



ICBA

Securities

STIFEL



Pennsylvania Association  
of Community Bankers

**CONVENTION**

September 19-21

**2024**

The Homestead  
Hot Springs, VA

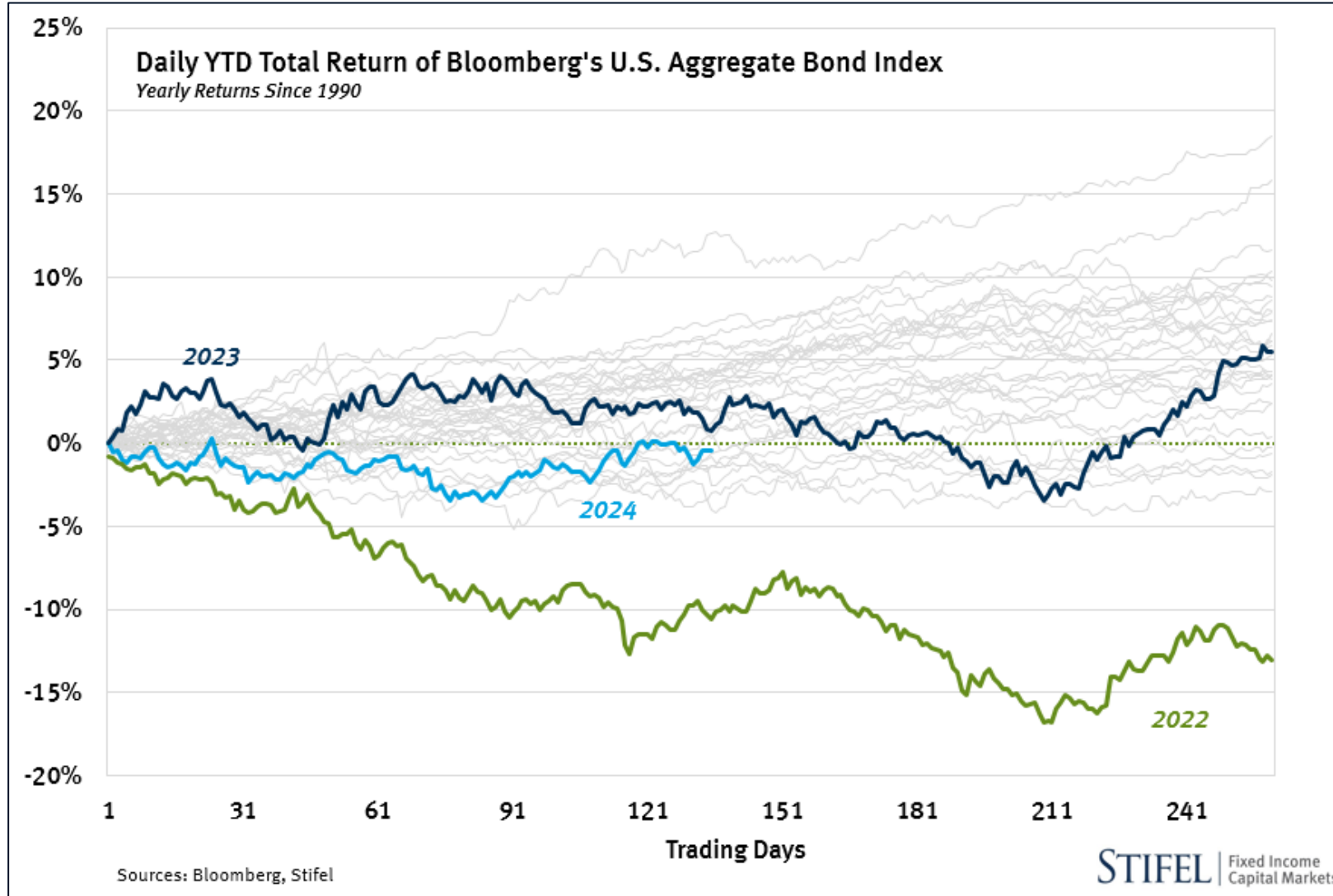
# Bond Portfolio Risks and Opportunities

Jim Reber

ICBA Securities  
President/CEO

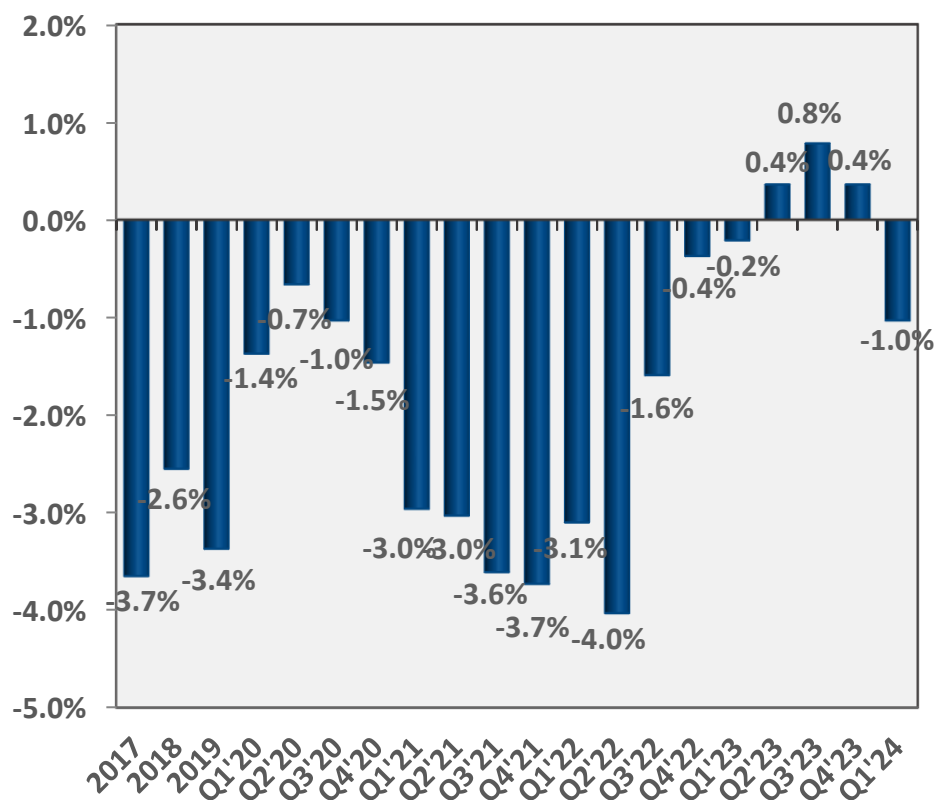
September 21, 2024

# How is the Bond Market Doing in 2024?

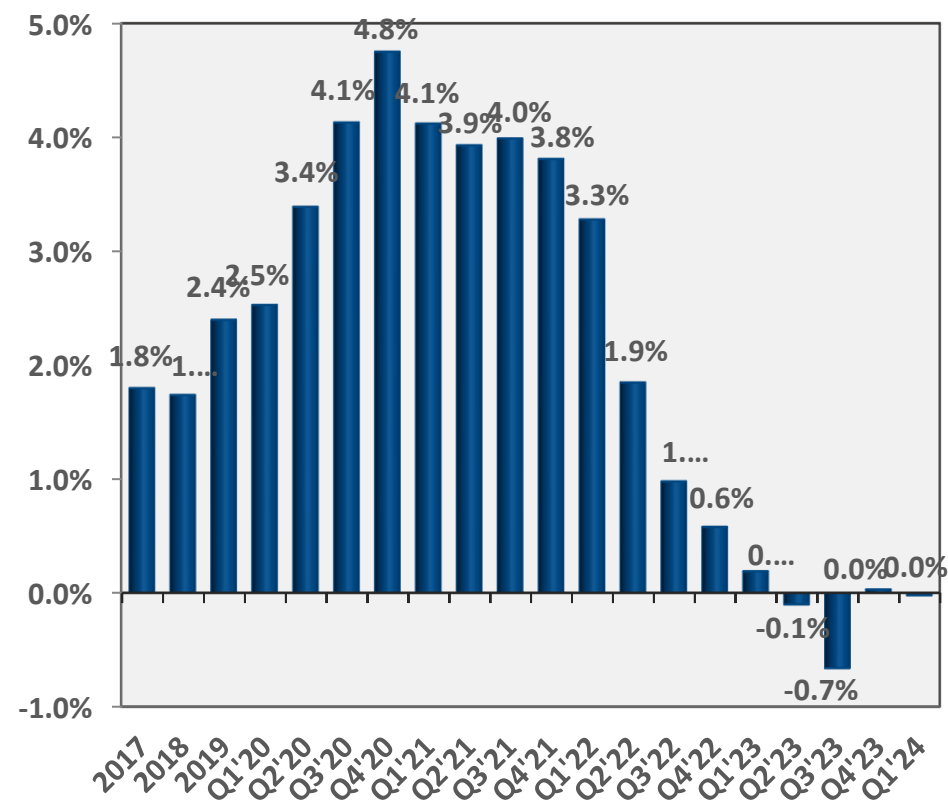


# Community Bank Rate Risk Profiles

Earnings at Risk (EAR) -100 bps



Earnings at Risk (EAR) +100 bps



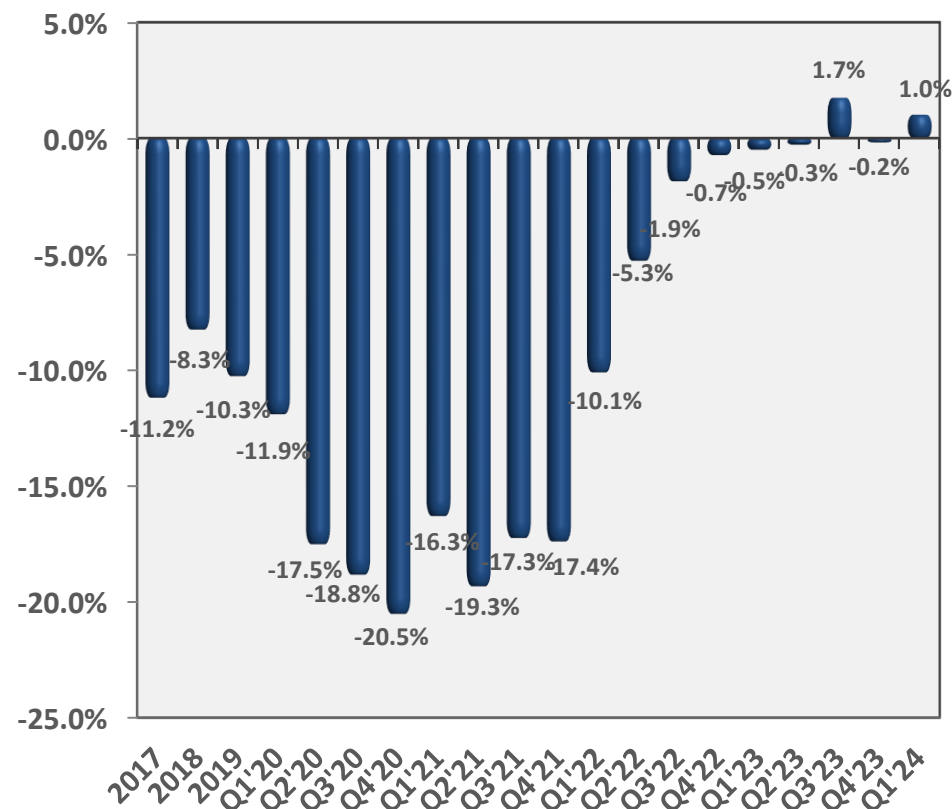
Source: SABER and Risk Manager IRR Model Median, OCC

Note 1: Assumes an immediate and parallel shift in the yield curve using a static balance sheet.

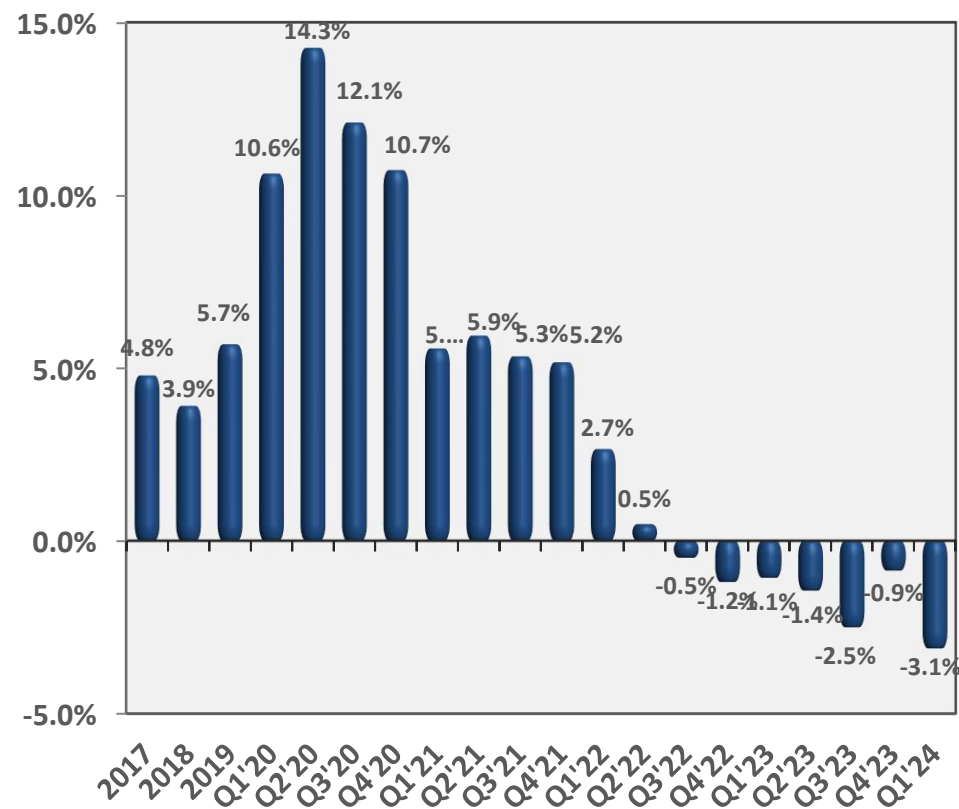
Note 2: Current Quarter = SABER and Risk Manager Banks; Prior Quarter = Risk Manager Level II Banks

# Community Bank Rate Risk Profiles

EVE at Risk -100 bps



EVE at Risk +100 bps

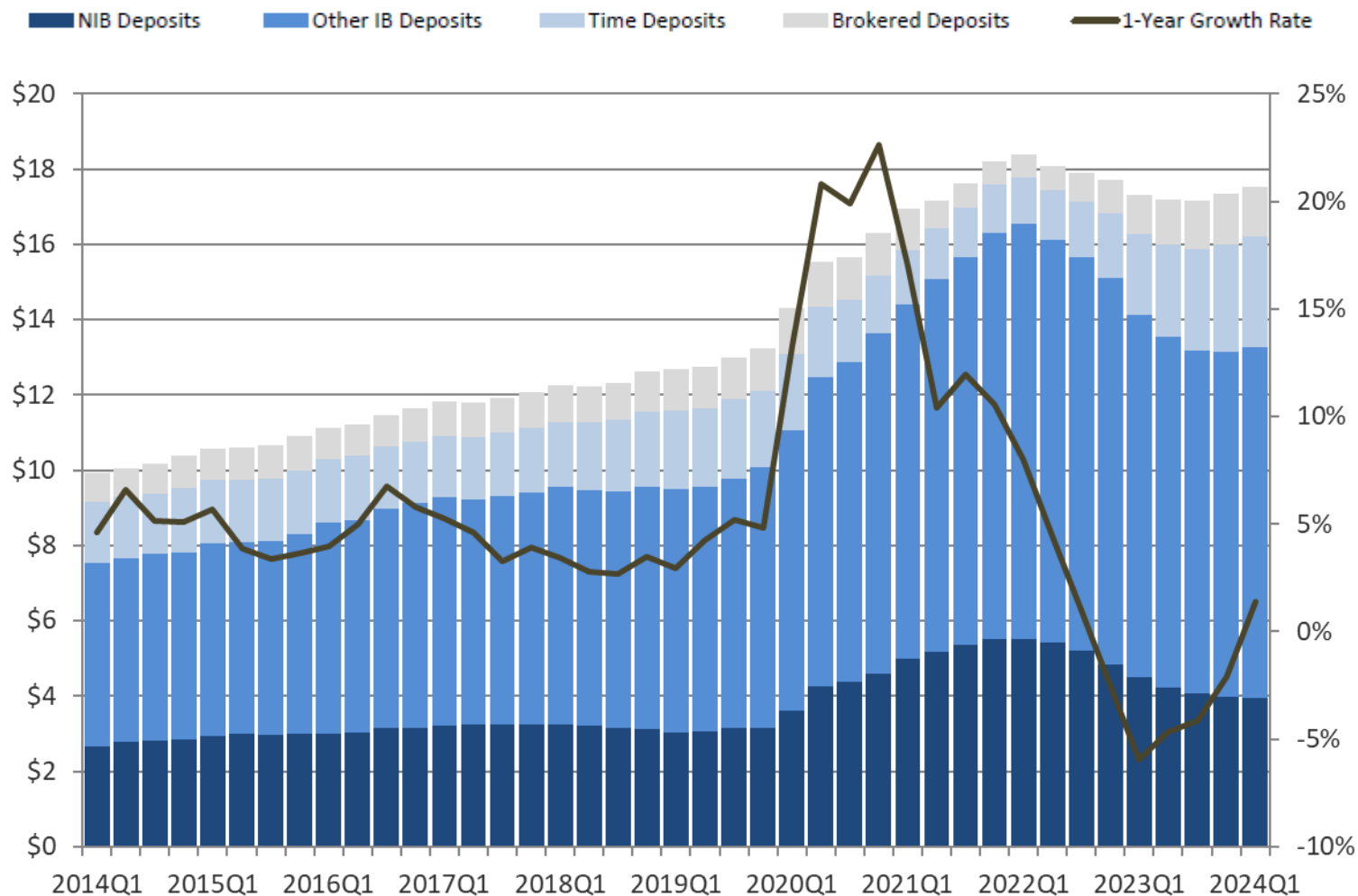


Source: SABER and Risk Manager IRR Model Median, OCC

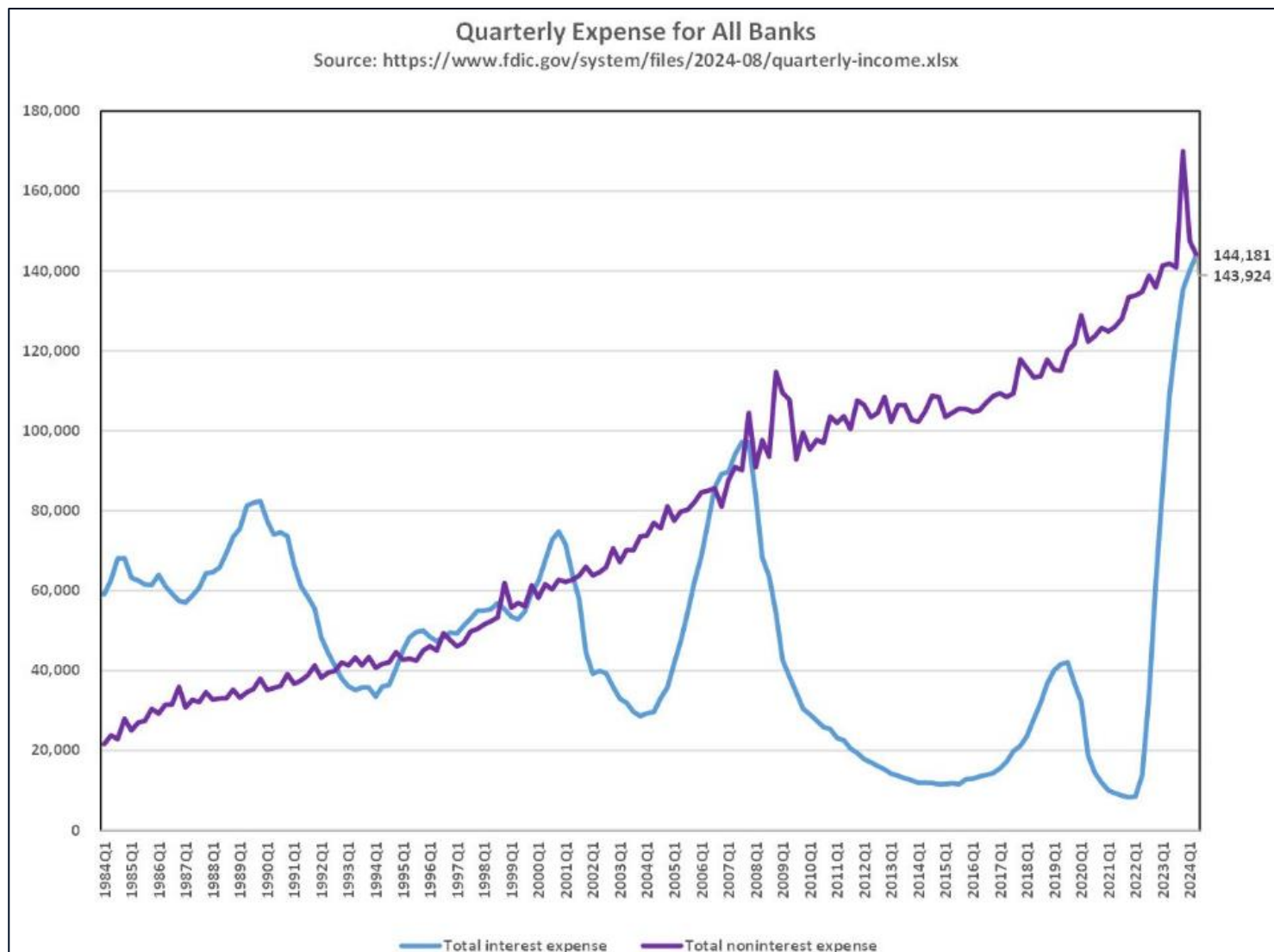
Note 1: Assumes an immediate and parallel shift in the yield curve using a static balance sheet.

Note 2: Current Quarter = SABER and Risk Manager Banks; Prior Quarter = Risk Manager Level II Banks

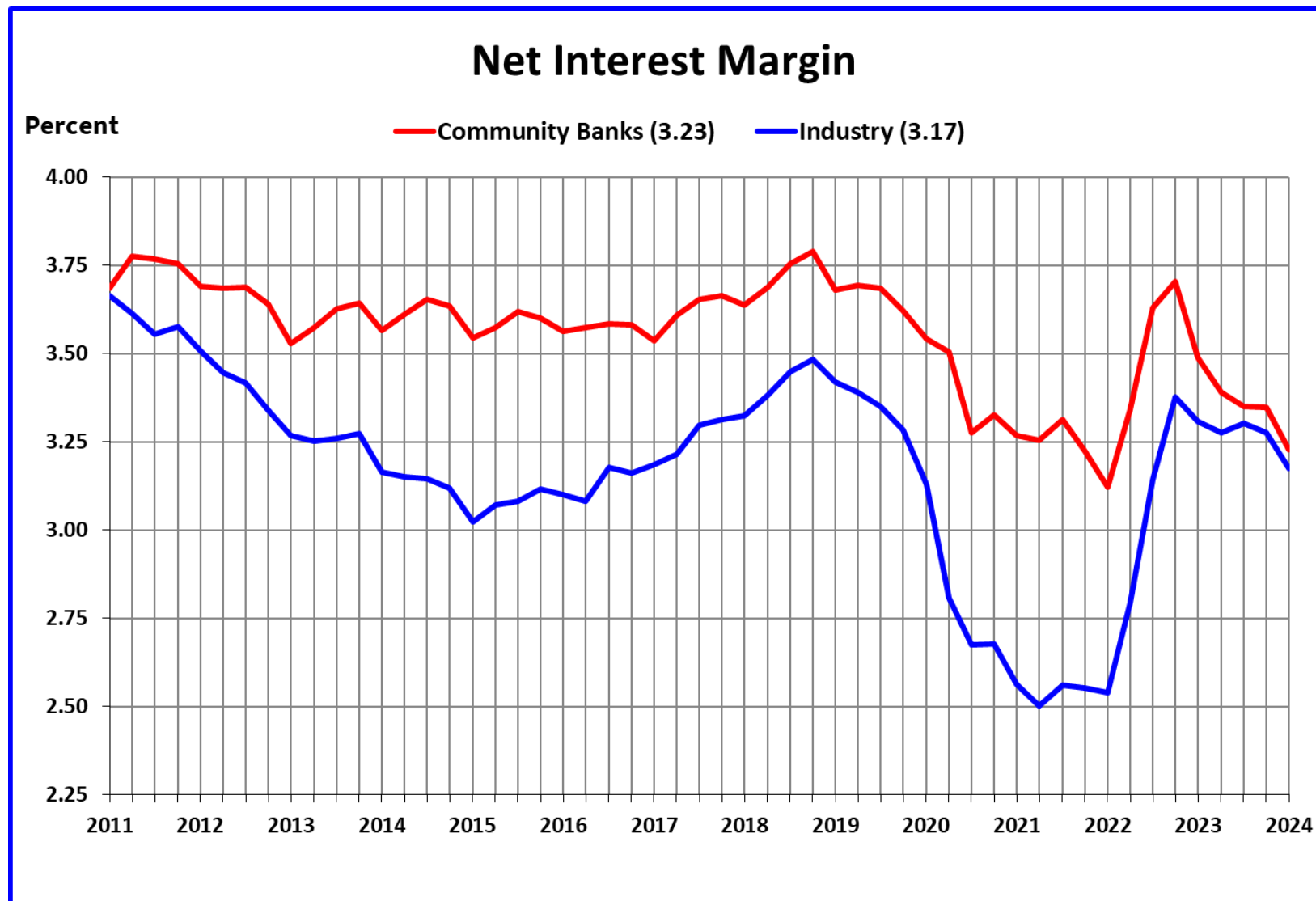
# Deposit Shuffle Continues



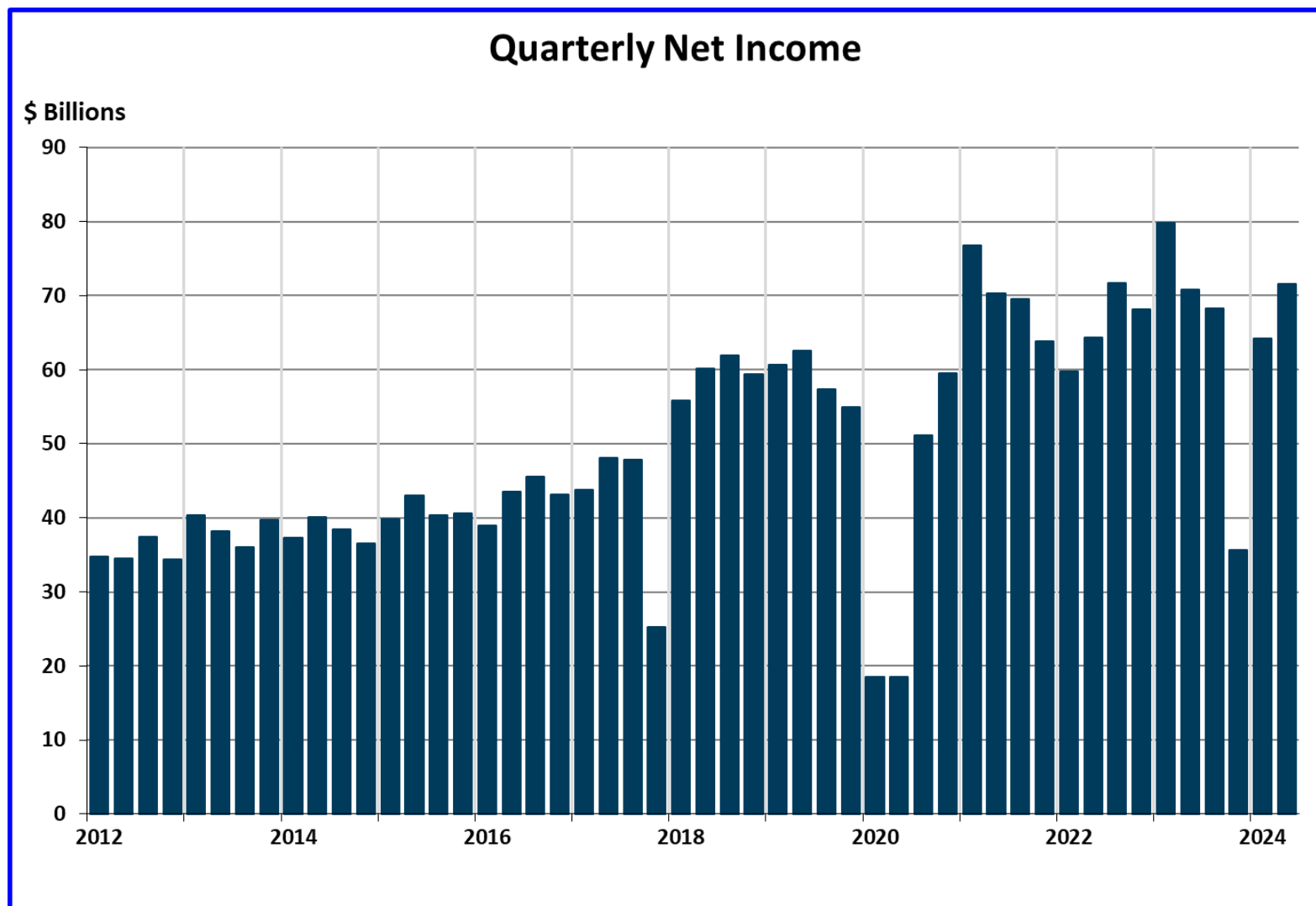
# Interest Expense > Noninterest Expense



# NIM's Still a Challenge...



# ...Although Earnings Are Decent





# FOMC Meeting September 18

## Summary of Economic Projections

**Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2024**

Percent

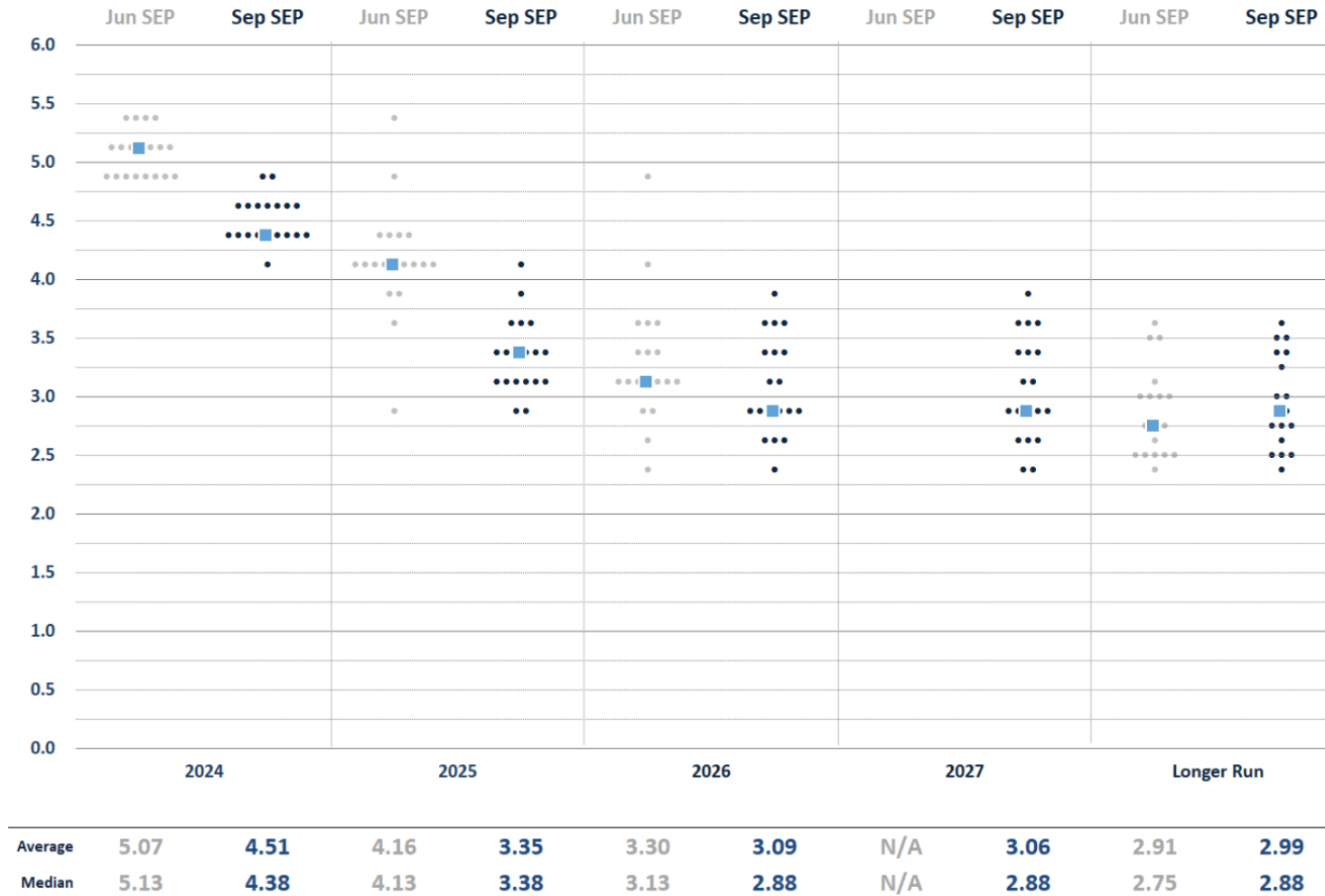
| Variable                                | Median <sup>1</sup> |      |      |      |            | Central Tendency <sup>2</sup> |         |         |         |            | Range <sup>3</sup> |         |         |         |            |
|---|---------------------|------|------|------|------------|-------------------------------|---------|---------|---------|------------|--------------------|---------|---------|---------|------------|
|   | 2024                | 2025 | 2026 | 2027 | Longer run | 2024                          | 2025    | 2026    | 2027    | Longer run | 2024               | 2025    | 2026    | 2027    | Longer run |
| Change in real GDP                      | 2.0                 | 2.0  | 2.0  | 2.0  | 1.8        | 1.9–2.1                       | 1.8–2.2 | 1.9–2.3 | 1.8–2.1 | 1.7–2.0    | 1.8–2.6            | 1.3–2.5 | 1.7–2.5 | 1.7–2.5 | 1.7–2.5    |
| June projection                         | 2.1                 | 2.0  | 2.0  |      | 1.8        | 1.9–2.3                       | 1.8–2.2 | 1.8–2.1 |         | 1.7–2.0    | 1.4–2.7            | 1.5–2.5 | 1.7–2.5 |         | 1.6–2.5    |
| Unemployment rate                       | 4.4                 | 4.4  | 4.3  | 4.2  | 4.2        | 4.3–4.4                       | 4.2–4.5 | 4.0–4.4 | 4.0–4.4 | 3.9–4.3    | 4.2–4.5            | 4.2–4.7 | 3.9–4.5 | 3.8–4.5 | 3.5–4.5    |
| June projection                         | 4.0                 | 4.2  | 4.1  |      | 4.2        | 4.0–4.1                       | 3.9–4.2 | 3.9–4.3 |         | 3.9–4.3    | 3.8–4.4            | 3.8–4.3 | 3.8–4.3 |         | 3.5–4.5    |
| PCE inflation                           | 2.3                 | 2.1  | 2.0  | 2.0  | 2.0        | 2.2–2.4                       | 2.1–2.2 | 2.0     | 2.0     | 2.0        | 2.1–2.7            | 2.1–2.4 | 2.0–2.2 | 2.0–2.1 | 2.0        |
| June projection                         | 2.6                 | 2.3  | 2.0  |      | 2.0        | 2.5–2.9                       | 2.2–2.4 | 2.0–2.1 |         | 2.0        | 2.5–3.0            | 2.2–2.5 | 2.0–2.3 |         | 2.0        |
| Core PCE inflation <sup>4</sup>         | 2.6                 | 2.2  | 2.0  | 2.0  |            | 2.6–2.7                       | 2.1–2.3 | 2.0     | 2.0     |            | 2.4–2.9            | 2.1–2.5 | 2.0–2.2 | 2.0–2.2 |            |
| June projection                         | 2.8                 | 2.3  | 2.0  |      |            | 2.8–3.0                       | 2.3–2.4 | 2.0–2.1 |         |            | 2.7–3.2            | 2.2–2.6 | 2.0–2.3 |         |            |
| Memo: Projected appropriate policy path |                     |      |      |      |            |                               |         |         |         |            |                    |         |         |         |            |
| Federal funds rate                      | 4.4                 | 3.4  | 2.9  | 2.9  | 2.9        | 4.4–4.6                       | 3.1–3.6 | 2.6–3.6 | 2.6–3.6 | 2.5–3.5    | 4.1–4.9            | 2.9–4.1 | 2.4–3.9 | 2.4–3.9 | 2.4–3.8    |
| June projection                         | 5.1                 | 4.1  | 3.1  |      | 2.8        | 4.9–5.4                       | 3.9–4.4 | 2.9–3.6 |         | 2.5–3.5    | 4.9–5.4            | 2.9–5.4 | 2.4–4.9 |         | 2.4–3.8    |

# FOMC Meeting September 18

## Dot Plot

### FOMC Summary of Economic Projections - Fed Funds Target Rate by Year-End

Sources: Federal Reserve SEP, Stifel

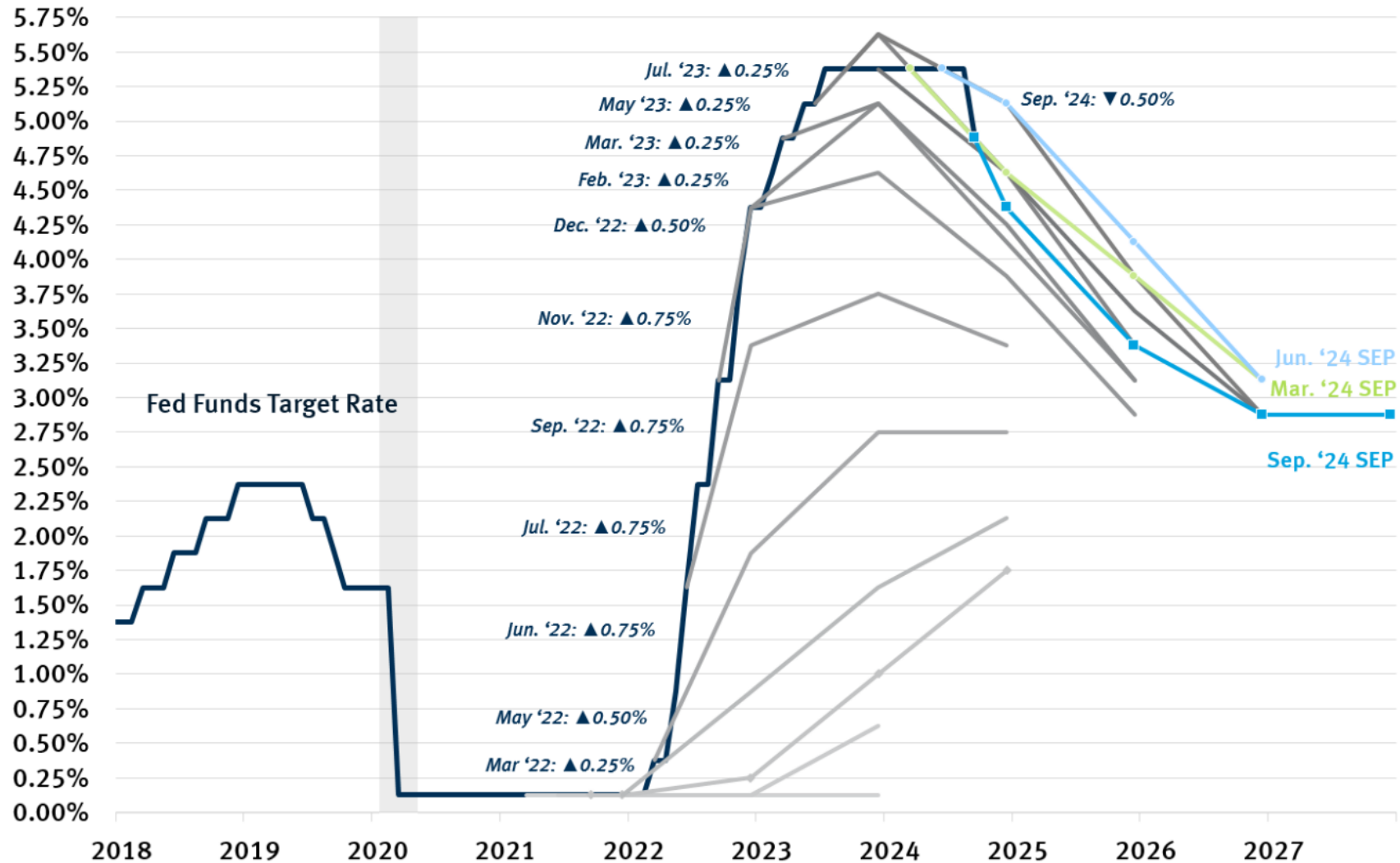


Source: Federal Reserve

# FOMC Meeting September 18

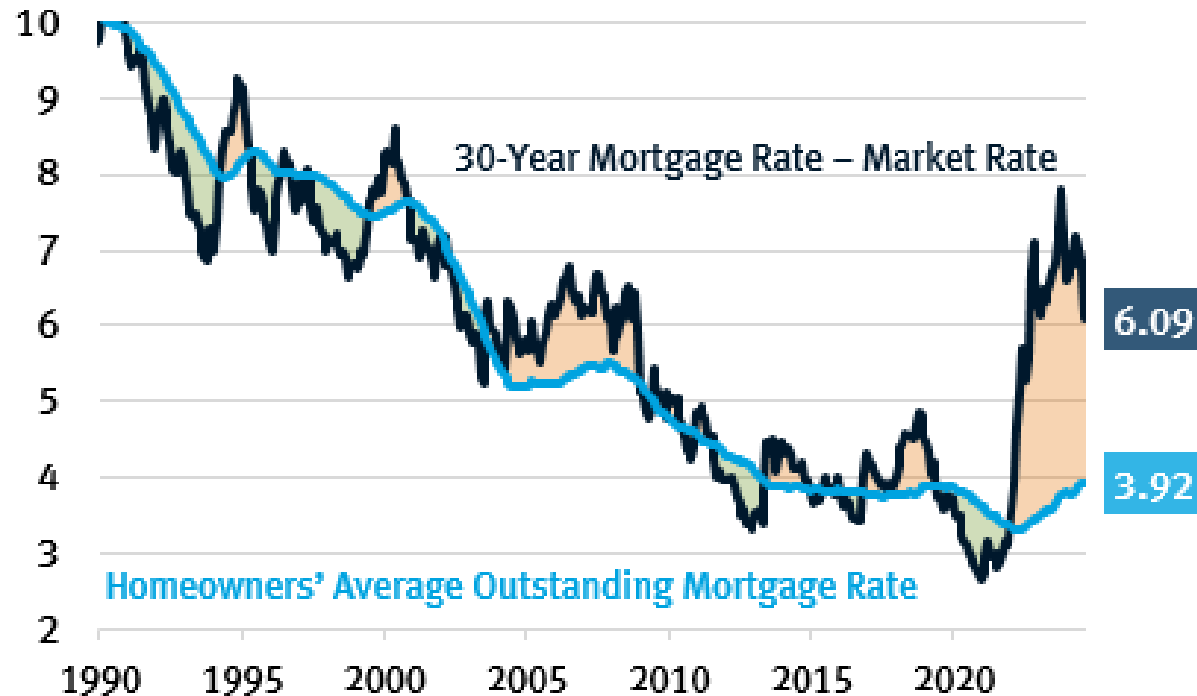
**Fed Funds Rate and FOMC Median Projections (by Meeting)**

Sources: Federal Reserve SEPs, Bloomberg, Stifel



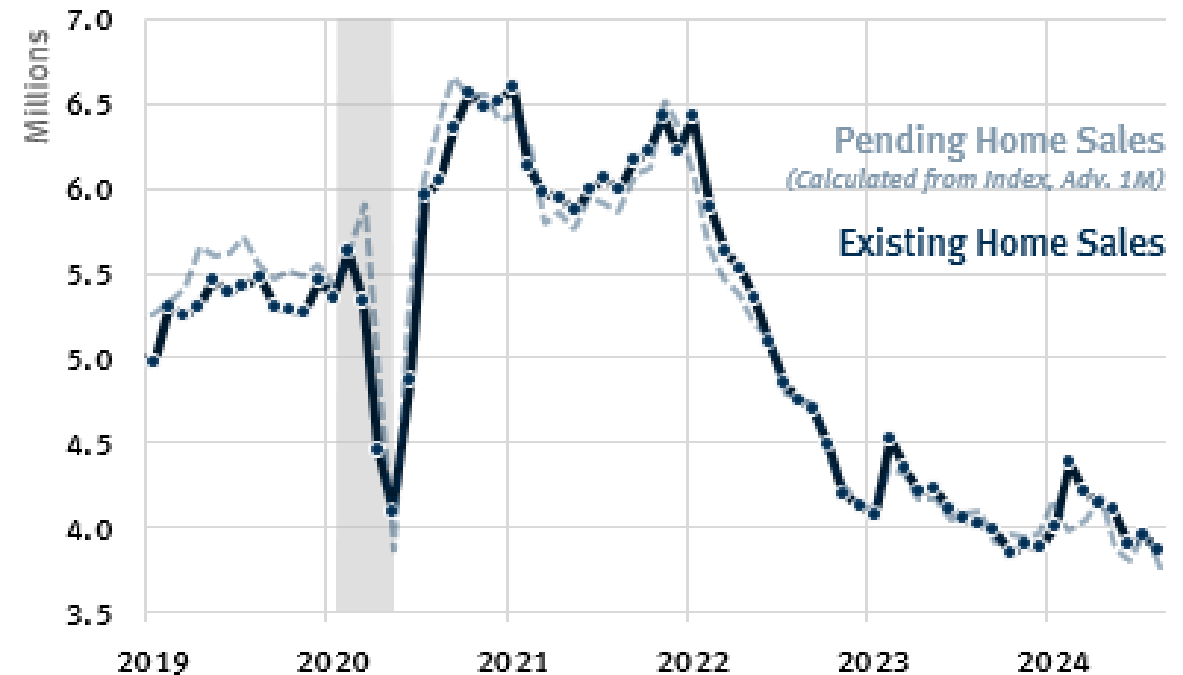
# Housing Sales Pace May Pick Up

**Mortgage Rates | Available and Outstanding (%)**



Sources: MBA, Federal Reserve, Stifel

**Existing and Pending (Calc.) Home Sales**

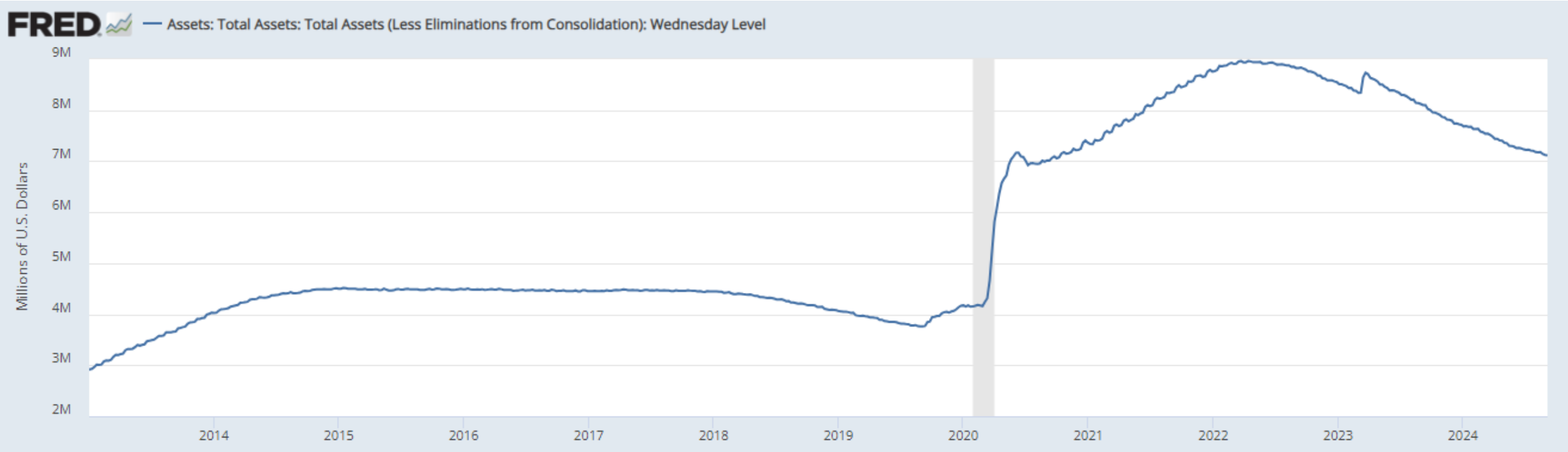


Sources: National Association of Realtors, Stifel



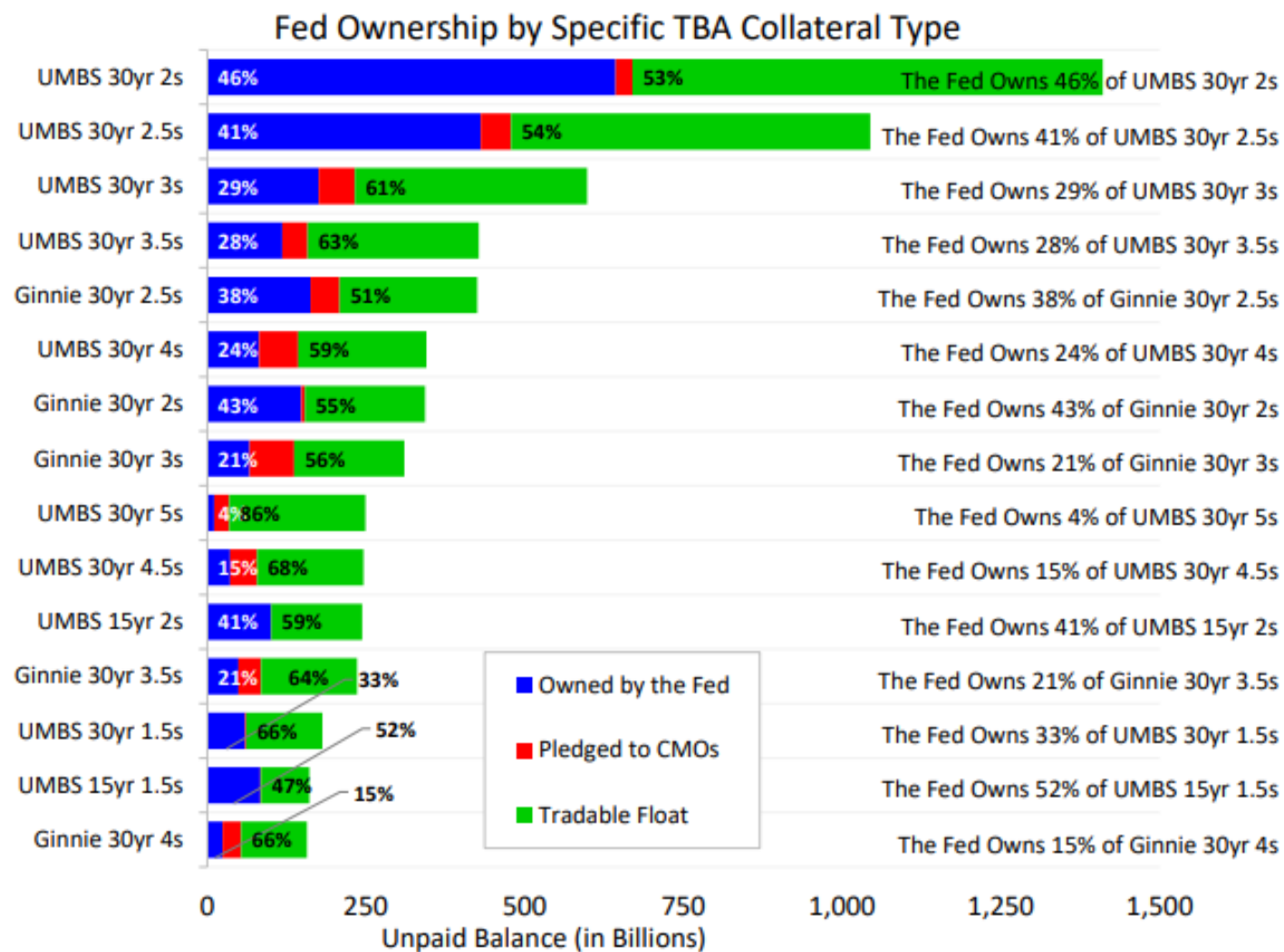
# Quantitative Tightening Continues

Balance Sheet is Down \$1.8 Trillion in 2 Years





# Fed Still Owns a Lot of MBS Paper

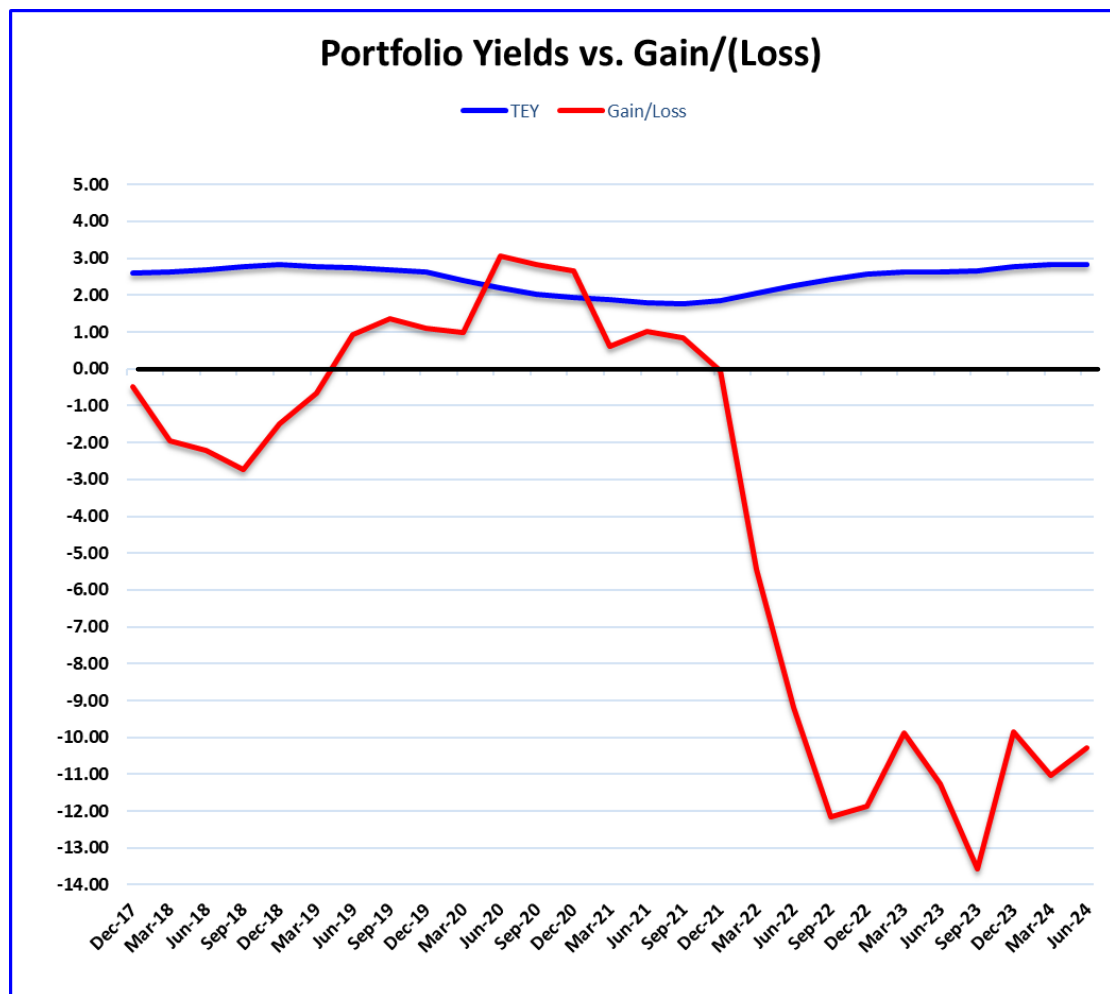


# What Does a Bond Portfolio Look Like?

June 30, 2024

| Number of Banks: 419             |                         |         |         |         |           | Average Portfolio: \$197,731,105 |       |       |       |           | Median Portfolio: \$70,657,044 |   |   |   |  |
|----------------------------------|-------------------------|---------|---------|---------|-----------|----------------------------------|-------|-------|-------|-----------|--------------------------------|---|---|---|--|
| Security Category                | Percent of Market Value |         |         |         |           | Tax Equivalent Yield             |       |       |       |           |                                |   |   |   |  |
|                                  | Quartile                |         |         |         | All Banks | Quartile                         |       |       |       | All Banks |                                |   |   |   |  |
|                                  | 1                       | 2       | 3       | 4       |           | 1                                | 2     | 3     | 4     |           | 1                              | 2 | 3 | 4 |  |
| Treasuries                       | 16.74%                  | 4.26%   | 3.78%   | 10.92%  | 8.85%     | 4.48%                            | 2.30% | 2.11% | 1.30% | 2.84%     |                                |   |   |   |  |
| CDs                              | 0.38%                   | 0.38%   | 0.20%   | 0.27%   | 0.31%     | 4.27%                            | 3.20% | 2.74% | 2.66% | 3.28%     |                                |   |   |   |  |
| Agencies                         | 4.85%                   | 6.42%   | 6.95%   | 11.96%  | 7.75%     | 3.85%                            | 2.47% | 1.99% | 1.55% | 2.15%     |                                |   |   |   |  |
| MBS Fixed                        | 20.46%                  | 22.54%  | 30.32%  | 34.40%  | 27.35%    | 3.00%                            | 2.79% | 2.15% | 1.64% | 2.23%     |                                |   |   |   |  |
| SBA Fixed                        | 1.23%                   | 2.65%   | 2.04%   | 1.13%   | 1.74%     | 3.90%                            | 3.02% | 3.01% | 2.25% | 3.01%     |                                |   |   |   |  |
| ARM                              | 0.74%                   | 3.23%   | 1.05%   | 0.63%   | 1.38%     | 5.39%                            | 4.42% | 3.15% | 2.49% | 4.02%     |                                |   |   |   |  |
| SBA Floating Rate                | 4.23%                   | 2.54%   | 2.18%   | 0.56%   | 2.28%     | 5.93%                            | 5.77% | 5.99% | 5.74% | 5.89%     |                                |   |   |   |  |
| Agency CMO                       | 19.81%                  | 18.65%  | 29.99%  | 15.57%  | 20.91%    | 4.29%                            | 3.20% | 2.54% | 2.35% | 2.99%     |                                |   |   |   |  |
| Private CMO                      | 2.59%                   | 2.55%   | 0.63%   | 0.88%   | 1.60%     | 4.71%                            | 4.31% | 3.15% | 3.25% | 4.17%     |                                |   |   |   |  |
| Asset-Backed, Other Amortizing   | 3.19%                   | 0.72%   | 0.07%   | 0.24%   | 0.98%     | 6.33%                            | 6.09% | 5.77% | 4.83% | 6.18%     |                                |   |   |   |  |
| Municipals                       | 16.74%                  | 31.88%  | 20.78%  | 20.81%  | 22.53%    | 2.84%                            | 3.08% | 2.61% | 2.51% | 2.78%     |                                |   |   |   |  |
| Corporates, Other Non-Amortizing | 9.06%                   | 4.20%   | 2.01%   | 2.64%   | 4.32%     | 4.60%                            | 3.95% | 4.05% | 3.31% | 4.16%     |                                |   |   |   |  |
| Total                            | 100.00%                 | 100.00% | 100.00% | 100.00% | 100.00%   | 3.93%                            | 3.15% | 2.50% | 1.99% | 2.82%     |                                |   |   |   |  |

# Yields Are High...As Are Unrealized Losses



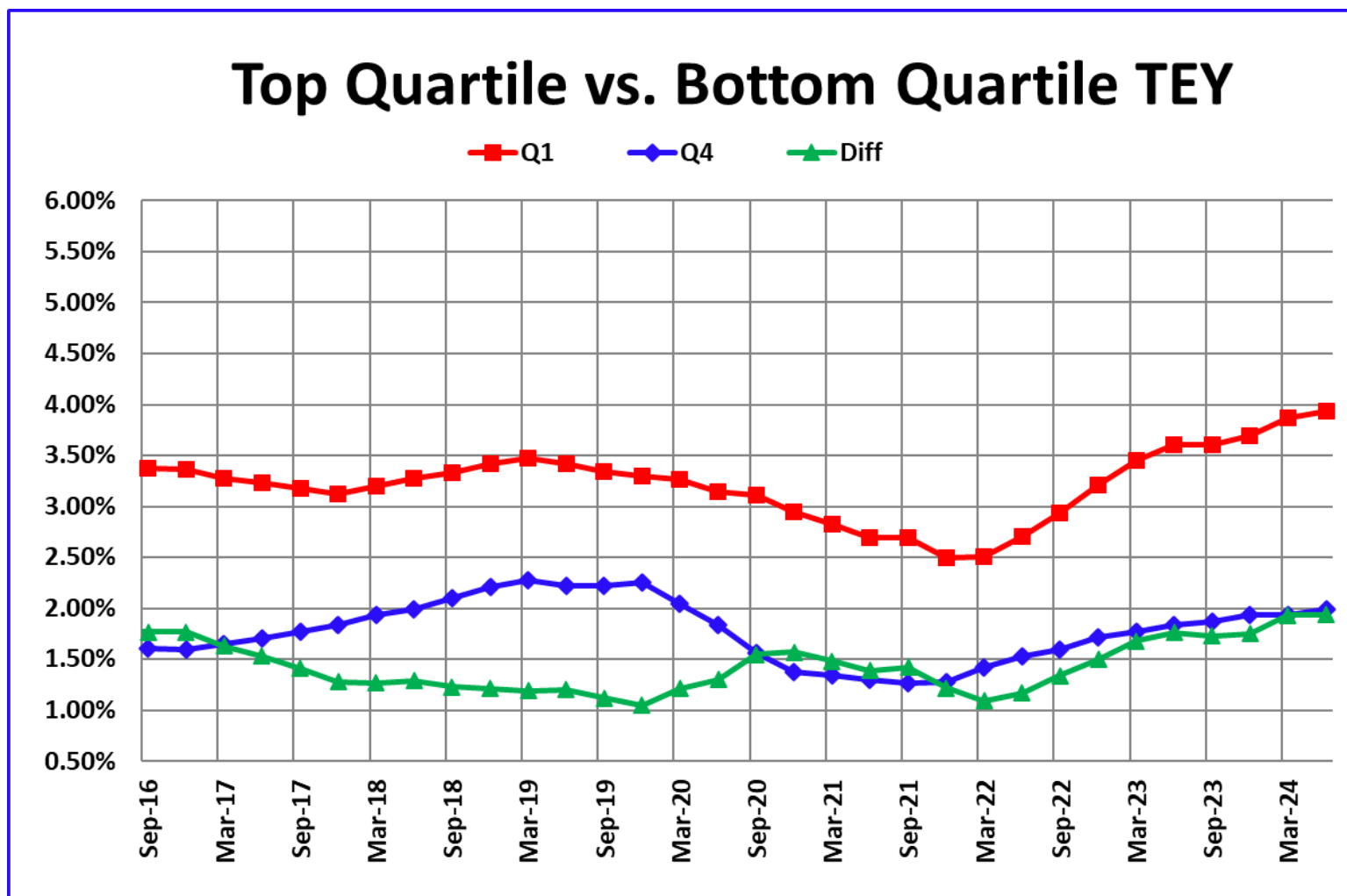


# Good News: Portfolios Are Set To Recover

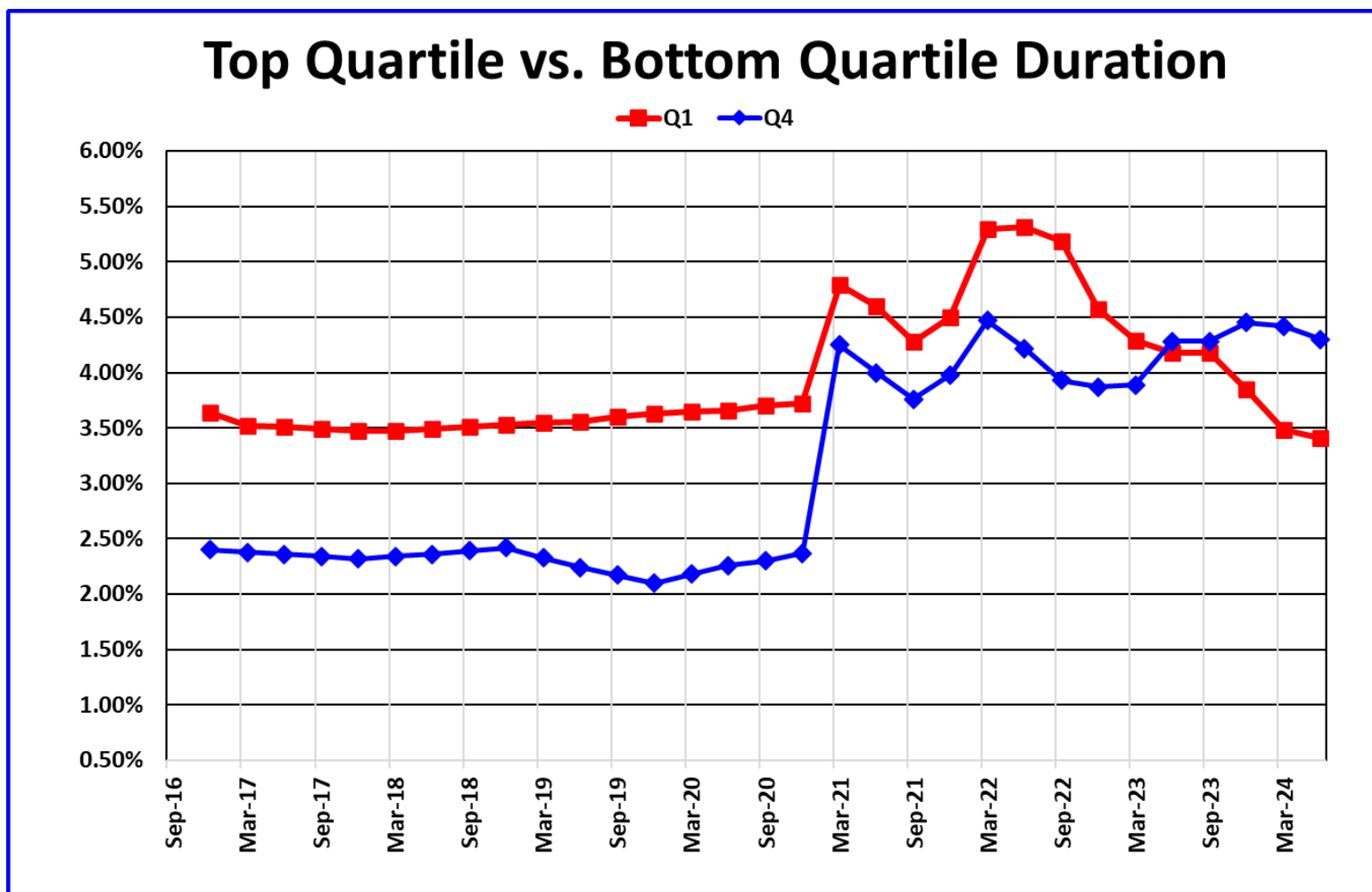
Bonds Can Appreciate a Lot If Rates Fall

| Security Category                | % of<br>Mkt Value | % of<br>Bk Value | Book<br>Price  | Book<br>TEY  | Gain/(Loss)<br>% of BV | Percentage    |               | Price Volatility |              |              |              |               |               |                |                |
|----------------------------------|-------------------|------------------|----------------|--------------|------------------------|---------------|---------------|------------------|--------------|--------------|--------------|---------------|---------------|----------------|----------------|
|                                  |                   |                  |                |              |                        | AFS           | HTM           | -300bps          | -200bps      | -100bps      | Base         | +100bps       | +200bps       | +300bps        | +400bps        |
| Treasuries                       | 8.85%             | 8.27%            | 99.119         | 2.84%        | -3.99%                 | 75.28%        | 24.72%        | 5.05%            | 3.32%        | 1.66%        | 0.00%        | -1.48%        | -2.97%        | -4.41%         | -5.81%         |
| CDs                              | 0.31%             | 0.28%            | 99.971         | 3.28%        | -2.34%                 | 80.57%        | 17.66%        | 4.59%            | 3.03%        | 1.50%        | 0.00%        | -1.47%        | -2.90%        | -4.30%         | -5.65%         |
| Agencies                         | 7.75%             | 7.58%            | 99.768         | 2.15%        | -8.30%                 | 82.55%        | 17.39%        | 8.33%            | 5.79%        | 2.95%        | 0.00%        | -2.97%        | -5.88%        | -8.69%         | -11.38%        |
| MBS Fixed                        | 27.35%            | 28.10%           | 100.704        | 2.23%        | -12.65%                | 82.29%        | 17.71%        | 14.13%           | 9.65%        | 4.80%        | 0.00%        | -4.69%        | -9.24%        | -13.60%        | -17.74%        |
| SBA Fixed                        | 1.74%             | 1.74%            | 98.511         | 3.01%        | -9.89%                 | 90.57%        | 9.43%         | 12.85%           | 8.98%        | 4.68%        | 0.00%        | -4.47%        | -8.89%        | -13.23%        | -17.53%        |
| ARM                              | 1.38%             | 1.31%            | 101.608        | 4.02%        | -5.18%                 | 96.67%        | 3.33%         | 6.01%            | 4.32%        | 2.29%        | 0.00%        | -2.57%        | -5.46%        | -8.62%         | -11.94%        |
| SBA Floating Rate                | 2.28%             | 2.05%            | 105.545        | 5.89%        | -0.18%                 | 99.00%        | 1.00%         | 1.51%            | 0.99%        | 0.49%        | 0.00%        | -0.48%        | -0.94%        | -1.39%         | -1.84%         |
| Agency CMO                       | 20.91%            | 21.18%           | 99.811         | 2.99%        | -11.39%                | 87.82%        | 12.18%        | 12.35%           | 8.33%        | 4.20%        | 0.00%        | -4.23%        | -8.57%        | -12.97%        | -17.25%        |
| Private CMO                      | 1.60%             | 1.54%            | 99.342         | 4.17%        | -6.70%                 | 92.76%        | 7.24%         | 10.58%           | 6.84%        | 3.30%        | 0.00%        | -3.12%        | -6.08%        | -8.88%         | -11.53%        |
| Asset-Backed, Other Amortizing   | 0.98%             | 0.89%            | 99.359         | 6.18%        | -1.15%                 | 99.95%        | 0.05%         | 9.39%            | 5.05%        | 1.94%        | 0.00%        | -1.20%        | -2.02%        | -2.62%         | -3.07%         |
| Municipals                       | 22.53%            | 22.88%           | 102.758        | 2.78%        | -11.64%                | 64.28%        | 35.72%        | 15.88%           | 11.29%       | 5.83%        | 0.00%        | -6.37%        | -12.55%       | -18.39%        | -23.70%        |
| Corporates, Other Non-Amortizing | 4.32%             | 4.19%            | 99.587         | 4.16%        | -7.56%                 | 91.24%        | 8.76%         | 4.32%            | 2.90%        | 1.46%        | 0.00%        | -1.47%        | -2.92%        | -4.34%         | -5.72%         |
| <b>Total</b>                     | <b>100.00%</b>    | <b>100.00%</b>   | <b>100.753</b> | <b>2.82%</b> | <b>-10.27%</b>         | <b>80.14%</b> | <b>19.85%</b> | <b>11.92%</b>    | <b>8.20%</b> | <b>4.14%</b> | <b>0.00%</b> | <b>-4.22%</b> | <b>-8.37%</b> | <b>-12.39%</b> | <b>-16.18%</b> |

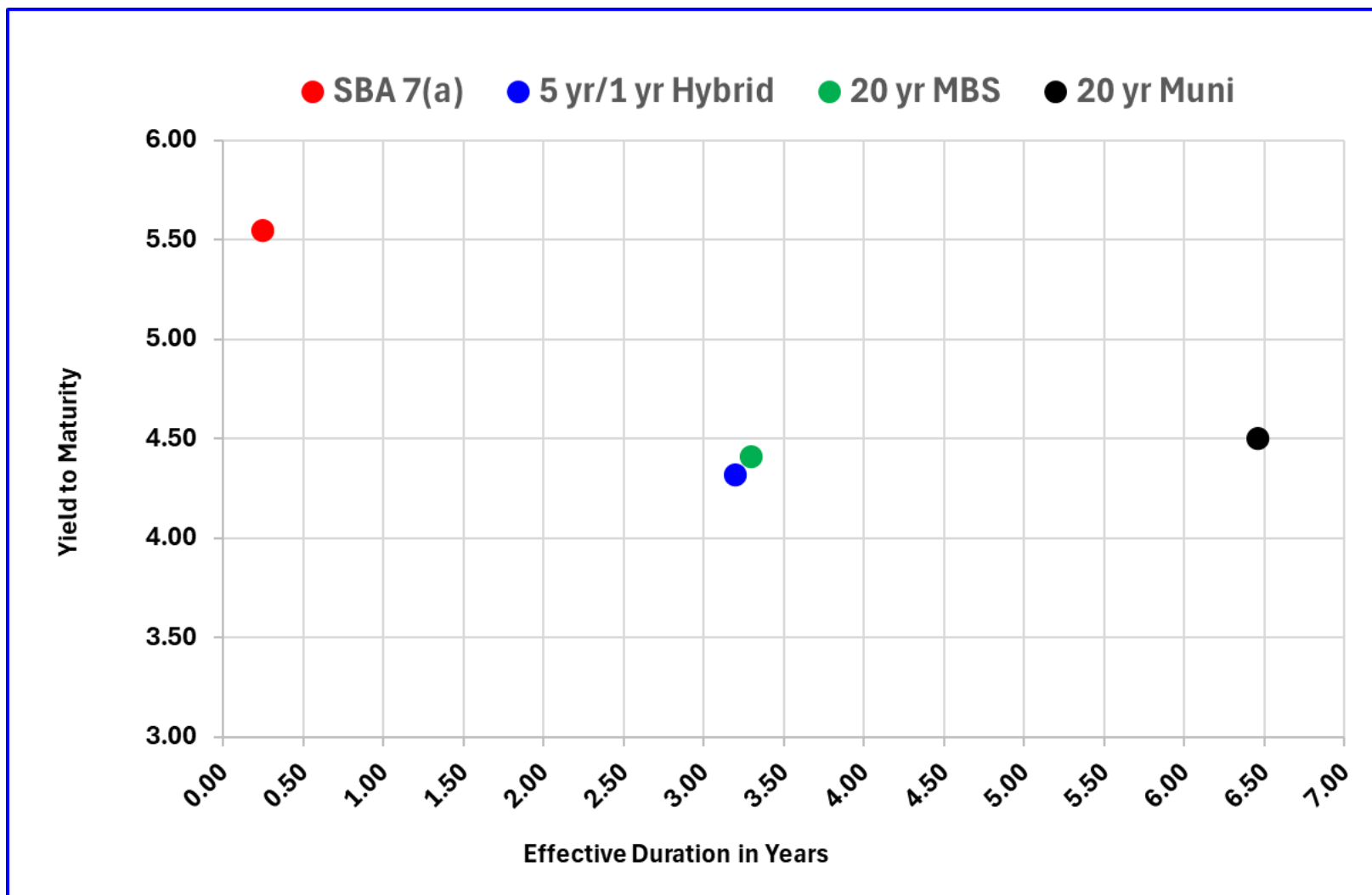
# Risk-Off Trades Pay Dividends, in 2024



# Risk-Off Trades Pay Dividends, in 2024



# Risk/Reward Matrix is Upside-Down



# SBA 7(a) Pool

- Floating Rate Pool
  - 0% risk weighted
  - 10-year final
  - Coupon: Prime + 82.5 bps
  - Caps: NONE
  - Premium price of 109.875: Needs attention!
  - Yield until reset: ~6.04%

| SBA 530630 Mtge  |  |  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|--|--|
| <div> <div>Scenarios</div> <div>Stability</div> <div>Actions</div> <div>Export</div> <div>Settings</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>9.325(121)0</div> <div>CUSIP 8316A0VY3</div> <div>Pool Level</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div> <div>Traits</div> <div>STANDARD, Quarte...</div> <div>Coupon</div> <div>9.325%</div> <div>Maturity</div> <div>10/25/34</div> </div> <div> <div>08/01/2024</div> <div>54,147,766</div> <div>LTV/HLTV</div> <div>--/--</div> <div>Accrual</div> <div>09/01-09/30</div> </div> <div> <div>09/25/2024</div> <div>54,147,766</div> <div>MAXLS</div> <div>--</div> <div>Next Pay</div> <div>11/25/24</div> </div> <div> <div>Factor</div> <div>1.0</div> <div>WAOLS</div> <div>--</div> </div> <div> <div># Loans</div> <div>164</div> <div>PRIME+82.5BP</div> </div> </div> |  |  |  |  |  |  |  |  |  |
| <div> <div>As of 08/2024</div> <div>Mths to Reset 2</div> <div>Current PRIME 8.50000</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>Price-to-Yield</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div>Settle</div> <div>09/18/2024</div> <div>09/18/2024</div> <div>09/18/2024</div> <div>09/18/2024</div> <div>09/18/2024</div> <div>09/18/2024</div> <div>09/18/2024</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div>Horizon Controls</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div>Rates</div> <div>C+0</div> <div>C+0</div> <div>C+0</div> <div>C+0</div> <div>C+0</div> <div>C+0</div> <div>C+0</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div>Prepay</div> <div>6 CPR</div> <div>8 CPR</div> <div>10 CPR</div> <div>12 CPR</div> <div>14 CPR</div> <div>16 CPR</div> <div>18 CPR</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div>Vary</div> <div>0</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>Price</div> <div>109-28</div> <div>6.5479</div> <div>6.3839</div> <div>6.2137</div> <div>6.0373</div> <div>5.8545</div> <div>5.6654</div> <div>5.4698</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>Discount Margin</div> <div>-204</div> <div>-220</div> <div>-236</div> <div>-254</div> <div>-271</div> <div>-290</div> <div>-309</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>Avg Life</div> <div>4.81</div> <div>4.51</div> <div>4.22</div> <div>3.96</div> <div>3.72</div> <div>3.50</div> <div>3.30</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div>Spread Duration</div> <div>3.76</div> <div>3.57</div> <div>3.40</div> <div>3.23</div> <div>3.07</div> <div>2.93</div> <div>2.79</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>Prin Win</div> <div>Date</div> <div>11/24-10/34</div> <div>11/24-10/34</div> <div>11/24-10/34</div> <div>11/24-10/34</div> <div>11/24-10/34</div> <div>11/24-10/34</div> </div>   |  |  |  |  |  |  |  |  |  |
| <div> <div>I Spread</div> <div>312</div> <div>295</div> <div>277</div> <div>259</div> <div>240</div> <div>221</div> <div>201</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>Aug24</div> <div>Jul</div> <div>Jun</div> <div>May</div> <div>Apr</div> <div>Mar</div> <div>Feb</div> <div>Jan</div> <div>Dec</div> <div>Nov</div> <div>Oct</div> <div>Sep</div> <div>GOVT(1)</div> <div>6M</div> <div>1Y</div> <div>2Y</div> <div>3Y</div> <div>5Y</div> <div>7Y</div> <div>10Y</div> <div>30Y</div> </div>  |  |  |  |  |  |  |  |  |  |
| <div> <div>--P</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>--</div> <div>15:02</div> <div>4.67</div> <div>4.06</div> <div>3.60</div> <div>3.47</div> <div>3.43</div> <div>3.52</div> <div>3.65</div> <div>3.96</div> </div>   |  |  |  |  |  |  |  |  |  |

# SBA Bid Grid

- Secondary Market
  - 75% guaranteed portions
  - 1% servicing fee mandated by SBA
  - Gain on sale recognized on sale date



## Secondary Market Premium Indications

September 3, 2024

### ADJUSTABLE RATE MARKET INDICATIONS\*

| GROSS RATE | 7 YR    | 10 YR   | 20 YR   | 25 YR   |
|------------|---------|---------|---------|---------|
| P+.75      | 100.875 | 103.550 | 103.550 | 106.400 |
| P+1.00     | 101.250 | 104.300 | 104.300 | 107.300 |
| P+1.25     | 101.375 | 105.050 | 105.050 | 108.200 |
| P+1.50     | 101.875 | 105.800 | 105.800 | 109.100 |
| P+1.75     | 102.375 | 106.550 | 106.550 | 110.000 |
| P+2.00     | 102.875 | 107.300 | 107.300 | 110.900 |
| P+2.25     | 103.375 | 108.050 | 108.050 | 111.800 |
| P+2.50     | 103.875 | 108.800 | 108.800 | 112.700 |
| P+2.75     | 104.375 | 109.550 | 109.550 | 113.600 |
| P+3.00     | 104.875 | 110.300 | 110.300 | 114.500 |



# GNMA MBS

- Hybrid ARM
  - 0% risk weighted
  - 4.50% coupon for 60 months
  - Then annual reset
  - Caps: 1% annual / 5% life
  - Low premium of ~100-14
  - Yield until reset: ~4.32%

STIFEL

## ARM Analysis

Friday, September 6, 2024

GNMA

5/1 ARM

Pool

MA9917

|                         |                 |        |                 |                         |        |                       |                |            |       |       |       |       |
|-------------------------|-----------------|--------|-----------------|-------------------------|--------|-----------------------|----------------|------------|-------|-------|-------|-------|
| Descriptive Information | Original Amount |        | 5,153,964       | Cap Structure           |        | 1 / 1 / 5             | Cusip          | 36180AAS2  |       |       |       |       |
|                         | Current Face    |        | 5,153,964       | Next Reset Cap          |        | 1.00%                 | Pool Size      | 5,153,964  |       |       |       |       |
|                         | Dollar Price    |        | 100-14          | Floor / Life Cap        |        | 1.50% / 9.50%         | Factor         | 1.000000   |       |       |       |       |
|                         | Settlement Date |        | 09/25/2024      | Gross WAC               |        | 4.886%                | Stated Final   | 9/20/2054  |       |       |       |       |
|                         | Coupon          |        | 4.500%          | WAM                     |        | 360 mths              |                |            |       |       |       |       |
|                         | Index           |        | 1yrCMT          | WALA                    |        | 0 mths                |                |            |       |       |       |       |
|                         | Margin          |        | +150 bps        | Index Value             |        | 4.21%                 |                |            |       |       |       |       |
|                         | MTR // Date     |        | 61 // 10/1/2029 | Reset Frequency         |        | Annually              |                |            |       |       |       |       |
| Collateral Detail       | GEOs            | CA 52% | Loan Orig       | 2024                    | 100.0% | Loan Count            | 10             | Historical | 1mo   |       |       |       |
|                         |                 | AZ 16% |                 |                         |        | Current Avg Loan Size | 515,396        | CPRs       | 3mo   |       |       |       |
|                         |                 | CO 10% |                 |                         |        | Orig. WA Credit Score | Not Applicable |            | 6mo   |       |       |       |
|                         |                 | TN 10% |                 |                         |        | Orig. WA LTV          | Not Applicable |            | 12mo  |       |       |       |
|                         |                 |        |                 |                         |        | Issue Date            | 9/1/2024       |            | Life  |       |       |       |
| Roll Schedule           |                 |        |                 | Scenario Analysis       |        |                       |                |            |       |       |       |       |
| Date                    | %               | Rate   | Margin          | Speed Assumptions (CPR) |        | 8                     | 10             | 12         | 15    | 20    | 25    | 35    |
| 10/1/2029               | 100.0%          | 4.50%  | 1.50%           | Yield to Maturity*      |        | 4.98%                 | 4.91%          | 4.85%      | 4.76% | 4.62% | 4.50% | 4.31% |
|                         |                 |        |                 | Weighted Average Life   |        | 8.8y                  | 7.6y           | 6.6y       | 5.4y  | 4.1y  | 3.3y  | 2.3y  |
|                         |                 |        |                 | BEEM                    |        | 77                    | 70             | 64         | 55    | 41    | 29    | 10    |
|                         |                 |        |                 | Yield to Reset (CPB)    |        | 4.35%                 | 4.34%          | 4.33%      | 4.32% | 4.29% | 4.26% | 4.18% |
|                         |                 |        |                 | WAL                     |        | 4.0y                  | 3.8y           | 3.6y       | 3.4y  | 3.0y  | 2.6y  | 2.0y  |
|                         |                 |        |                 | I-Spread                |        | +79/c                 | +78/c          | +76/c      | +74/c | +70/c | +63/c | +47/c |

# FNMA MBS

- 20-year Pass-Through
  - 20% risk weighted
  - 5.00% coupon
  - Borrowers' rate: 5.903%
  - Moderate premium: ~101.80
  - Yield to maturity: ~4.41%
  - Average life: ~3.9 yrs

**FN MA4961**  
**Offer Amount (Current): \$3,140,248**  
**Offer Price: 101.796875**  
**Settlement Date: 9/16/2024**  
**5.0% Coupon FNCT Collateral**  
**4.41% Yield**  
**3.92yr WAL**

| Security Information |              | Collateral Information |           |
|----------------------|--------------|------------------------|-----------|
| Issuer               | Fannie Mae   | WAC                    | 5.903%    |
| CUSIP                | 31418EQP8    | Maturity               | 3/1/2043  |
| Type                 | MBS 20yr     | Loan Count             | 282       |
| Coupon               | 5.000%       | WAM (Mo.)              | 214       |
| Collateral Type      | FNCT         | WALA (Mo.)             | 19        |
| Factor               | 0.82177999   | Credit Score           | 760       |
| Original Face        | \$3,821,276  | LTV                    | 67%       |
| Current Face         | \$3,140,248  | WAOLS                  | \$355,185 |
| Orig Deal Amount     | \$92,858,413 | Max Loan Size          | \$726,000 |
| Top Servicer         | LESS THAN 1% | TPO %                  | 18.2%     |

| 101.797            | Yield Table 1 |       |       |       |       |       |       |
|--------------------|---------------|-------|-------|-------|-------|-------|-------|
| Rate Scenario      | -300          | -200  | -100  | 0     | 100   | 200   | 300   |
| BAM                | -300          | -200  | -100  | 0     | 100   | 200   | 300   |
| Yield              | 3.68%         | 3.80% | 4.05% | 4.41% | 4.58% | 4.65% | 4.69% |
| WAL                | 1.75          | 1.93  | 2.45  | 3.92  | 5.48  | 6.72  | 7.46  |
| 1 Spread           | (1)           | 19    | 53    | 97    | 113   | 115   | 115   |
| Mod Duration       | 1.58          | 1.73  | 2.15  | 3.30  | 4.47  | 5.31  | 5.79  |
| avg life cpr equiv | 42.7          | 39.3  | 31.4  | 18.8  | 11.5  | 7.6   | 5.7   |

| 101.797      | Yield Table 2 |       |       |       |       |       |       |
|--------------|---------------|-------|-------|-------|-------|-------|-------|
| PSA          | 977           | 803   | 520   | 236   | 154   | 117   | 100   |
| Yield        | 3.36%         | 3.68% | 4.14% | 4.53% | 4.62% | 4.66% | 4.68% |
| WAL          | 1.33          | 1.67  | 2.62  | 4.93  | 6.24  | 7.00  | 7.40  |
| 1 Spread     | (54)          | (5)   | 65    | 111   | 114   | 115   | 115   |
| Mod Duration | 1.26          | 1.56  | 2.34  | 4.06  | 4.96  | 5.47  | 5.73  |



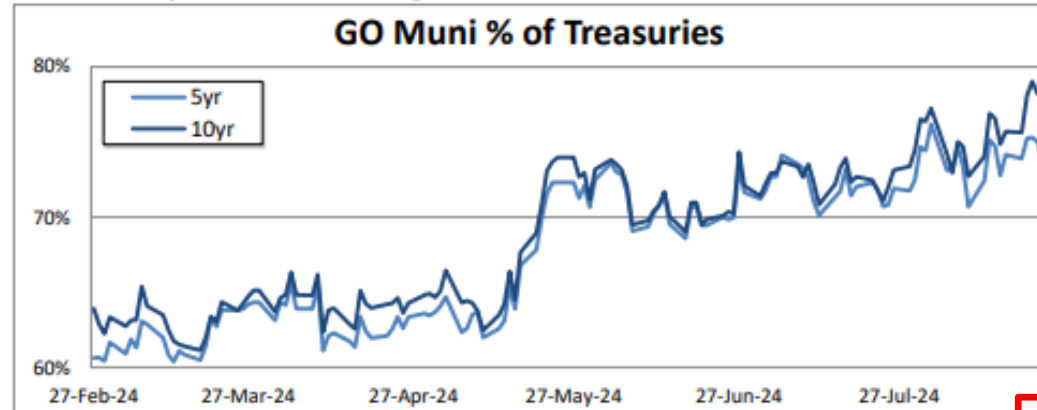
# Time to Bid?

- Investment Grade Municipal Bonds
  - Supply/demand imbalance
  - Yields are “through the curve” out to 15+ years
  - Make potentially attractive bonds to sell
  - Economics are much better for S Corps

## Municipal Key Metrics (AA-rated Underlying)

### Tax-Exempt General Obligation (GO)

August 28, 2024



| % of Treasuries |         |        |        |          |                      |
|-----------------|---------|--------|--------|----------|----------------------|
| Current         | 6M High | 6M Low | 6M Avg | # Std Dv |                      |
| 61.3%           | 69.5%   | 60.2%  | 64.4%  | (1.16)   | 1 Year               |
| 66.9%           | 71.8%   | 61.9%  | 67.1%  | (0.09)   | 2 Year               |
| 69.9%           | 73.9%   | 61.1%  | 67.8%  | 0.68     | 3 Year               |
| 71.9%           | 76.2%   | 60.4%  | 67.9%  | 0.82     | 5 Year               |
| 77.1%           | 79.0%   | 61.1%  | 69.0%  | 1.62     | 10 Year              |
| 81.6%           | 85.2%   | 71.5%  | 76.3%  | 2.08     | 15 Year <sup>2</sup> |
| 97.3%           | 101.8%  | 85.5%  | 91.0%  | 2.00     | 30 Year              |

|         | Raw Yield (%)        |          |        |           |        | TEY (21%) - NO TEFRA |         |        |        |        |
|---------|----------------------|----------|--------|-----------|--------|----------------------|---------|--------|--------|--------|
|         | Current <sup>3</sup> | Week Ago | WoW Δ  | Month Ago | 6M Ago | TEY 21%              | 6M High | 6M Low | 6M Avg | 6M Ago |
| 1 Year  | 2.69                 | 2.71     | (0.02) | 2.98      | 3.06   | 3.40                 | 4.50    | 3.37   | 4.06   | 3.87   |
| 2 Year  | 2.61                 | 2.69     | (0.08) | 2.95      | 2.91   | 3.30                 | 4.42    | 3.30   | 3.92   | 3.68   |
| 3 Year  | 2.60                 | 2.72     | (0.12) | 2.91      | 2.74   | 3.29                 | 4.27    | 3.29   | 3.78   | 3.47   |
| 5 Year  | 2.62                 | 2.78     | (0.15) | 2.93      | 2.61   | 3.32                 | 4.23    | 3.20   | 3.65   | 3.31   |
| 10 Year | 2.95                 | 2.97     | (0.03) | 3.07      | 2.75   | 3.73                 | 4.26    | 3.28   | 3.74   | 3.48   |
| 15 Year | 3.27                 | 3.32     | (0.05) | 3.34      | 3.40   | 4.14                 | 4.65    | -      | 4.26   | 4.31   |
| 30 Year | 4.00                 | 4.05     | (0.05) | 4.12      | 3.99   | 5.07                 | 5.46    | 4.80   | 5.13   | 5.05   |

| Spread to Treasuries |          |         |        |        |                      |
|----------------------|----------|---------|--------|--------|----------------------|
| Current <sup>3</sup> | Week Ago | 6M High | 6M Low | 6M Avg |                      |
| (0.98)               | (1.00)   | (0.60)  | (1.20) | (0.92) | 1 Year               |
| (0.60)               | (0.58)   | (0.36)  | (1.03) | (0.70) | 2 Year               |
| (0.43)               | (0.35)   | (0.24)  | (1.02) | (0.63) | 3 Year               |
| (0.33)               | (0.18)   | (0.13)  | (1.05) | (0.61) | 5 Year               |
| (0.09)               | (0.04)   | 0.00    | (0.98) | (0.55) | 10 Year              |
| 0.13                 | 0.21     | 0.31    | (0.44) | (0.16) | 15 Year <sup>2</sup> |
| 0.95                 | 1.06     | 1.18    | 0.38   | 0.67   | 30 Year              |

# Balance Sheet Academy

- October 28-29, 2024
  - Intermediate level material
- Up to 12 hours CPE
- Location: 
- Bonus: Memphis BBQ!



## Who Should Attend?

The in-person seminar is structured for more experienced investment managers, particularly those who have attended Bond Academy. It incorporates balance sheet strategies into the day-to-day management of an institution's investment portfolio, wholesale funding and interest rate risk management. Bank personnel with an intermediate level of understanding of investments who are integral to the investment and balance sheet management process will benefit the most from this advanced course. New directors serving on the investment or asset-liability committee will also find this course beneficial.

## Agenda

Courses will focus on the understanding, development and implementation of strategies for balance sheet management, liquidity and capital management, loan portfolio management, investment portfolio construction, among other topics.





# Thank you!

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