

Issues Relating to Extending Liability Maturities at Small Institutions

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Community Bank

Carmichaels, Pennsylvania



Community Bank

- Founded in 1901 in Carmichaels, PA
- \$470 Million in Total Assets
- 11 Branch Locations
- 125 Bank Employees



Southwestern Pennsylvania



IRR Factors Affecting Smaller Institutions

- Strengths
 - » Stable core deposit base
 - » Lower level of volatile funds
 - » Higher touch with customer base
- Weaknesses
 - » Less room for error as margin dominates profitability
 - » Reluctance to use derivative products
 - » Less access to capital market instruments



Community Bank Approach to IRR Management

- Don't Bet on Interest Rates
- Know Your Customers....Educate Your Customers
- Don't Chase Hot Money
- Don't Buy What You Don't Know
- Balance Risk Exposure Using Investment Portfolio



Extending Liability Maturities – Understanding Your Current Position

- Set an Internal target for the Top Depositors to Total Deposits (i.e., 25%)

Top Depositor List

Pricing Risk

-high
-medium
-low

Liquidity Risk

-high
-medium
-low



Strategies to Extend Liabilities

- Stay way ahead of high exit rate maturities – Educate the Customer
- For Customers seeking higher current yields consider the following three product scenario:

Checking.....Tiered MMDA.....24 to 36 month Ready Access CD

- Actively promote the 3 year Ladder approach to customer deposits
- FHLB



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