

FEA Midyear Meeting April 2023

Bank Analysis, Financials & FDIC Coverage

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I. Historical Analysis of Banks: the pre-March 2023 Paradigm

Ratings Agencies – An SVB Timeline

- Wednesday March 8th: SVB's Moody's rating: A3 (investment grade)
- Thursday March 9th: SVB stock drops 60%; \$42BN in customer withdrawals
- Friday March 10th: Regulators take control of SVB

- Lessons:
 - Bureaucracy: downgrade process too cumbersome, slow to react
 - Black swan events: models are not designed to predict them
 - Bad ratings are bad business: agencies give higher ratings to competitors' clients; miss out on deals after downgrades

Stock Price & Performance

- 22 analysts covering SVB had an avg. price target on the stock of \$261.81
- Stock was \$106.04 before regulators took over and shareholders were wiped out



SVB ✓
@SVB_Financial

Proud to be on [@Forbes](#)' annual ranking of America's Best Banks for the 5th straight year and to have also been named to the publication's inaugural Financial All-Stars list.

SVB Financial group (SIVB) stock price performance



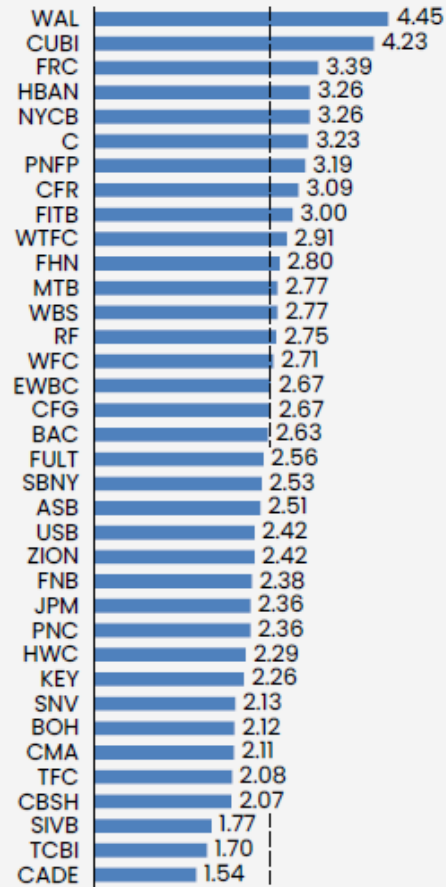
Size of Balance Sheet

- 4,844 banks in the U.S.
 - SVB: 17th largest by assets (\$209bn)
 - Signature: 32nd largest by assets (\$110bn)
- Too Big to Fail – brought down banking system in 2008 – it is really safer choice now?
- Merger mania of 2021, 2022
- Is Dodd-Frank being enforced as designed?

II. Key Elements of Bank Analysis in Today's Environment

Interest Rate Mgmt. – Securities Yield & Duration

Securities yield, Q4'22



▲ Average: 2.65%

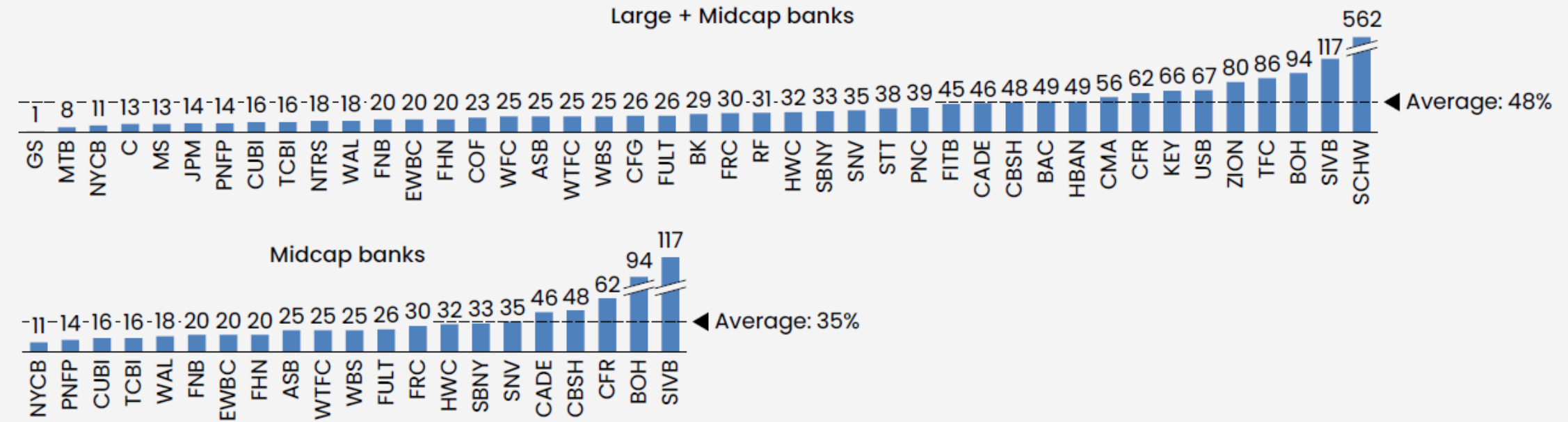
Securities duration, Q3'22

	3Q22	AFS or Total?	4Q22 AFS/HTM Mix (%)
Large-Caps			
TFC	6.8 yr	Total	55% / 45%
CFG	5.9	Total	71% / 29%
KEY	5.8	AFS	82% / 18%
FITB	5.5	AFS	100% / 0%
CMA	5.3	AFS	100% / 0%
RF	5.0	Total	97% / 3%
USB	5.0	AFS	45% / 55%
PNC	4.5	Total	32% / 68%
ZION	3.9	Total	52% / 48%
HBAN	nd	Total	58% / 42%
STT	2.7	Total	39% / 61%
NTRS	nd	Total	52% / 48%
C	2.0	Total	48% / 52%
BK	1.5	AFS	61% / 39%
Average	4.3		
Mid-Caps			
WTFC	7.1 yr	Total	47% / 53%
CFR	5.3	Total	87% / 13%
FULT	5.5	Total	67% / 33%
HWC	4.9	Total	66% / 34%
PNFP	4.9	Total	54% / 46%
TCBI	nd	Total*	74% / 26%
SBNY	4.6	Total	71% / 29%
FRC	4.3	AFS	11% / 89%
FNB	4.0	AFS	44% / 56%
CBSH	3.9	AFS	100% / 0%
CADE	nd	Total	100% / 0%
SIVB	3.7	AFS	22% / 78%
WBS	3.6	AFS	55% / 45%
CUBI	1.7	AFS	78% / 22%
Average	4.2		

(1) Source: Jeffries Research; report dated 03/09/2023

Liquidity Management – Regulatory Capital Impact of Unrealized Losses in Securities Portfolio

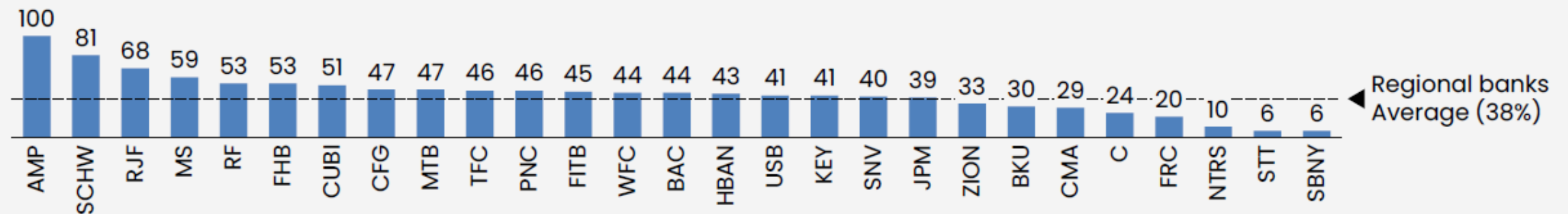
AFS & HTM Unrealized Securities Losses as % of TCE, Q4'e



(1) Source: Jefferies Research, Data as of 12/31/22; report dated 3/12/23

Diversification of Balance Sheet – Insured Deposits and Funding Volatility

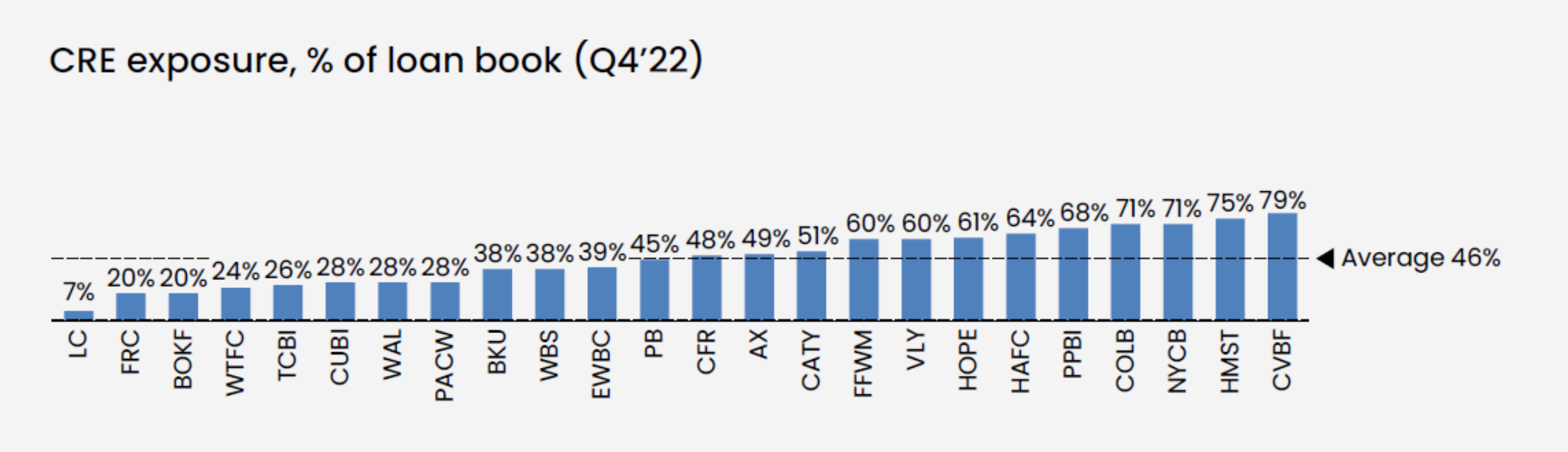
Deposits, FDIC insured, %, Q4'22



(1) Source: Goldman Sachs Investment Research, report dated 3/12/23.

III. Going Forward: Resiliency in a Recession

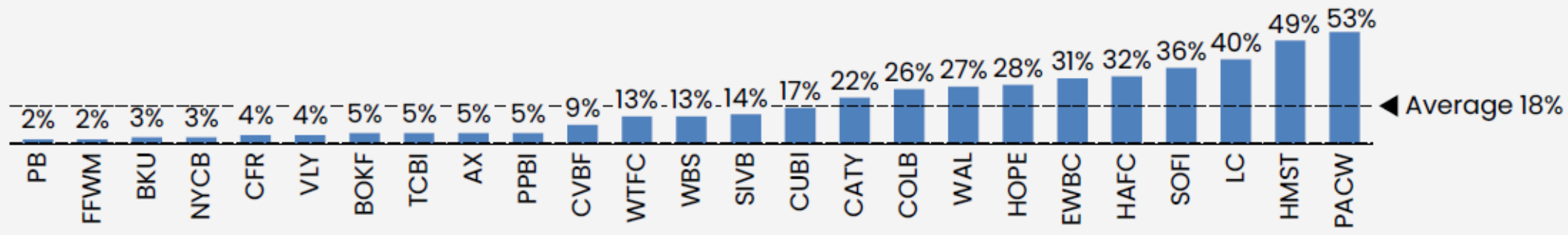
Credit Risk: Commercial Real Estate Concentration



Source: Wedbush research report, March 29, 2023.

Credit Risk: Increasing Charge-offs Going into a Recession

Peak NCO TBV/Share, % change Q4'22



Source: Wedbush research report, March 29, 2023. Based on peak charge offs observed over last 20 years (GFC)

IV. FDIC Insurance & Options

FDIC Insurance – Quick Background

- Established in 1933 in response to the Great Depression
- Banks pay assessment charges into the system to provide funding
- Uneventful until the 1980's: high interest rates, deregulation, recession brought most bank failures since WWII; S&L crisis; 1988: 200 banks fail; FDIC loses money for the first time
- 2008: temporary increase in insurance from \$100k to \$250k in response to subprime mortgage crisis and largest bank failure (WaMu \$310bn assets); later made permanent
- Typical winddown through purchase and assumption of failed bank's assets

Account Titling/Structuring

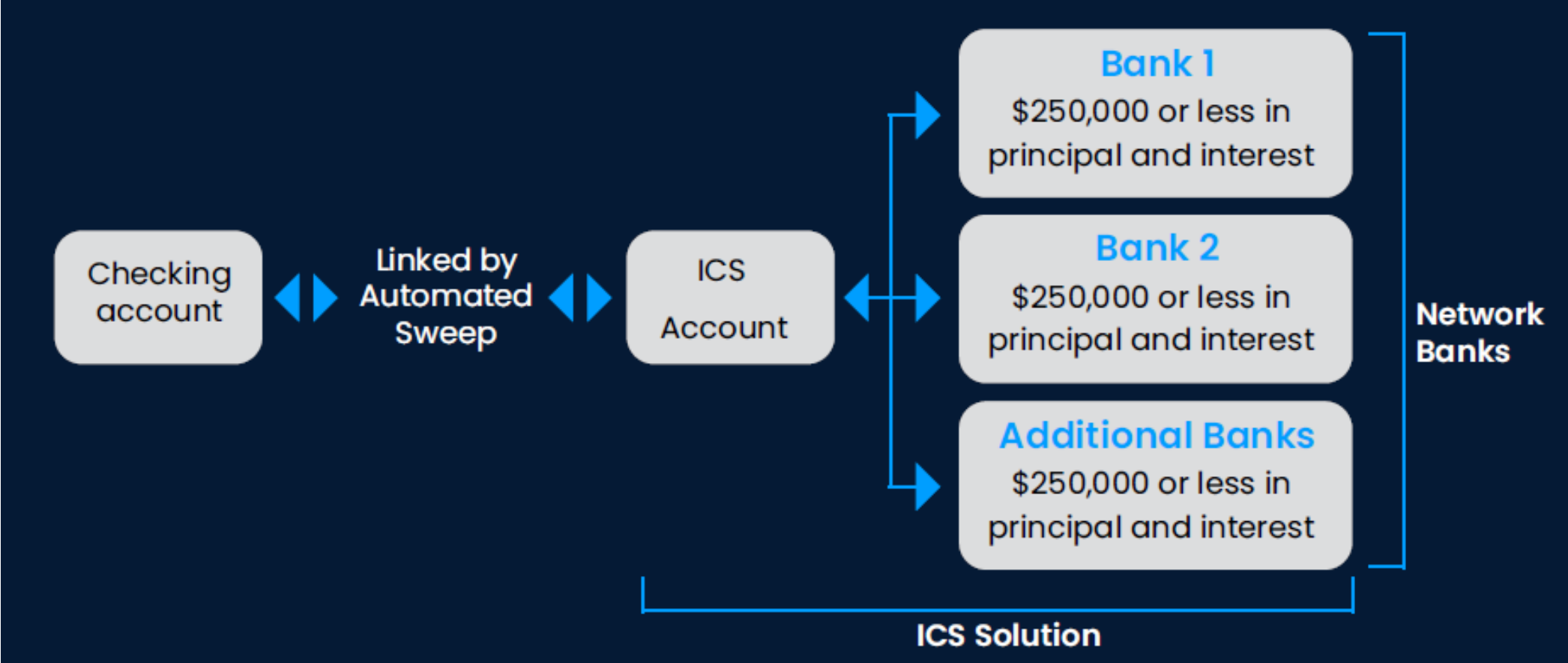
- Through account titling, consumers can achieve multiple x the standard \$250k insurance
- Couple with 3 beneficiaries can insure \$3,000,000
- Businesses have very limited ability to achieve more than \$250k
- Exchange accounts similarly limited

Account Type	Amount Covered by FDIC
Single Account owned by one person	\$250,000.00 per owner
Joint Accounts owned by two or more people	\$250,000.00 per co-owner
Certain retirement accounts such as an IRA (non-securities)	\$250,000.00
Revocable Trusts Accounts	\$250,000.00 per owner, per beneficiary up to 5 beneficiaries. Note that additional coverage may be available with 6 or more beneficiaries, but this is subject to specific conditions and requirements.
Corporation, partnership, and unincorporated association accounts	\$250,000.00 per entity
Irrevocable Trusts Accounts	\$250,000.00 for the non-contingent ascertainable interests of each beneficiary.

One Solution – Insured Cash Sweep

- Reciprocal network of banks
- Safety: fully FDIC insurance for principal and interest
- Size: ability to insure up to \$125,000,000 per account
- Streamlined: open account at one bank, not multiple banks
- Accessibility: funds remain liquid (* may be next day)

Insured Cash Sweep – a Reciprocal Design



Thank You

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