



Expanding the Reach of Community Banking

Building an Economic Dashboard

September 29, 2022

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Alliance Partners Senior Advisor

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Alliance Partners Senior Advisor: Alex Rolfe

Alex Rolfe - JCSmithAdvisors



Alex Rolfe has a regulatory, consulting and investing background spanning de novo, community, regional, global and challenger banks. In 2020, he co-founded an investment fund targeting mid-sized bank capital needs during the COVID-19 pandemic; helping design a bank capital instrument. He also began consulting to bank CEOs and boards at JCSmithAdvisors, alongside former Webster Bank Chair and CEO, Jim Smith. In 2021, he began advising a new Caribbean/Central American Special Economic Zone regarding financial infrastructure and international financial topics. At FDIC, he led a major initiative focused on stability actions for any future banking crisis by creating a world-class standby pool of CEO and Chairs and directors to step into the C-Suite and directorate of the next large bridge bank. Alex simultaneously led multiple initiatives regarding resolution and risk examination concerns, working closely across the U.S. and European regulatory structure.

Alex is a commissioned bank examiner and seasoned bank analyst previously charged with monitoring a select group of regional and global banks for a range of topics from prudential risk examination concerns to cross-border resolution topics. He has broad connections across the banking, investing, regulatory, policy and fintech startup space.

As a commissioned bank examiner in the Southeast, Alex visited approximately 75 banks of various sizes, business models and complexities, while leading examination teams in his role as Supervisory Examiner. In this responsibility, Alex spent significant time assessing bank practices and risk profiles in all phases of the business cycle and working closely with bank management and directorates. This endeavor required assessing myriad topics such as in-house and syndicated credits, capital analysis, earnings efficiency, and other risk metrics.

Alex earned his bachelor's degree in Finance, cum laude, at the University of Florida. Alex is an intermediate Spanish student. He formerly sat on the Albany - Dougherty County Inner City Authority, a Georgia authorized, bond issuing, economic development board. Alex grew up in St. Petersburg, Florida, and began his career in Georgia and Washington D.C. He and his wife have three children and now reside in Watertown, Connecticut.

Why should you have an economic dashboard?

- A custom economic dashboard can be a tool for community bank executives to more easily digest economic data, and apply it to decision making
- Establishing a dashboard system for absorbing economic data, rather than being inundated by scattershot financial media inputs, can increase the economic IQ of your institution
- Better economic IQ can lead to better bank-wide risk and policy setting during dynamic markets (such as we see today)
 - Capital and allowance planning
 - Deposit rate setting
 - Market participation choices
 - Regulatory interaction
 - Shareholder and Investor interactions
- Community banks may lack scale to house dedicated in-house economic resources but can still build a customized dashboard
- The point of today is to introduce baseline resources that community banks can easily access
 - The appendix provides additional data sources if you choose to grow and/or customize your dashboard

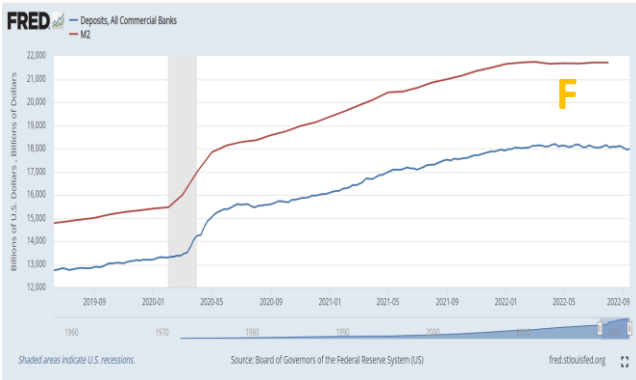
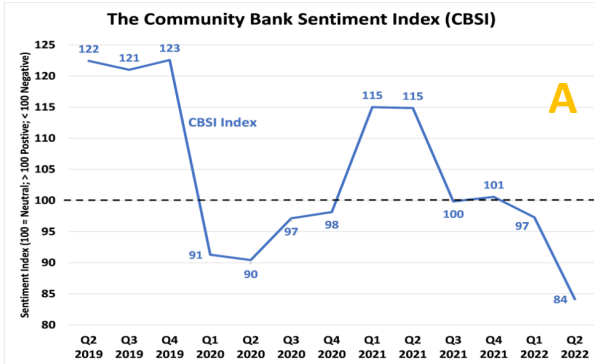
What should you include?

- Each bank will have its own needs, but there are some high-level indicators that are likely suspects for any basic summary
- That said, there is probably not a one-size-fits-all approach
 - Agricultural banks may seek data on trade and commodities
 - Sunbelt banks may seek data on tourism and hospitality trend data for hotel/motel/restaurant concentrations
- Local economic data is typically more difficult to obtain, but there is consistent data at a regional and state level

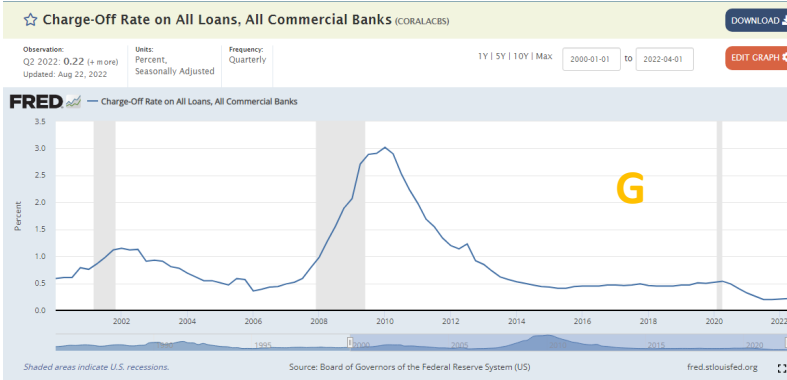
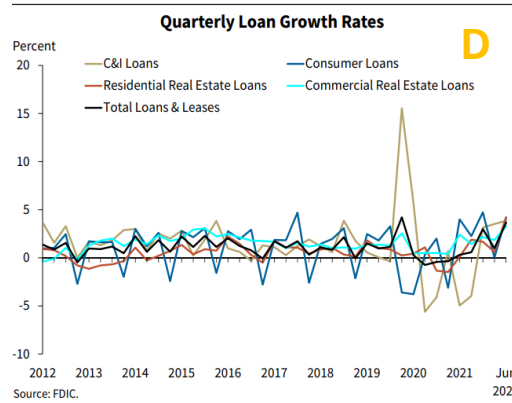
Easy sources that will be your friends in this endeavor:

- FRED: Federal Reserve Economic Data. An online database created and maintained by the Federal Reserve Bank of St. Louis
- Beige Book: Summary of Commentary on Current Economic Conditions by Federal Reserve
- The CSBS Community Bank Sentiment Index (now also available through FRED)
- FDIC Quarterly/Quarterly Banking Profile Graph Book: A comprehensive summary of the most current financial results for the banking industry
- GDPNow – a forecasting model maintained by the Federal Reserve Bank of Atlanta that estimates real GDP growth based on available economic data for the current measured quarter
- FOMC Press conference, forecast and dot plot; CME Fed RateWatch Tool

Sample Dashboard (assuming bank in Kansas City region)



B The Tenth District economy expanded slightly, with much of the growth in business sales and revenue being driven by higher prices rather than a greater volume of activity. Consumer spending was mostly unchanged. Yet, more households began to report difficulty in meeting regular expenses, and delinquencies on utility payments picked up slightly. Amid high levels of overall production, new orders and backlogs at manufacturers declined modestly, indicating some softening of overall demand. Job growth was constrained by difficulties in attracting applicants. Many contacts indicated that worker turnover declined moderately, and that they were better able to retain high quality workers in recent months. Many businesses reported that they raised worker compensation mid-year in response to high inflation. Prices in the District rose broadly at a robust pace. Lags in the ability to fully pass-through costs led most contacts to report declining margins. Housing rental rates also increased in recent months. Several contacts pointed to an increased prevalence of property investors in both rural and metro rental markets contributing to rental cost pressures. (Beige Book, September 2022)



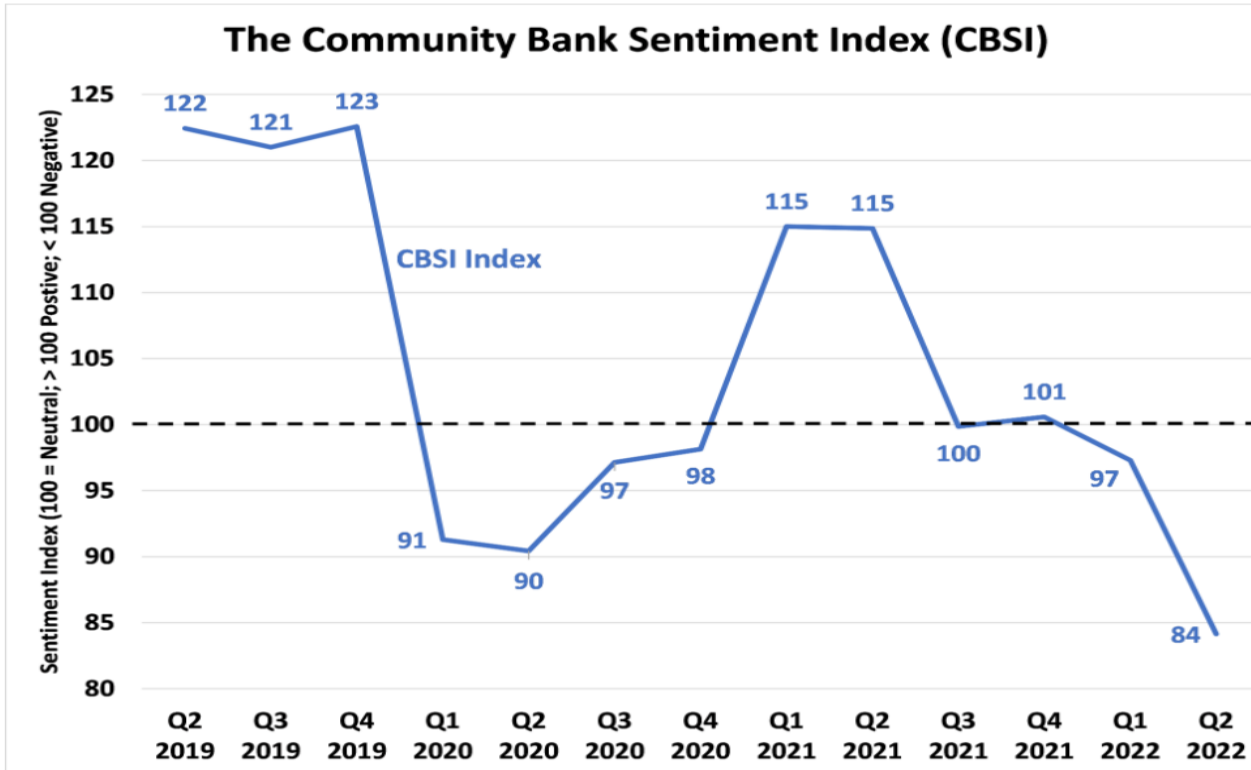
State Banking Performance Summary

FDIC-insured Institutions

All Institutions	Commercial Banks Missouri June 30, 2022		Commercial Banks Missouri June 30, 2021		Commercial Banks Missouri June 30, 2020	
	Assets \$Bil	Assets \$Bil	Assets \$Bil	Assets \$Bil	Assets \$Bil	Assets \$Bil
211	33	37	32	37	35	48
28,163	891	27,472	27,975	762	27,116	27,956
AGGREGATE CONDITION AND INCOME DATA						
Non-employee (full-time equivalent)						
Total employees	1,261	0	1,375	1,453	16	1,438
Total assets	228,778	2,168	228,532	214,395	2,487	211,586
Earning assets	218,605	2,039	215,762	202,987	2,030	200,671
Total loans & leases	138,791	1,219	138,872	125,471	1,232	124,002
Other real estate owned	84	1	82	102	101	102
Total income	185,269	1,923	185,880	181,344	2,100	179,194
Equity income	18,762	247	18,555	20,423	208	20,114
PERFORMANCE RATIOS (YTD, %)						
Net operating assets	3.10	3.39	3.10	3.21	3.84	3.20
Cost of funding earning assets	0.18	0.30	0.16	0.21	0.40	0.21
Net interest margin	2.92	3.09	2.92	3.00	3.40	3.00
Nonperforming income to avg. earning assets	0.97	2.98	0.96	1.20	2.28	1.16
Nonperforming expenses to avg. earning assets	3.26	4.82	3.20	3.43	4.06	3.30
Net charge-offs to loans & leases	0.08	0.31	0.08	0.12	0.04	0.12
Capitalization to total assets	19.60	21.63	19.50	18.27	44.10	48.74
Net operating income to average assets	1.21	0.80	1.21	1.38	1.34	1.38
Return on assets	1.08	1.28	1.10	1.08	1.64	1.47
Return on equity	1.46	0.88	1.47	1.70	1.94	1.70
Percent of institutions with earnings gains	1.22	0.50	1.22	1.08	1.34	1.24
Percent of institutions with earnings gains	12.85	4.28	14.12	14.85	11.08	14.82
Percent of institutions with earnings gains	2.84	49.05	2.84	1.75	5.41	1.54
CONTRACT RATIOS (%)						
Net loans and leases to assets	60.43	64.91	60.40	67.62	62.08	67.89
Loans to assets	1.13	1.42	1.10	1.28	1.44	1.28
Total loans and leases to assets	388.12	383.68	388.20	211.10	228.51	312.24
Total loans to assets	0.58	0.97	0.58	0.46	0.91	0.46
Nonperforming loans to assets	0.22	0.28	0.21	0.28	0.38	0.28
Other assets to total assets	68.27	68.01	68.02	7.28	20.08	67.42
Equity capital to total assets	12.11	11.23	11.10	8.83	11.99	8.41
Leverage (Core capital) to assets	8.09	11.04	8.00	8.80	11.15	8.80
Total deposits to average assets (4-2020)	12.21	20.84	13.10	12.21	17.65	12.10
Gross 1-4 family mortgages to gross assets						

Source: Call Report and Thrift Financial Report Prepared by the FDIC's Office of Insurance and Resolution

Component A: The Community Bank Sentiment Index



The Community Bank Sentiment Index is an index derived from quarterly polling of community bankers across the nation. As community bankers answer questions about their outlook on the economy, their answers are analyzed and compiled into a single number. An index reading of 100 indicates a neutral sentiment, while anything above 100 indicates a positive sentiment, and anything below 100 indicates negative sentiment.

Component B: Beige Book – September 7, 2022 narrative from the Federal Reserve Bank of Kansas City

The Tenth District economy expanded slightly, with much of the growth in business sales and revenue being driven by higher prices rather than a greater volume of activity. Consumer spending was mostly unchanged. Yet, more households began to report difficulty in meeting regular expenses, and delinquencies on utility payments picked up slightly. Amid high levels of overall production, new orders and backlogs at manufacturers declined modestly, indicating some softening of overall demand. Job growth was constrained by difficulties in attracting applicants. Many contacts indicated that worker turnover declined moderately, and that they were better able to retain high quality workers in recent months. Many businesses reported that they raised worker compensation mid-year in response to high inflation. Prices in the District rose broadly at a robust pace. Lags in the ability to fully pass-through costs led most contacts to report declining margins. Housing rental rates also increased in recent months. Several contacts pointed to an increased prevalence of property investors in both rural and metro rental markets contributing to rental cost pressures. (Beige Book, September 2022)

For more information about District economic conditions visit: www.KansasCityFed.org/research/regional-research

Component C: Federal Funds Effective Rate (Interest Rate proxy)

☆ Federal Funds Effective Rate (DFF)

DOWNLOAD 

Observation:
2022-09-23: 3.08 (+ more)
Updated: Sep 26, 2022

Units:
Percent,
Not Seasonally Adjusted

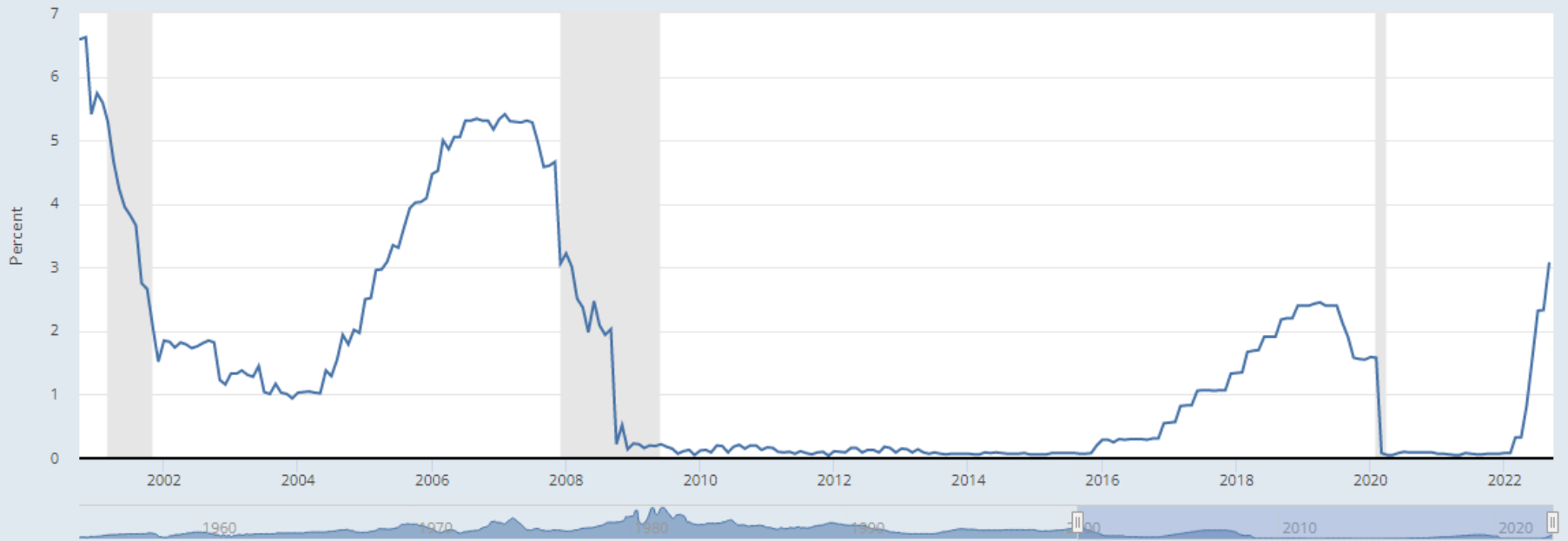
Frequency:
Daily,
7-Day

1Y | 5Y | 10Y | Max

2000-09-26 to 2022-09-23

EDIT GRAPH 

FRED Federal Funds Effective Rate



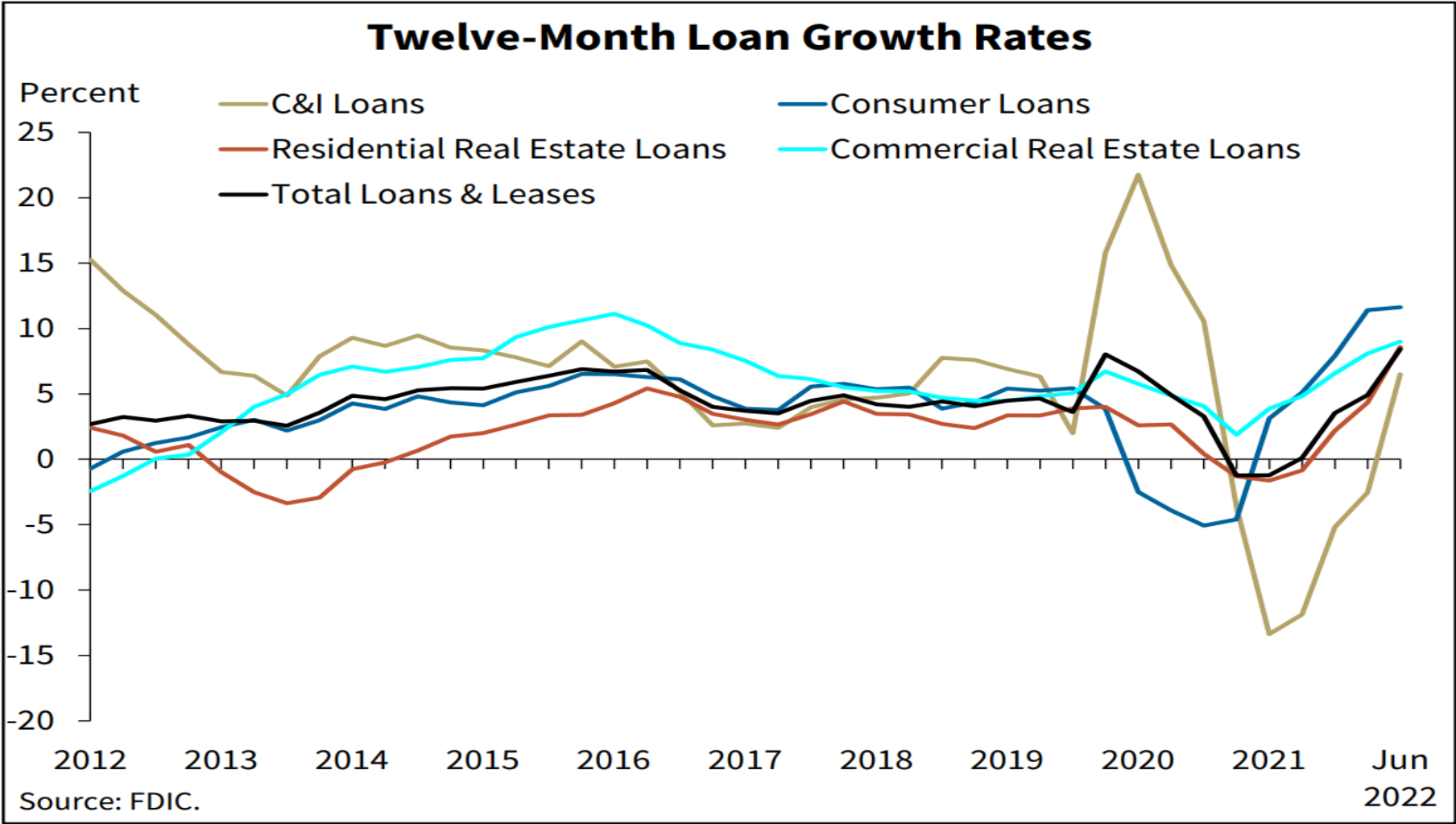
Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org



Component D: Loan Growth Rates from FDIC Quarterly Report



Component E: State Level Bank Comparison (quarterly)

State Banking Performance Summary FDIC-Insured Institutions

	Commercial Banks Missouri June 30, 2022			Commercial Banks Missouri June 30, 2021			Commercial Banks Missouri June 30, 2020		
	All Institutions	Assets less than \$100 million	Assets greater than \$100 million	All Institutions	Assets less than \$100 million	Assets greater than \$100 million	All Institutions	Assets less than \$100 million	Assets greater than \$100 million
Number of institutions reporting	211	33	178	229	37	192	235	48	189
Total employees (full-time equivalent)	28,163	691	27,472	27,870	752	27,118	27,989	817	27,172
AGGREGATE CONDITION AND INCOME DATA									
Net income (year-to-date)	1,381	6	1,375	1,453	16	1,436	913	15	898
Total assets	228,708	2,188	226,520	214,095	2,497	211,598	189,695	2,957	188,737
Earning assets	215,825	2,033	213,792	202,857	2,320	200,537	178,559	2,762	175,798
Total loans & leases	139,791	1,219	138,572	125,411	1,320	124,092	121,140	1,725	119,415
Other real estate owned	84	1	83	102	1	101	153	2	152
Total deposits	198,589	1,903	196,686	181,344	2,150	179,194	158,047	2,515	155,532
Equity capital	18,782	247	18,536	20,403	289	20,114	18,829	352	18,477
PERFORMANCE RATIOS (YTD, %)									
Yield on earning assets	3.10	3.39	3.10	3.21	3.94	3.20	3.87	4.37	3.88
Cost of funding earning assets	0.18	0.30	0.18	0.21	0.40	0.21	0.52	0.68	0.51
Net interest margin	2.92	3.09	2.92	2.99	3.55	2.99	3.35	3.71	3.34
Noninterest income to avg. earning assets	0.97	2.56	0.96	1.20	2.26	1.19	1.20	1.35	1.20
Noninterest expense to avg. earning assets	2.28	4.98	2.25	2.40	4.08	2.38	2.73	3.73	2.71
Net charge-offs to loans & leases	0.09	0.01	0.09	0.12	0.04	0.12	0.11	0.07	0.11
Credit-loss provision to net charge-offs	79.80	2,193.55	78.66	18.27	443.89	16.74	675.26	227.33	679.47
Net operating income to average assets	1.21	0.50	1.21	1.39	1.34	1.39	1.02	1.01	1.02
Retained earnings to average equity	7.05	-1.29	7.15	7.69	8.64	7.67	4.37	3.58	4.38
Pre-tax return on assets	1.46	0.55	1.47	1.70	1.54	1.70	1.24	1.19	1.24
Return on assets	1.20	0.50	1.20	1.39	1.34	1.39	1.04	1.05	1.04
Return on equity	13.98	4.39	14.10	14.55	11.56	14.59	10.08	8.58	10.11
Percent of unprofitable institutions	2.84	15.15	0.58	1.75	5.41	1.04	2.13	4.35	1.59
Percent of institutions with earning gains	33.65	30.30	34.27	75.98	67.57	77.80	62.55	58.52	64.02
CONDITION RATIOS (%)									
Net loans and leases to assets	60.43	54.91	60.48	57.82	52.08	57.89	63.04	57.58	63.12
Loss allowance to:									
Loans and leases	1.13	1.42	1.13	1.28	1.44	1.28	1.29	1.27	1.29
Noncurrent loans and leases	388.12	380.85	388.20	311.10	238.51	312.24	265.91	130.12	269.92
Noncurrent loans & leases to total loans & leases	0.29	0.37	0.29	0.41	0.61	0.41	0.48	0.98	0.48
Nonperforming assets to assets	0.22	0.26	0.21	0.29	0.36	0.29	0.40	0.62	0.39
Core deposits to total liabilities	89.47	86.01	89.50	87.39	85.96	87.40	84.19	83.44	84.20
Equity capital to total assets	8.21	11.28	8.18	9.53	11.59	9.51	9.93	11.91	9.89
Leverage (Core capital) ratio	8.89	11.99	8.88	8.88	11.15	8.85	9.16	11.64	9.12
Total capital/risk-weighted assets-NA 2020									
Gross 1-4 family mortgages to gross assets	13.23	20.84	13.16	12.21	17.95	12.15	13.16	19.58	13.05

Source: Call Report and Thrift Financial Report
Prepared by the FDIC-Division of Insurance and Research

Component F: System Liquidity and Bank Deposits

FRED Graph

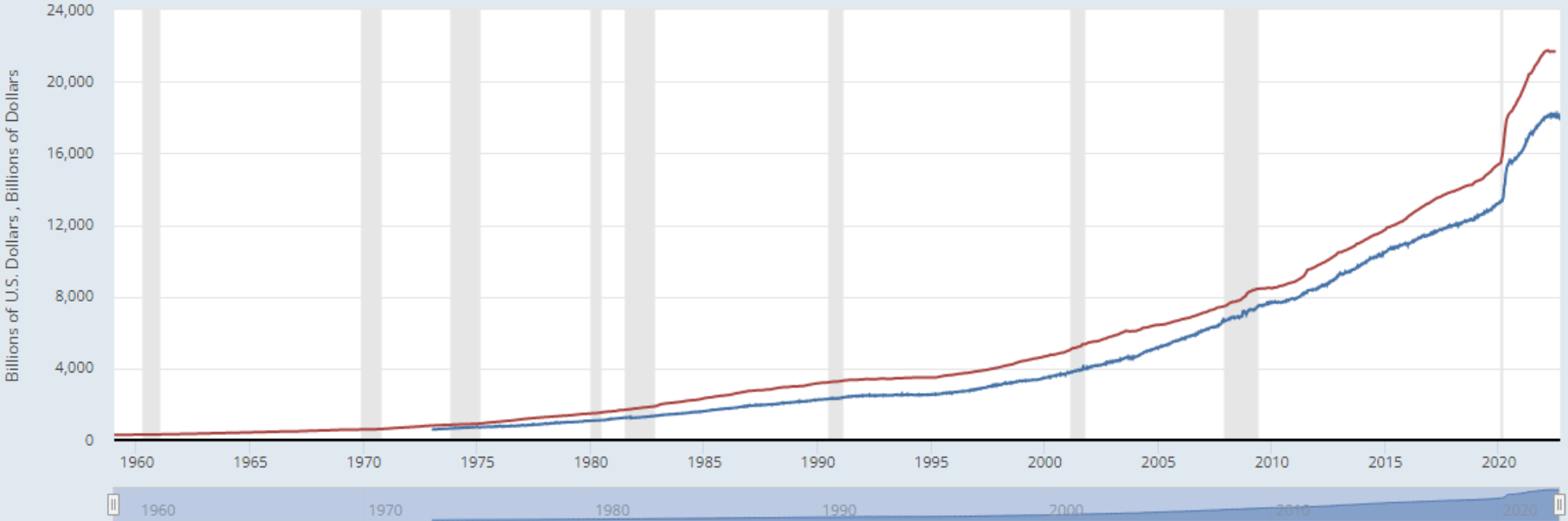
DOWNLOAD 

1Y | 5Y | 10Y | Max

1959-01-01 to 2022-09-14

EDIT GRAPH 

FRED  Deposits, All Commercial Banks
M2

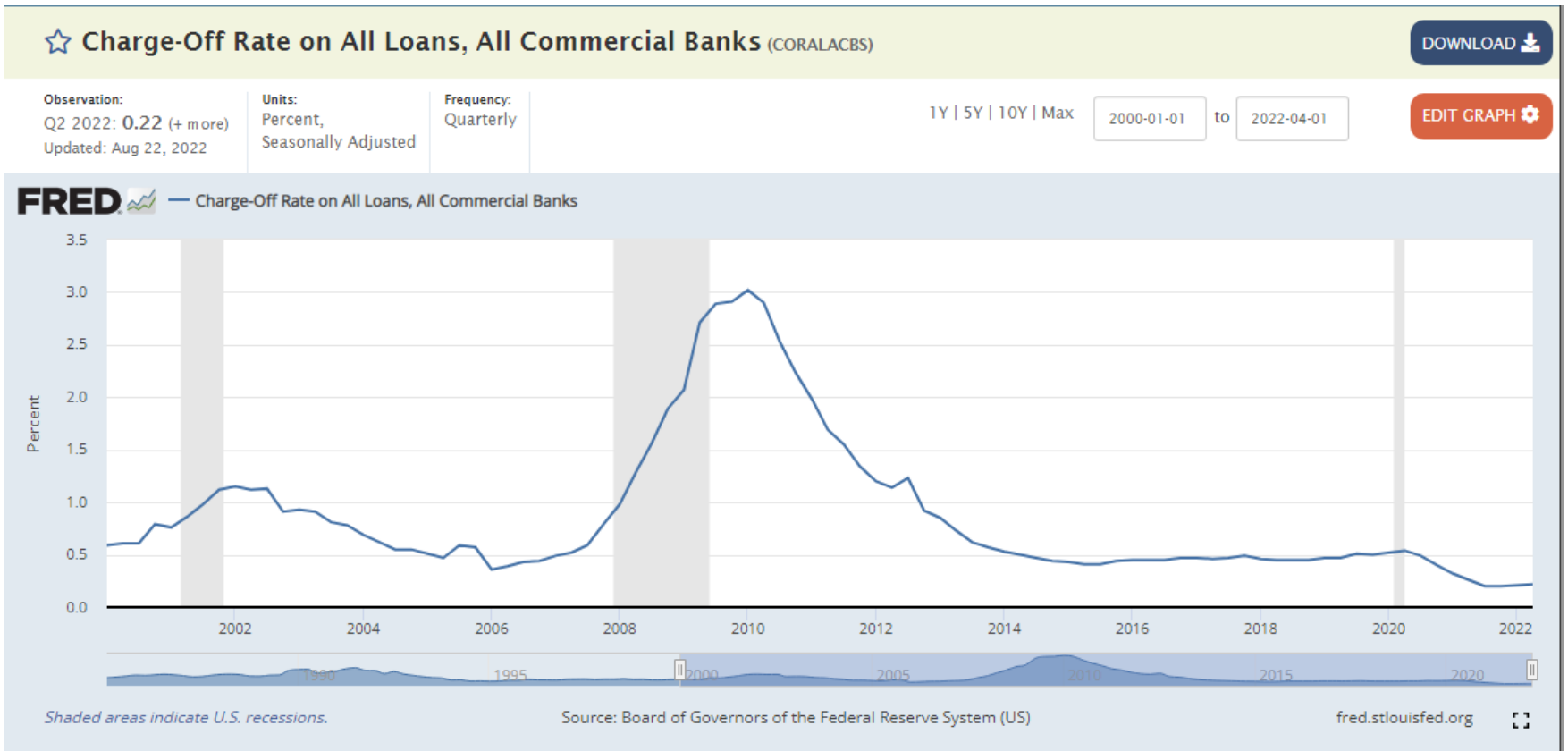


Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org 

Component G: Loan Performance

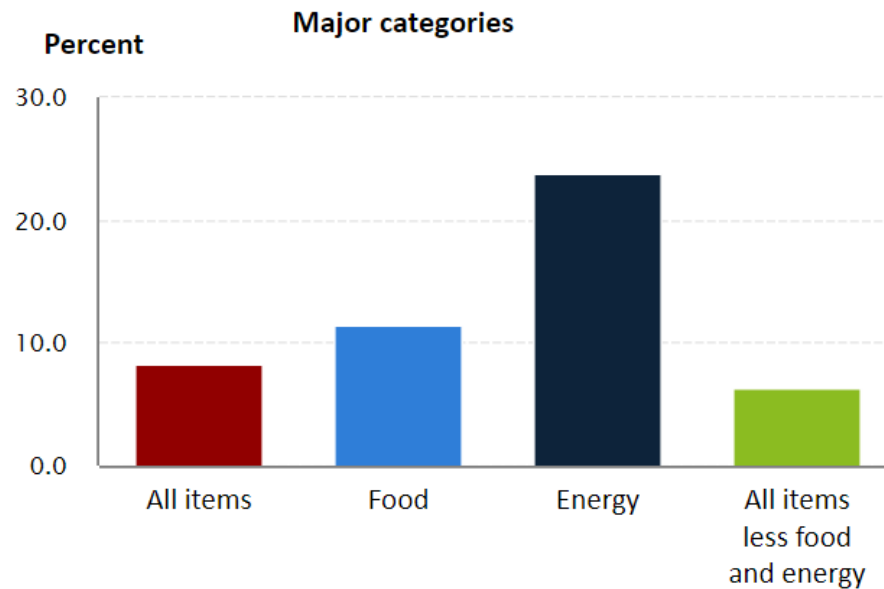


Appendix

Potential Additional Charts - Inflation

CHARTS

12-month percentage change, Consumer Price Index, selected categories, August 2022, not seasonally adjusted



Source: U.S. Bureau of Labor Statistics.



[read more »](#)

Source: Bureau of Labor Statistics (<https://www.bls.gov/cpi/>)

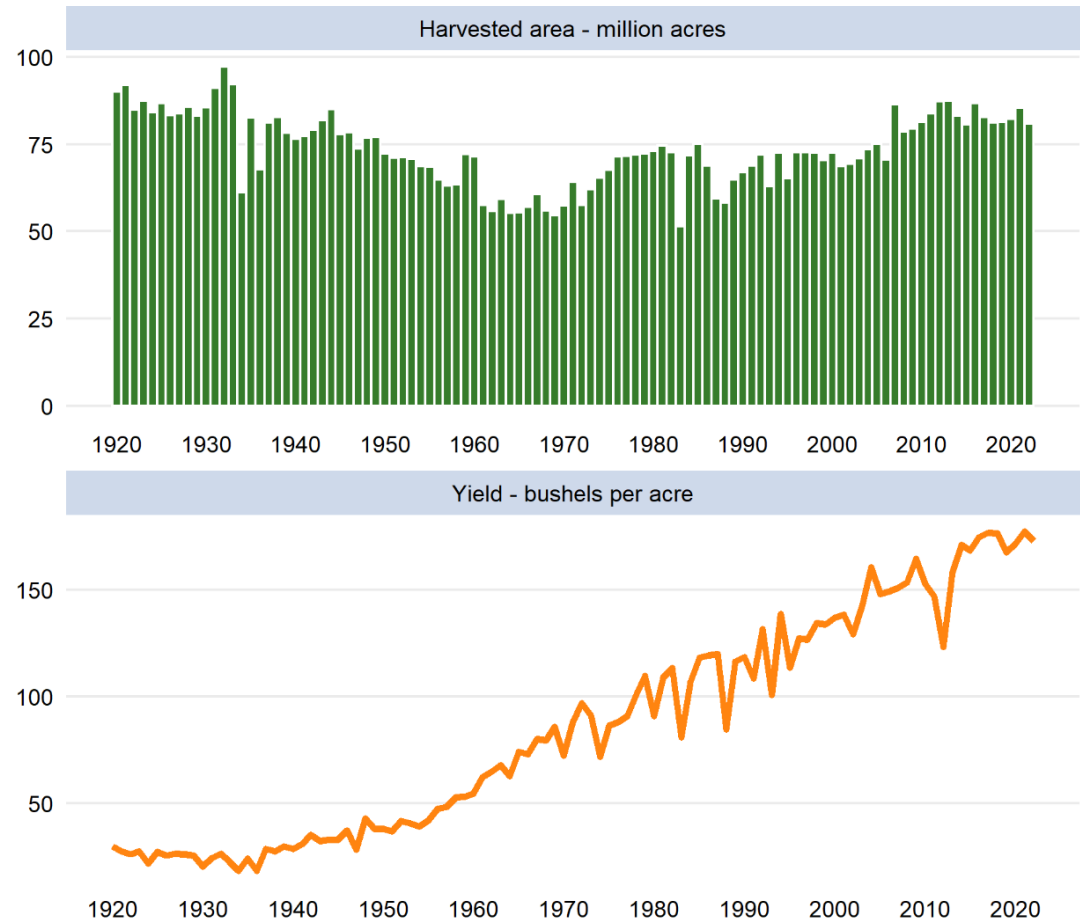
Potential Additional Charts – Future Interest Rates



Potential Additional Charts – Agricultural Lending

Intermediate product expenses	2020	2021	2022F
Including operator dwellings	239,186,121	257,291,323	307,463,966
Excluding operator dwellings	237,783,728	255,562,134	305,491,561
Farm-origin	108,868,384	118,264,560	132,927,463
Feed	56,839,693	65,245,563	74,983,100
Livestock and poultry	29,012,728	30,703,520	35,537,500
Seed	23,015,963	22,315,477	22,406,864
Manufactured inputs	58,901,547	67,672,134	93,090,390
Pesticide	16,516,911	17,818,244	21,462,129
Fertilizer, lime, and soil conditioner	24,436,286	29,543,871	44,990,386
Fuel and oils	11,983,917	13,926,644	19,784,931
Electricity	5,964,432	6,383,375	6,852,944
Other intermediate			
Including operator dwellings	71,416,189	71,354,629	81,446,113
Excluding operator dwellings	70,013,797	69,625,440	79,473,708
Repair and maintenance			
Including operator dwellings	17,429,365	18,159,064	20,803,875
Excluding operator dwellings	16,664,917	17,187,707	19,691,044
Machine hire and custom work	5,064,795	4,864,037	5,439,935
Marketing, storage, and transportation	11,093,742	10,476,671	12,005,060
Miscellaneous			
Including operator dwellings	37,828,288	37,854,858	43,197,243
Excluding operator dwellings	37,190,344	37,097,025	42,337,669

U.S. corn area and yield



Updated: September 2022.
 Source: USDA, National Agricultural Statistics Service; USDA, Economic Research Service.

Data Sources

General

- FRED – Federal Reserve Bank of St. Louis (<https://fred.stlouisfed.org/>)
- Federal Reserve Board – Beige Book (released 8 times a year) (<https://www.federalreserve.gov/monetarypolicy/beige-book-default.htm>)
- Senior Loan Officer Opinion Survey (<https://www.federalreserve.gov/data/sloos.htm>)
- FDIC QBP Graph Book (<https://www.fdic.gov/analysis/quarterly-banking-profile/graph-book/2022jun/>)
- FDIC State Banking Performance Summary (<https://www7.fdic.gov/qbp/qbpSelect.asp?menuItem=STBL>)

Inflation-Related

- [Overview of BLS Statistics on Inflation and Prices : U.S. Bureau of Labor Statistics](#)
- [Consumer Price Index - 2022 M08 Results \(bls.gov\)](#)
- [Producer Price Index Home : U.S. Bureau of Labor Statistics \(bls.gov\)](#) – inflation from the view of the consumer
- [Personal Consumption Expenditures Price Index | U.S. Bureau of Economic Analysis \(BEA\)](#)



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