2026 South Carolina Bankers School

Deposit Products and Strategy

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Objective: Understand how deposit products fit into the overall strategy of an institution and the ultimate value of your franchise.

- Economic and Banking Industry Backdrop
- Recent Liquidity Stress and Response
- Deposit Account Types
- FDIC Insurance
- What is Happening at Your Institution
- Valuation Illustration

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Economic and Banking Industry Backdrop

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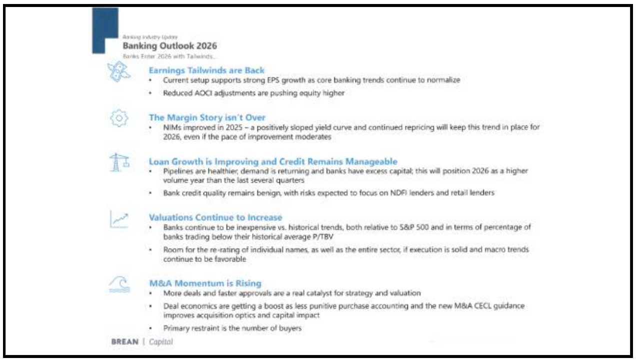
Banking Industry Update
Banking Outlook 2026
Banks Enter 2026 with Tailwinds...
Earnings Tailwinds are Back
• Current setup supports strong EPS growth as core banking trends continue to normalize
• Reduced AOCI adjustments are pushing equity higher
The Margin Story isn't Over
• NIMs improved in 2025 – a positively sloped yield curve and continued repricing will keep this trend in place for 2026, even if the pace of improvement moderates
Loan Growth is Improving and Credit Remains Manageable
• Pipelines are healthier, demand is returning and banks have excess capital; this will position 2026 as a higher volume year than the last several quarters
• Bank credit quality remains benign, with risks expected to focus on NDFI lenders and retail lenders
Valuations Continue to Increase
• Banks continue to be inexpensive vs. historical trends, both relative to S&P 500 and in terms of percentage of banks trading below their historical average P/TBV
• Room for the re-rating of individual names, as well as the entire sector, if execution is solid and macro trends continue to be favorable
M&A Momentum is Rising
• More deals and faster approvals are a real catalyst for strategy and valuation
• Deal economics are getting a boost as less punitive purchase accounting and the new M&A CECL guidance improves acquisition optics and capital impact
• Primary restraint is the number of buyers
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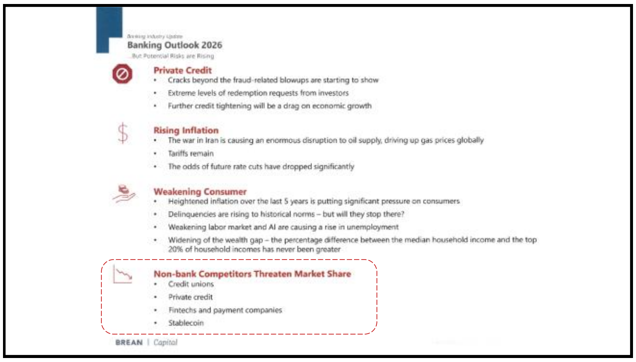
Banking Industry Update
Banking Outlook 2026
...But Potential Risks are Rising
Private Credit
• Cracks beyond the fraud-related blowups are starting to show
• Extreme levels of redemption requests from investors
• Further credit tightening will be a drag on economic growth
Rising Inflation
• The war in Iran is causing an enormous disruption to oil supply, driving up gas prices globally
• Tariffs remain
• The odds of future rate cuts have dropped significantly
Weakening Consumer
• Heightened inflation over the last 5 years is putting significant pressure on consumers
• Delinquencies are rising to historical norms – but will they stop there?
• Weakening labor market and AI are causing a rise in unemployment
• Widening of the wealth gap – the percentage difference between the median household income and the top 20% of household incomes has never been greater
Non-bank Competitors Threaten Market Share
• Credit unions
• Private credit
• Fintechs and payment companies
• Stablecoin
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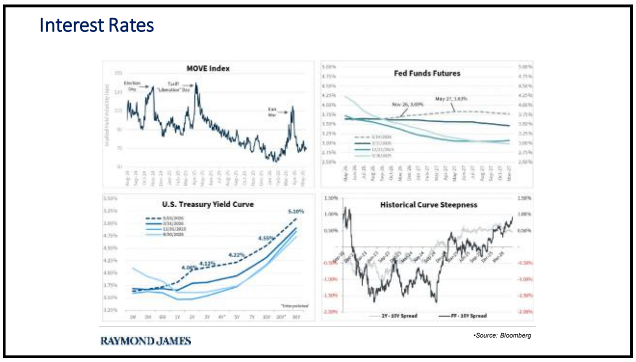
Interest Rates
MOVE Index
Fed Funds Futures
U.S. Treasury Yield Curve
5.10%
4.55%
4.22%
4.12%
4.06%
Historical Curve Steepness
2Y - 10Y Spread
FF - 10Y Spread
RAYMOND JAMES
•Source: Bloomberg

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Inflation

- Headline producer and consumer inflation have ticked higher, while core (ex-food and energy) and service inflation have, thus far, remained flat.
- Near-term, inflation expectations have moved higher on the spike in oil prices but remain below their 2025 tariff-driven peak. Long-term, inflation expectations remain stable at the long-term average.

RAYMOND JAMES

•Source: Bloomberg

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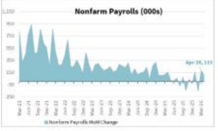
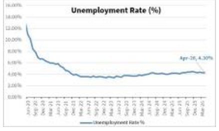
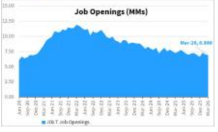
EMPLOYMENT

- ***Nonfarm Payrolls*** increased a combined 300k in the last two months, outpacing expectations...
- ... the ***Unemployment Rate*** has been steady at ~4.30%.







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Source: Bloomberg

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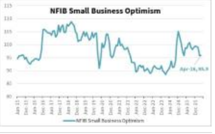
•CONSUMER & BUSINESS SENTIMENT

- Consumer sentiment / confidence has deteriorated due to higher, oil-driven prices. ***University of Michigan Consumer Sentiment Index*** posted a new record low in May.
- ***National Federation of Independent Business Optimism Index*** returned to a 12-month low on price and demand concerns.



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•Source: Bloomberg

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South Atlantic Bank
March 31, 2026

Market Interest Rate Summary

Short-Term Rates	
Fed Funds Effective	3.64%
SOFR	3.68%
1M LIBOR	3.66%
3M LIBOR	3.68%
6M LIBOR	3.70%
1Y LIBOR	3.73%
Prime	6.75%

* All rates as of report date

US Treasury Rates	
1Y Treasury	3.65%
2Y Treasury	3.80%
3Y Treasury	3.82%
5Y Treasury	3.94%
7Y Treasury	4.13%
10Y Treasury	4.32%
30Y Treasury	4.91%

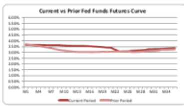
Term Funding Rates			
Term	FHLB Advance**	Brokered CD	SOFR Swap
1 Year	3.90%	4.00%	3.70%
2 Years	3.94%	4.10%	3.62%
3 Years	3.96%	4.15%	3.58%
5 Years	4.09%	4.25%	3.62%
7 Years	4.35%	4.30%	3.72%
10 Years	4.57%	4.40%	3.87%

** Avg of FHLB Boston, Chicago, Dallas, Topeka rates

Let's talk about asset pricing in today's interest rate environment…

What is the biggest driver of Franchise Valuation?

What happens to the value of Core Deposits when interest rates are high?



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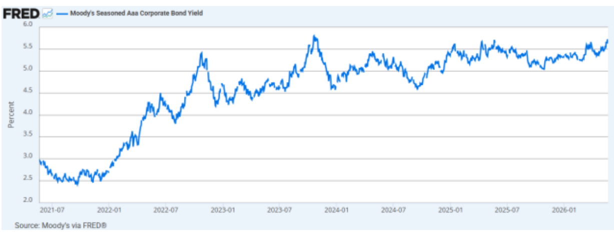
Investment Grade Corporate Bond Yields



At what rates are you originating commercial loans at your institutions?

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Recent Liquidity Stress and Response

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Bank Failures

- Silicon Valley Bank (SVB)
  - Was the 16th largest US Bank ($209 Billion)
  - Third-largest bank failure in U.S. history (Washington Mutual Bank, 2008 & First Republic)
  - Concentrations – one of largest banks serving tech startup industry
  - Deposits uninsured (largest bank = 93.8%)
  - Estimated cost to FDIC fund = $20 Billion
- Signature Bank
  - Was the 29th largest US Bank ($118 Billion)
  - Third-largest bank failure in U.S. history
  - Concentrations – Crypto currency
  - Deposits uninsured (4th largest bank = 89.7%)
  - Estimated cost to FDIC fund = $2 Billion
- First Republic Bank
  - Top 15 largest US Bank ($233 Billion)
  - Second-largest bank failure in U.S. history
  - Estimated cost to FDIC fund = $13 Billion

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What Caused these Bank Failures?

- Rising Interest Rates
  - Investment Portfolio's AOCI increased dramatically – Reduced Liquidity
  - Sold bonds at losses (SVB)
- Customer Behavior
  - Clients requested $2.25 Billion in deposits
  - Social media contributed to the irrational fears of customers losing money.
  - Market Short-Selling
- Poor Risk-Management/ Regulatory Oversight

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Bank Failures Impact on Deposits

- Fear and Uncertainty amongst depositors
- Increased pressure to retain deposits
- Increased Regulatory scrutiny
- Fierce competition for deposits from banks, brokerage houses, bank like institutions
- Flight to safety…
  - Large banks, FDIC insured products, Treasuries
- Strategies for deposit retention and generation in rising rate environment?

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Deposit Account Types

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Are Bank's Price Makers or Takers??

- The Federal Reserve dictates the strategy a bank must utilize in pricing loans and deposits.
  - Fed has a Dual Mandate: Pricing Stability and Maximum Employment
    - At times these mandates can be at odds
  - Interest Rates are increased or decreased in order to stimulate or cool economic growth and to maintain a 2% inflation target.

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Deposits= Liquidity= Loan Funding= Growth

- Source of Funds for Loans

1. • Deposit Made By Customer
2. • Bank Prices Deposits & specifically desires NIBDDA
3. • Bank Lends $ to Other Customers at Higher Yield=Bank's Profit

Ideally, banks want to cover all their lending needs with low cost deposits.

- ✓ NIBDDA is preferred source of funding
- ✓ Generates the most profitability for a bank

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Deposit Significance to Banks

- Fee Income:
  - Non-Interest Income Sources:
    - Overdraft Fees
    - Debit Card Interchange Fees
    - Service Charges


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Checking Accounts

- Also known as Demand Deposit Accounts / DDA's
- Liquid cash in a customer account
  - Non-Interest Bearing
  - Interest Bearing
- Most profitable deposit account
  - Very low cost of funds
  - Primary account for a Full Banking Relationship
- Low & non-interest bearing deposits are often referred to as "Core Deposits"

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Deposit Account Types

- Groupings based upon the ability to access funds.

Transaction Accounts	Non-Transaction Accounts
• NOW Accounts	• Savings Accounts
• Checking Accounts (DDA's)	• Money Market Accounts
	• Time-Deposits/IRA's

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Types of Non-Transaction Accounts

Types	For Whom
• Savings Accounts	For individuals who want to save but also have access to funds on demand
• Money Markets (Can be Tiered)	Savings –type account with access to funds through checks, withdrawals, etc.
• Time Deposits / CDs	Fixed account for specified period, guaranteed rate of return
• Health Savings	Tax-favored account to pay for qualifying medical expenses enrolled in a high-deductible health plan.
• IRA's	Retirement account: • Pre-tax, After-Tax (ROTH)

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FDIC Insurance

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FDIC Insurance:

- The FDIC (Federal Deposit Insurance Corporation) is an independent agency of the United States government that protects you against the loss of your deposits if an FDIC-insured bank or savings association fails. FDIC insurance is backed by the full faith and credit of the United States government.

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FDIC Principals

- Since 1933, the FDIC seal at financial institutions has signified trust and stability to millions of Americans.
- FDIC deposit insurance is backed by the full faith and credit of the United States government. (Up to $250,000)
- ***Since the FDIC's inception no depositor has ever lost a penny of insured deposits***
- ***In recent history no bank failures have resulted in depositors losing money regardless of insurance status***
- FDIC insurance enables consumers to confidently deposit their money at insured banks across the United States and in the unlikely event of a bank failure, guarantees they can get their insured deposits promptly.

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FDIC Insurance on "Deposit" products only

Insured—Bank Deposits	Not Insured—Non-deposit Products
Checking Accounts	Stocks, Bonds, Municipal Bonds, and Other Securities
Money Market Deposit Accounts ("MMDA")	Mutual Funds (money market mutual funds and stocks, bonds, or other security mutual funds)
Savings Accounts	Annuities
NOW Accounts	Insurance Products
Certificates of Deposit ("CDs")	Safe Deposit Box Contents

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FDIC Insured Products

- Allows depositors to still obtain FDIC insurance despite their total deposit exceeding the FDIC insurance limit
- Deposits are broken down into smaller amounts and placed at multiple participating banks
- These deposits are generally lower yielding to the depositor to account for the cost associated with accessing the network
- Two examples among others are CDARS and Intrafi (ICS)

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What is Happening at Your Institution?

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What Is Happening At Your Institution?

- Continued Deposit Migration
- Fluid Rate Environment
- Increased Attention on Contingent Liquidity Sources
- Enhanced Focus on Risk-Management Practices
- Tightening Lending Standards

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What Is Happening At Your Institution?

- **Deposit Migration**
  - How do we stop it?
    - Pay-up for existing clients
    - One-off versus wholesale changes
  - What strategies are you implementing?
    - Tiered product offerings
    - MMDA vs. CD specials
  - Is it a certain types of accounts?
    - Business accounts
    - Retail
  - Are they high dollar accounts?
    - Looking for yield, safety, diversification

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Cost of Wholesale Funding to Replace Deposit Outflows?

- Current FFR: 3.75%
- What is most attractive?
- Do asset yields support this pricing?
- What are rates going to do?
- How will your assets or liabilities respond when rates move?
- How does this compare to customer/ core pricing?

Brokered Deposit Rate Indications

Tuesday, May 26, 2026

Term	Fixed Rate CD	Callable CD	Benchmarks		
	All-In Cost	All-In Cost	FHLB Advance*	Spread	US Treasury
1 month	4.00 - 4.10		3.82	0.24	3.61
2 month	4.00 - 4.10				
3 month	4.00 - 4.10		3.85	0.21	3.59
6 month	4.00 - 4.10		3.88	0.17	3.64
8 month	4.05 - 4.10	4.10 - 4.15			
9 month	4.05 - 4.10	4.10 - 4.15			
10 month	4.05 - 4.10	4.10 - 4.15			
12 month	4.05 - 4.10	4.10 - 4.15	4.02	0.06	3.86
15 month	4.10 - 4.15	4.15 - 4.25			
18 month	4.15 - 4.25	4.20 - 4.30	4.16	0.04	
2 year	4.15 - 4.25	4.25 - 4.30	4.20	0.00	4.06
30 month	4.15 - 4.25	4.25 - 4.35	4.28	-0.08	
3 year	4.15 - 4.25	4.25 - 4.40	4.25	-0.04	4.10
42 month	4.15 - 4.25	4.25 - 4.45			
4 year	4.15 - 4.30	4.25 - 4.50	4.32	-0.09	4.15
54 month	4.20 - 4.30	4.30 - 4.55			
5 year	4.25 - 4.40	4.35 - 4.55	4.35	-0.02	4.19
6 year	4.25 - 4.40	4.40 - 4.60	4.41	-0.09	
7 year	4.30 - 4.45	4.45 - 4.65	4.50	-0.13	4.33
10 year	4.40 - 4.60	4.55 - 4.75	4.72	-0.22	4.49
15 year	4.64 - 4.79	4.64 - 4.89	5.10	-0.39	4.84
20 year	4.63 - 4.88	4.68 - 4.98	5.42	-0.67	5.01

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What Is Happening At Your Institution?

- **WAITING** • • • •
  - Interest Rates - Higher for longer?
- **Anticipation of Lower…Higher?? Interest Rates**
  - Where can we lower deposit rates without losing customers?
  - Will you lead/lag your deposit rates when interest rates fall?
  - Are you attracting new deposits in CDs, NMD and which would give you the most flexibility if rates fall?
  - Duration of interest bearing liabilities?
  - What if rates go higher?

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What Is Happening At Your Institution?

- **Increased Attention on Contingent Liquidity Sources**
  - If we have a run-on deposits, where do we turn?
    - Establish new lines of credit
    - Fed Discount Window / BTFP
    - Monitor the "On-Hand" liquidity at your institution
    - Deposit Stress Test
    - Communicate and be proactive with your client base
    - Don't let deposits run out the back-door
    - Lastly, doing nothing is a strategy

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Valuation Illustration

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Franchise Valuation… Bank X

Franchise Valuation

Franchise Valuation Summary	($000)	Per Share
Tangible Common Equity (3/31/25)	$231,654	$36.77
Credit Mark / Write-Up (After-Tax)	(808)	($0.13)
Deposit Premium	73,584	$11.68
Indicated Franchise Value	**$304,430**	**$48.32**
Min Franchise Value - (3% Deposit Premium)	**$282,015**	**$44.76**
Max Franchise Value - (7% Deposit Premium)	**$350,240**	**$55.59**

Credit Mark / Write-Up Detail	
Loan Mark 1.25%	($19,640)
OREO Mark 20%	0
Reserve	18,618
Tax Benefit	215
Total Credit Mark / Write-Up	**($808)**

Deposit Premium Analysis		Premium	
		(%)	($000)
Noninterest Bearing Deposits	$247,056	10.00%	$24,706
NOW Accounts	214,756	8.00%	17,180
Savings & MMDA	528,294	6.00%	31,698
Total CDs	715,514	0.00%	0
Total Deposits	**$1,705,620**	**4.31%**	**$73,584**

Bank X Profile

- $2.0 billion total assets
- Clean credit profile
- Highly Capitalized…11.6% TCE/TA
- Marginal Deposit Base
    - 14.5% DDA
    - 12.5% NOW
    - 31% Savings and MMA
    - 42% Time Deposits
- **Implied Valuation- 131% of BV**

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Improved Franchise Valuation… Bank X

Franchise Valuation

Franchise Valuation Summary	($000)	Per Share
Tangible Common Equity (3/31/25)	$231,654	$36.77
Credit Mark / Write-Up (After-Tax)	(808)	($0.13)
Deposit Premium	105,748	$16.78
Indicated Franchise Value	**$336,595**	**$53.42**
Min Franchise Value - (3% Deposit Premium)	**$282,015**	**$44.76**
Max Franchise Value - (7% Deposit Premium)	**$350,240**	**$55.59**

Credit Mark / Write-Up Detail	
Loan Mark 1.25%	($19,640)
OREO Mark 20%	0
Reserve	18,618
Tax Benefit	215
Total Credit Mark / Write-Up	**($808)**

Deposit Premium Analysis		Premium	
		(%)	($000)
Noninterest Bearing Deposits	$511,686	10.00%	$51,169
NOW Accounts	170,562	8.00%	13,645
Savings & MMDA	682,248	6.00%	40,935
Total CDs	341,124	0.00%	0
Total Deposits	**$1,705,620**	**6.20%**	**$105,748**

Bank X Profile

- Improved Deposit base
    - 30% DDA
    - 10% NOW (less than original)
    - 40% Savings and MMA
    - 20% CDs
- Implied Valuation: 145.2% of TBV
    - 2025 YTD median M&A pricing 142% of TBV

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