

# Issues Relating to Extending Liability Maturities at Small Institutions

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# 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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