

Pro Shop – September 1, 2020

Asset Management Group, Inc. (AMG) is a wholly owned subsidiary of Country Club Bank and has been serving community banks since 1995. AMG offers a range of asset/liability management services designed to meet regulatory expectations while also managing risk and improving margins. Included with the standard monthly and quarterly risk reporting services provided by AMG is the Transaction Deposit Stratification Report. This report is in Excel format, is unique to each client's data set and is updated each period with the client's most recent data, which is collected and analyzed at the account level. This report is available for download by the AMG client any time after their report is complete at AMG's secure web-based portal.

The Transaction Deposit Stratification Report allows the user to change the lower and upper limits of each balance tier and adjust the interest rate for each tier to determine if a different strategy for a particular account type will raise or lower the cost of funds.

Exhibit 1 shows a sample bank's current breakdown of its MMDA accounts. Tier 2 shows 1,424 MMDA accounts with balances between \$1,000 and \$24,999 with a total balance of \$13,324,246 at a cost of 0.156%. The sample bank has total MMDA accounts of \$486mm with a total cost of 0.499%. \$299.8mm are in balances of \$350,000 and higher.

Exhibit 1

Current MMDA						
	Lower	Upper	Count	Balance	Rate	Cost
Tier 1	0	999	114	36,482	0.000%	0
Tier 2	1,000	24,999	1,424	13,324,246	0.156%	20,785
Tier 3	25,000	49,999	483	17,204,023	0.165%	28,444
Tier 4	50,000	349,999	1,128	156,268,858	0.324%	505,980
Tier 5	350,000		254	299,880,924	0.625%	1,873,847
Tier 6	0			0	0.000%	0
				0	0.000%	0
				486,714,533	0.499%	2,429,056

As an example, the bank has decided it wants to look at creating a new tier cutoff at \$250,000, the highest balance for an account that can all be insured by the FDIC. The bank has determined that accounts with balances of \$250,000 and under have been with the bank longer and thus, have a longer duration and more value to the bank than balances above \$250,000, which have tended to stay at the bank for a shorter period of time. Due to these findings, the bank has decided to be relatively more aggressive on accounts up to \$250,000 and relatively less aggressive on accounts over \$250,000. Based on the bank's current mix of MMDA accounts, the Deposit Strat Report can help the bank determine how to make these adjustments without significantly raising the overall cost of MMDA accounts.

In Exhibit 2, the bank would like to be able to raise the cost on balances between \$50,000 to \$249,999 and \$250,000 to \$349,999 to 0.50% from 0.324%. If the bank then lowers the cost on

balances of > \$350,000 to 0.55% from 0.625%, the effect on the overall cost of MMDAs would be to increase the cost 1.1 basis points, 0.510% versus 0.499%. In this case, the bank also decided to keep a tier from \$250k to \$349k rather than combining this tier with tier 6, which would have raised the cost on that \$41mm from 0.324% to 0.55%.

Exhibit 2

Proposed MMDA							MMDA Savings
	Lower	Upper	Count	Balance	Rate	Cost	
Tier 1	0	999	114	36,482	0.00%	0	0
Tier 2	1,000	24,999	1,424	13,324,246	0.16%	20,786	1
Tier 3	25,000	49,999	483	17,204,023	0.17%	28,443	(0)
Tier 4	50,000	249,999	984	115,114,774	0.50%	575,574	69,594
Tier 5	250,000	349,999	144	41,154,084	0.50%	205,770	(1,668,077)
Tier 6	350,000		254	299,880,924	0.55%	1,649,345	1,649,345
				0		0	0
				486,714,533	0.510%	2,479,919	
				Ann'l Expense Increase on MMDA:			50,863

If you would like more information or have questions about this deposit pricing tool or our asset liability reporting and consulting service in general, please feel free to reach out to any AMG representative at 800-226-1923.