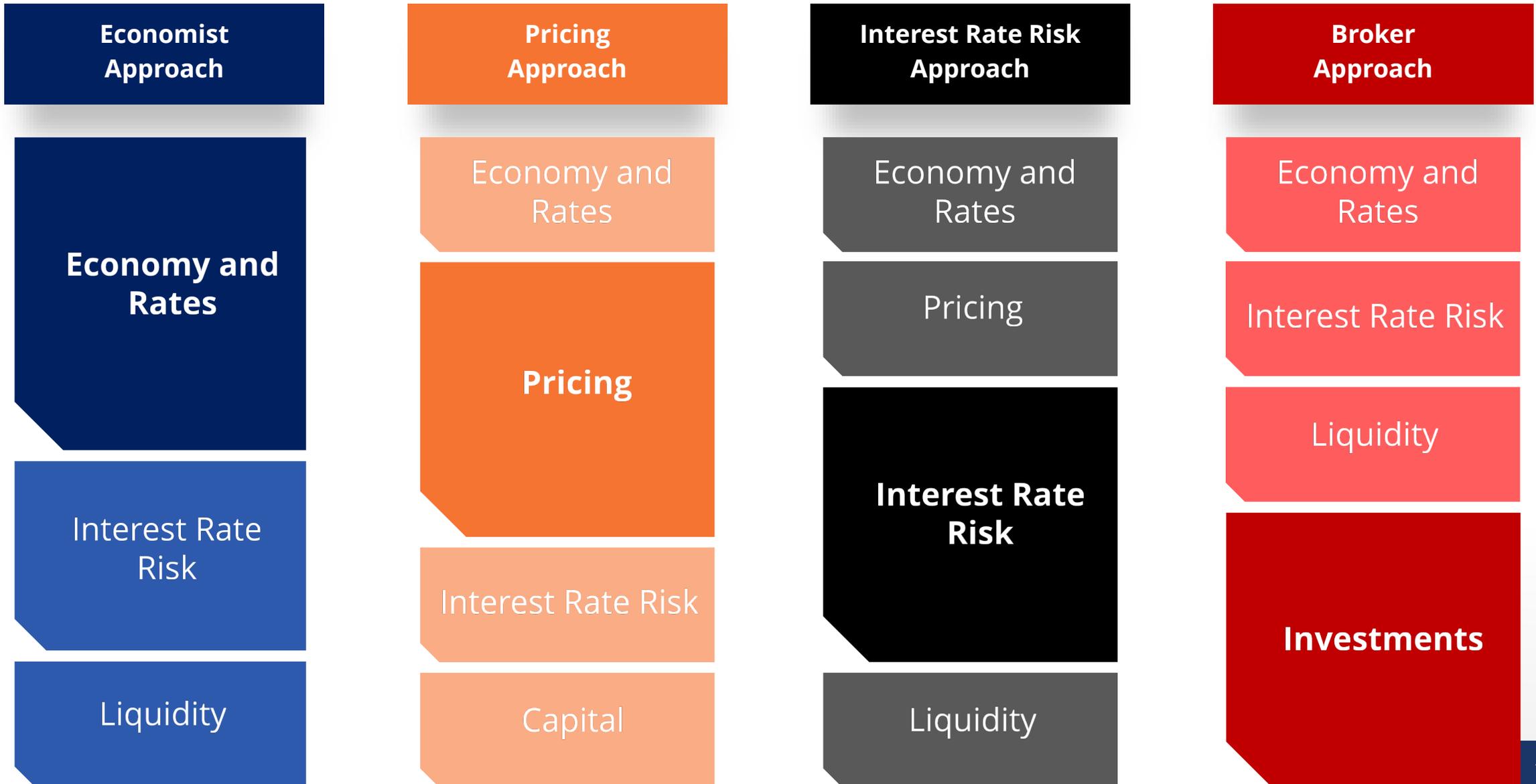
Net Interest Margin - FTE



WHAT ARE COMMON COMMITTEE APPROACHES?



COMMITTEE APPROACHES

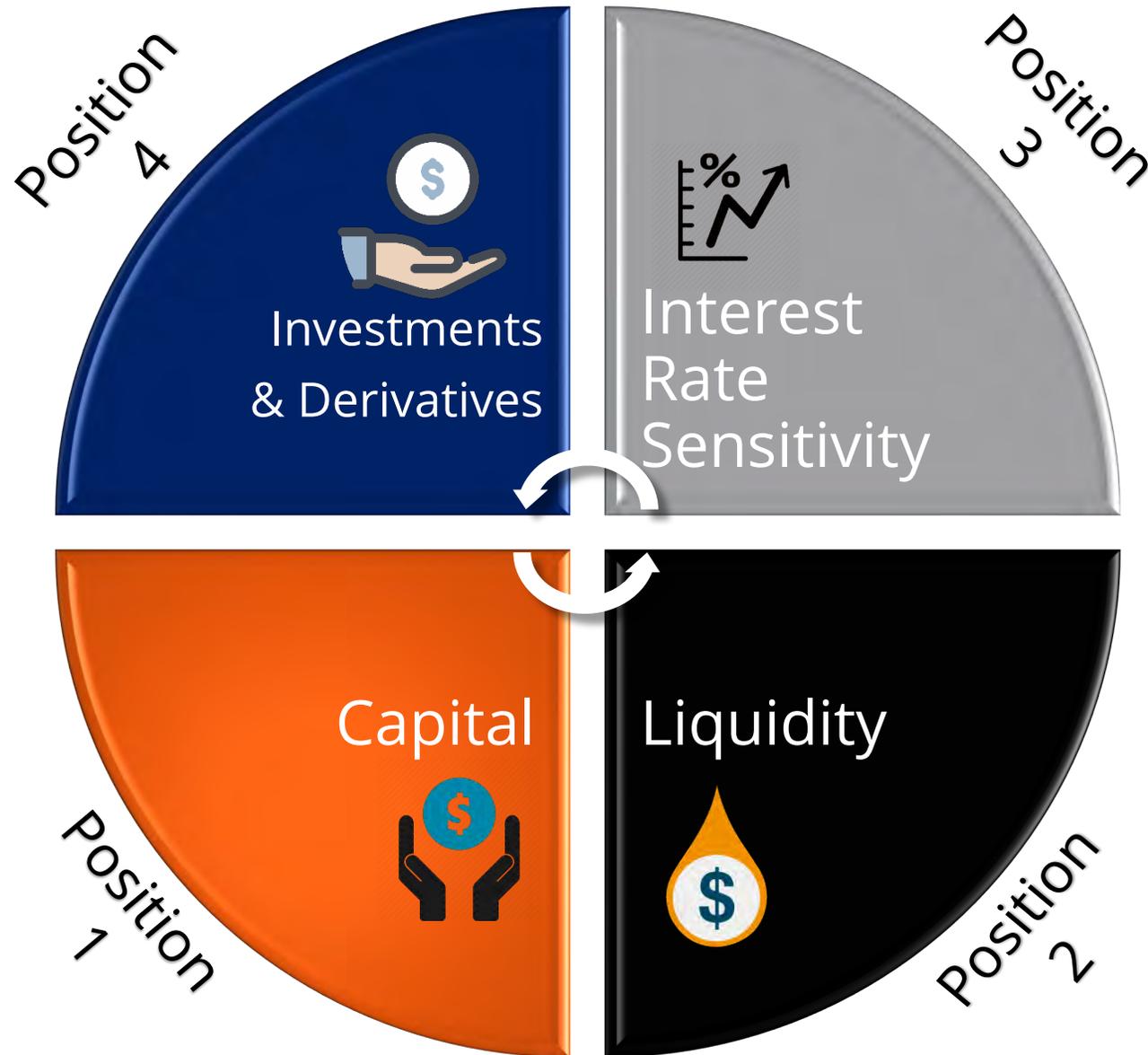


HOW SHOULD WE PREPARE FOR SHORT-TERM DEBT CYCLES?

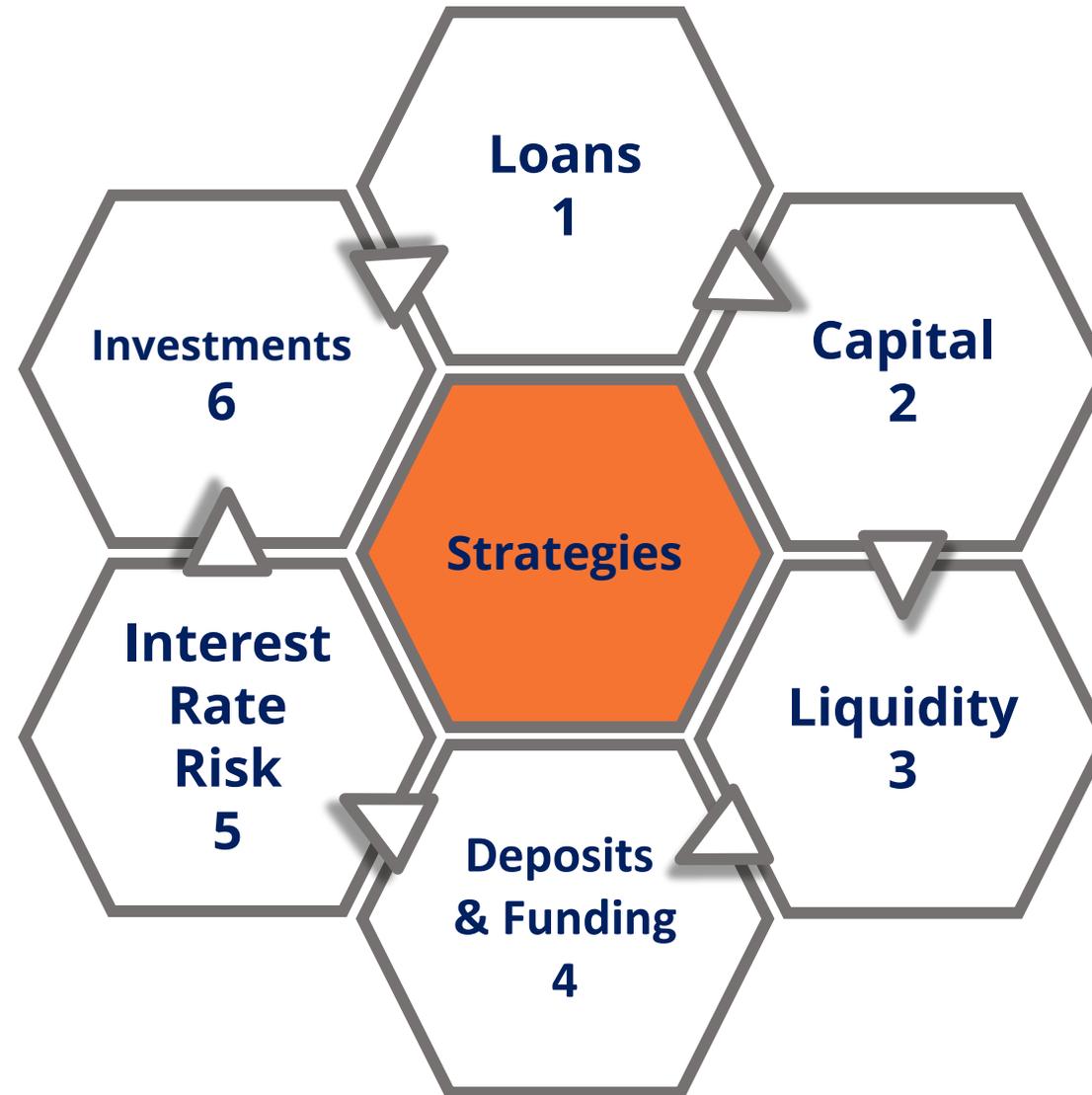


Position Assessment

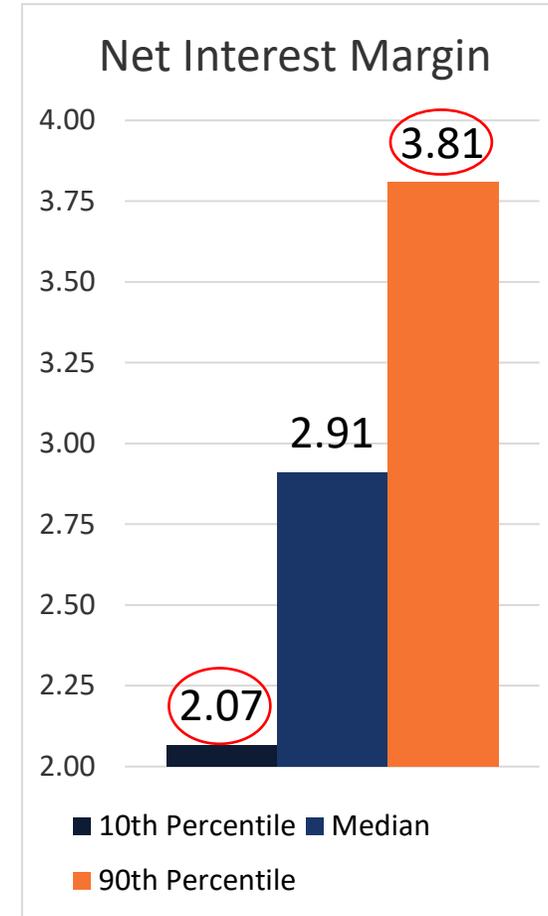
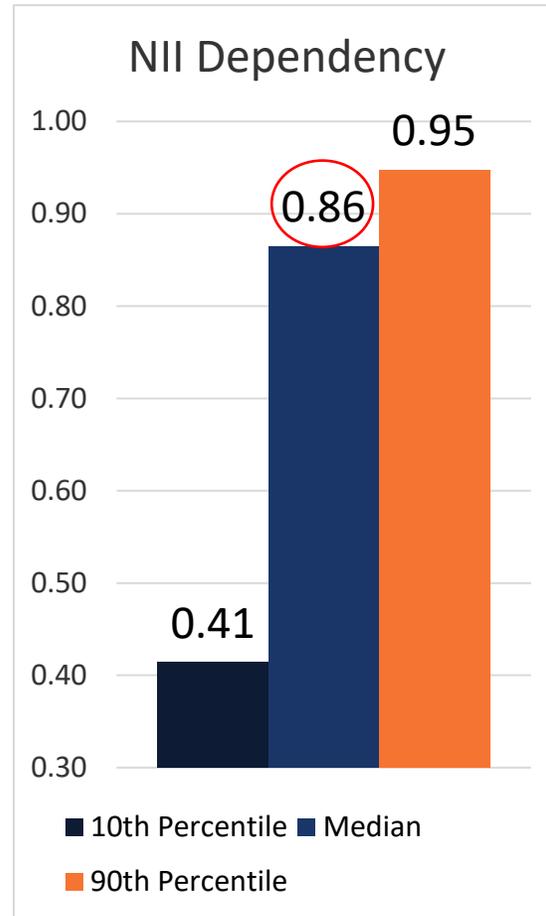
DEBT CYCLE BEST PRACTICES



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 (in \$000)	Net Interest Income Change in thousands of dollars (due to Yield change in basis points)					
	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



- 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



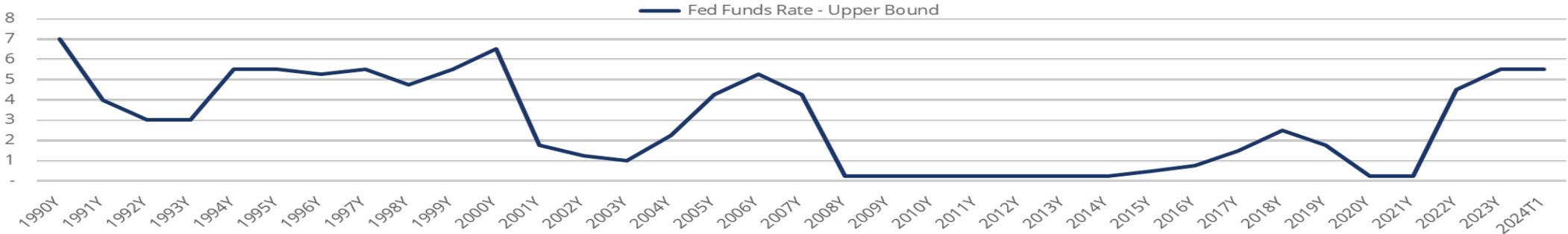
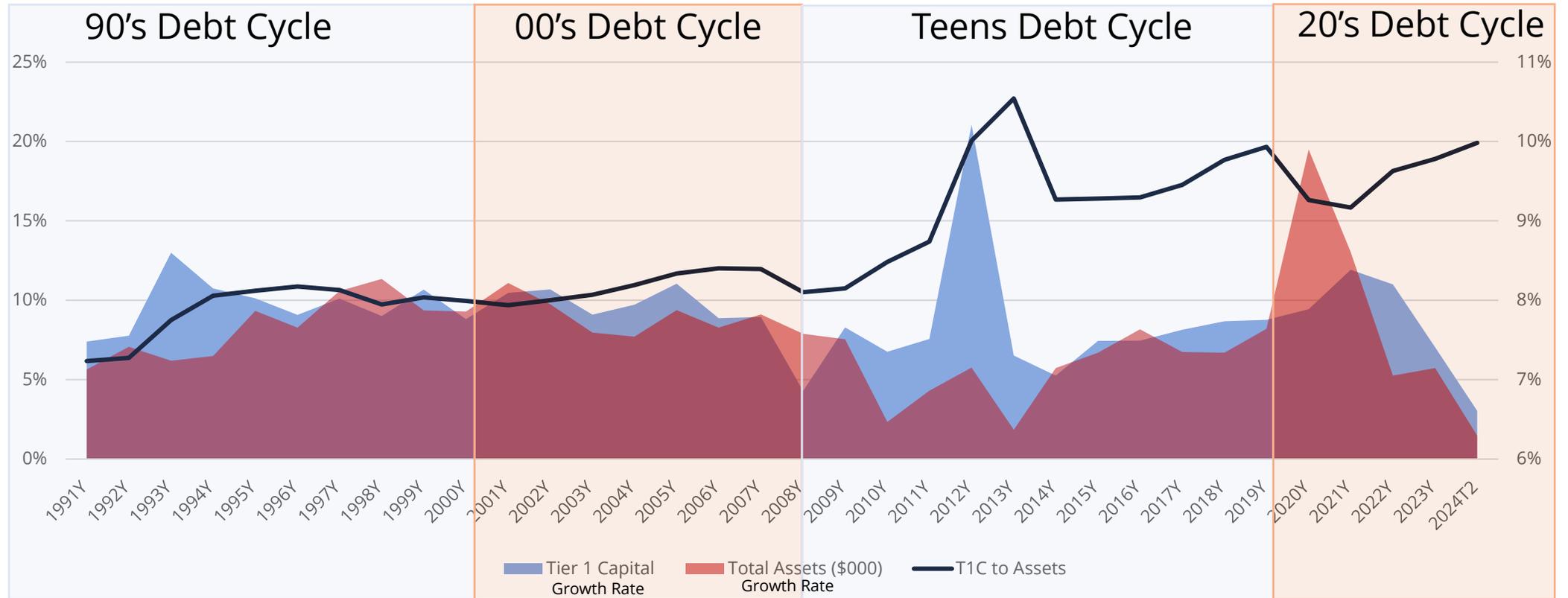
- Where *could we go*?
 - Accountability
 - Review Minutes: Action Items, Strategies
 - Tactical Forecasting
 - Loans vs. Deposit Projection
 - Liquidity Flows
 - Stress Testing
 - Capital: Credit Deterioration
 - Interest Rate Risk: Higher/Different Betas
 - Liquidity: Reduced Access to Funding
 - Securities: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

BALANCE SHEET MANAGEMENT - CAPITAL



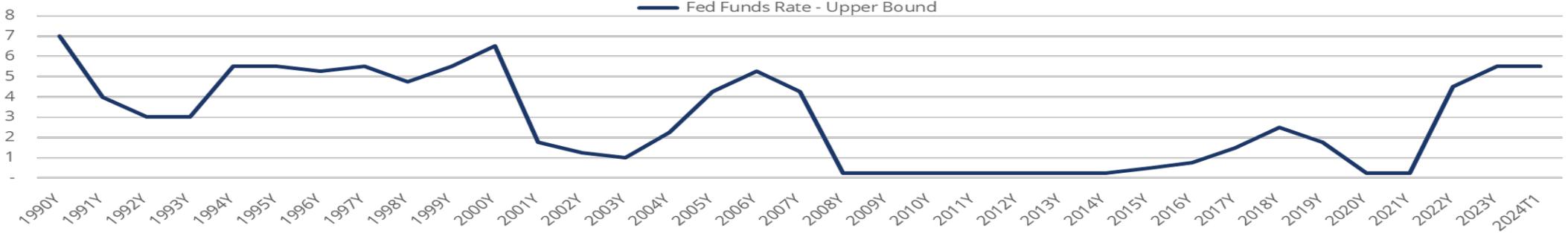
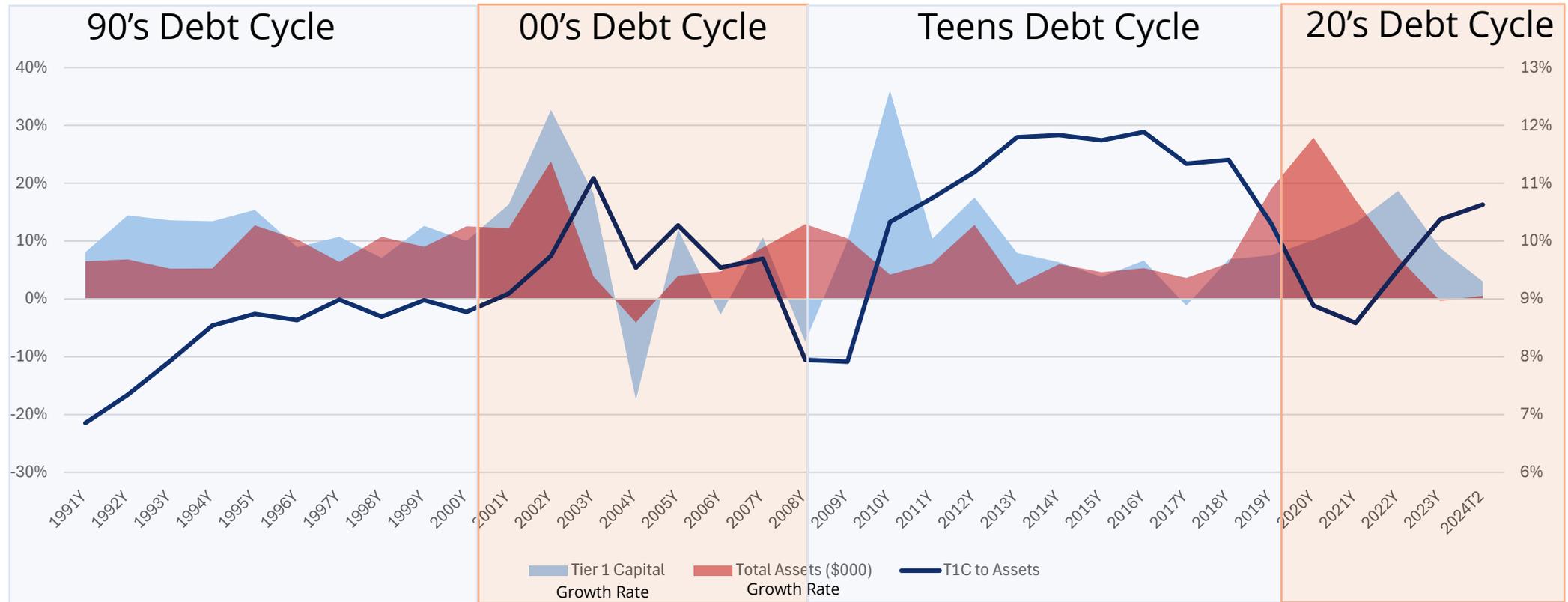
- Formation
- Adequacy
- Planning
- Stress Testing
- Contingency Plan

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
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4
3
2
1
-

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