



OUR YEAR OF THE PANDEMIC AN INDUSTRY REVIEW

FHLB NEW YORK WEBINAR SERIES



February 25, 2021

THE PANDEMIC IN REVIEW

MONTH	BEGINNING CASES	ENDING CASES	DAILY INCREASE	BEGINNING DEATHS	ENDING DEATHS	DAILY INCREASE
APRIL	186,265	1,067,289	29,367	3,810	62,860	1,968
MAY	1,067,289	1,761,195	23,130	62,860	103,501	1,311
JUNE	1,761,195	2,573,053	27,062	103,501	123,734	674
JULY	2,573,053	4,473,974	61,320	123,734	151,499	896
AUGUST	4,473,974	5,972,356	48,335	151,499	182,622	1,004
SEPTEMBER	5,972,356	7,168,077	39,857	182,622	205,372	758
OCTOBER	7,168,077	9,024,298	59,878	205,372	229,109	766
NOVEMBER	9,024,298	13,295,605	142,376	229,109	266,061	1,232
DECEMBER	13,295,605	19,663,976	212,279	266,061	341,199	2,505
JANUARY 2021	19,663,976	25,921,703	201,862	341,199	438,035	3,124

PANDEMIC DATA TOP TEN STATES

AS OF 2/23/21

STATE	POPULATION	CASES	DEATHS	CASES/100,000	DEATHS/100,000
CALIFORNIA	39,937,489	3,446,611	49,338	8,723	124
TEXAS	29,472,295	2,594,466	41,407	8,948	142
FLORIDA	21,992,985	1,838,745	30,065	8,561	139
NEW YORK	19,440,469	1,603,471	46,711	16,525	504
PENNSYLVANIA	12,820,878	915,018	23,614	7,148	184
ILLINOIS	12,659,682	1,175,655	22,506	9,278	177
OHIO	11,747,694	955,378	16,874	8,173	144
GEORGIA	10,736,059	987,041	16,835	9,296	158
NORTH CAROLINA	10,611,862	844,779	10,938	8,055	104
MICHIGAN	10,045,029	637,928	16,343	6,388	163

TESTING AND VACCINATIONS

- Two significant obstacles in this Pandemic Era are how quickly we can ramp Up testing and vaccination ... Some data on both as of 2/23/21:

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TESTING	POSITIVITY RATE	VACCINATIONS DISTRIBUTED	DOSES ADMINISTERED
324,226,934	9.03%	82,114,370	65,032,003

THE PANDEMIC RESPONSE

- The Government response was based on making sure financial markets could remain active but unlike the great recession, a second stimulus was added in the form of direct payments to individuals based on income levels along with the Paycheck Protection Program.
- PPP Will likely be thought of as savings many small businesses and helping to retain Jobs ... It will also be remembered as both a challenge and an opportunity for our industry.

THE PANDEMIC RESPONSE

- PPP 2020 closed on August 8, 2020 with 5,212,128 loans and \$525,012,201,124.
- Some data on the largest state lending...

STATE	LOANS	NET DOLLARS
CALIFORNIA	623,360	\$68.644 Billion
TEXAS	417,276	\$41.326 Billion
NEW YORK	348,870	\$38.700 Billion
FLORIDA	432,893	\$32.251 Billion
ILLINOIS	225,409	\$22.849 Billion

THE PANDEMIC RESPONSE

- PPP 2021 is underway with an additional \$284 Billion allotted to small business. As of the latest PPP report (2/21/21), \$140.3 billion has been borrowed by small business and New York continues to be a main player with \$11.2 billion lent in the program.
- Also available to business ... Economic Injury Disaster Loan (EIDL) which provided both advances (Grants) Up to \$10,000/Business and loans At 3.75% interest Up To 30 Years. The Main Street Lending Program was also created offering five-year loans at LIBOR + 300 bps to larger businesses.
- EIDL Advances topped Out at \$20 billion while EIDL Loans are now \$200 billion.
- The Main Street Lending Program offered up to \$600 Billion in loan opportunities ending up with some \$17.5 billion outstanding.

INDUSTRY UPDATE - BANKS

	2016	2017	2018	2019	12/31/20
INSTITUTIONS	5,913	5,670	5,406	5,177	5,001
TOTAL ASSETS	\$16.8T	\$17.4T	\$17.9T	\$18.6T	\$21.9T
TOTAL LOANS	\$9.2T	\$9.6T	\$10.0T	\$10.4T	\$10.6T
TOTAL DEPOSITS	\$12.9T	\$13.4T	\$13.9T	\$14.5T	\$17.8T
EQUITY	\$1.87T	\$1.96T	\$2.02T	\$2.11T	\$2.23T
NET PROFIT	\$171 B	\$164 B	\$237 B	\$233 B	\$148 B
FAILURES	5	8	0	4	4

INDUSTRY UPDATE – CREDIT UNIONS

CREDIT UNIONS	12/31/19	9/30/20
INSTITUTIONS	5,236	5,133
MEMBERS	120.4 MILLION	123.7 MILLION
TOTAL ASSETS	\$1.57 TRILLION	\$1.79 TRILLION
TOTAL LOANS	\$1.1 TRILLION	\$1.16 TRILLION
LOAN/SHARE RATIO	84%	75.6%
NET WORTH RATIO	11.37%	10.43%
AVERAGE CU SIZE	\$299 MILLION	\$348 MILLION
NET INCOME	\$14.1 BILLION	\$11 BILLION

NEW YORK UPDATE

	2016	2017	2018	2019	2020
INSTITUTIONS	146	141	138	137	129
TOTAL ASSETS	\$949.7 B	\$1.004 T	\$1.043 T	\$1.126 T	\$1.360 T
TOTAL LOANS	\$434 B	\$456 B	\$491 B	\$523 B	\$575 B
TOTAL DEPOSITS	\$743 B	\$787 B	\$815 B	\$892 B	\$1.13 T
EQUITY	\$113.2 B	\$120.4 B	\$125.0 B	\$130.6 B	\$137.9 B
NET PROFIT	\$8.3 B	\$8.4 B	\$11.98 B	\$11.3 B	\$8.8 B
FAILURES	0	0	0	0	0

STRATEGY IN 2020

- Given the unique nature of the Pandemic, our industry appeared to engage in some strategy regarding future loan losses ... Most banks enhanced their ALLL during 2020 in anticipation of losses in 2021.
- But many community banks looked at actual loan losses and “Stayed The Course” on their ALLL’s.
- This resulted in unusual provisioning in 2020 ...

STRATEGY IN 2020

- Without historical reference, provisioning became part CECL (for very large banks) and part strategy over stock price...

PERIOD ENDING	NET CHARGE-OFFS	PROVISION
12/31/17	0.47%	\$51.135 B
12/31/18	0.45%	\$50.033 B
12/31/19	0.49%	\$55.092 B
12/31/20	0.53%	\$132.2 B

SOME THOUGHTS ON 2020/2021

- Our Industry did and will struggle with NIM compression in 2020 and 2021. Our ability to maintain either loan or investment yields given the rate environment is very difficult. And many of us have already dropped our cost of funds to very low levels.
- But, we are also noticing that many community banks exceeded 2019 profitability in 2020 despite significant loss of NIM and overdraft fees.
- We believe that PPP was a significant factor in this profitability as was residential mortgage refinance activity.
- The question for many is how these two issues will impact 2021.

LESSONS LEARNED IN THE PANDEMIC

- Other than the fact that we all learned about adopting quickly to an unexpected economy, We have also noticed several Specific issues that may impact our industry in the future.
- In many ways, our Industry has changed by necessity and the key will be to learn which changes work and which do not.

LESSONS LEARNED IN THE PANDEMIC

- Let's start with Our Branch Network ...
- The American Banker has mentioned several Banks that are closing Branches – Bank of Hawaii (\$20.6 Billion – 12), National Bank (Colorado) - \$6.7 Billion – 7, Peoples United (\$63 Billion – 140 In-Store), Sandy Spring Bank - \$12.8 Billion – 3), plus most of the Majors.
- Thought – Pandemic forced customers to Digital Channels and In-Branch traffic won't support retaining locations.
- How many Participants are rationalizing their Branch Network?

LESSONS LEARNED IN THE PANDEMIC

- How do we interact with our customers?
- Drive-Through/Appointment-Only Concepts – Here to stay?
- Thought – Model of Teller identifying opportunity may not be working and too many customers “Wasting” staff time may Not be appropriate. Appointment-Only may be a way to use Staff more efficiently?
- Are we headed for a Culture Clash?

LESSONS LEARNED IN THE PANDEMIC

- Technology helped us work with Customers “Remotely” – Will this speed up adoption of technology that allows Customers to open deposit accounts and make loans Without In-Person Contact?
- Figuring out how to accomplish this safely will be an Interesting Issue as well.
- How many can already open Accounts and/or Create Loans this way?

LESSONS LEARNED IN THE PANDEMIC

- The Pandemic also forced us into a Remote Workplace much faster than expected.
- Will this help us Hire/Retain younger demographic many of whom desire working from home?
- Did we find that we could manage this way and did we find better ways to evaluate staff effort?
- This may be the biggest culture clash of all.

LESSONS LEARNED IN THE PANDEMIC

- One more key lesson ... your FHLB is always ready to support you – in the past 13 years, our country has experienced two major economic problems and in both cases, you could count on the support from your FHLB.
- Given the unprecedented liquidity so many of us have today, the typical advance program may be of less interest but you will continue to see their support with such services as Letters of Credit, Community Investment Assistance and Funding, and Community Financial Support. This may be a great time to take advantage of the other great services offered by your financial partner.

LESSONS LEARNED IN THE PANDEMIC

- Quiz
- Who Said “Never Let A Good Crisis Go To Waste”

LESSONS LEARNED IN THE PANDEMIC

- Winston Churchill – WW II End
- Rahm Emanuel – 2008 and 2020

- Hopefully, We Won't Let This One Go To Waste.

QUESTIONS

Karl Nelson

Founder & CEO

KPN Consulting

Email: knelson@kpnconsulting.net

Tel: 770.262.8446

Web: www.kpnconsulting.net