



EVOLVE • ADAPT • THRIVE

NAVIGATING THE LENDING TRANSFORMATION

Agenda

- Introduction
- Economy's impact on Credit Union's Cost of Funds
- The importance of business deposits
- The role Treasury Management plays in capturing
business deposits

About Me



Von Hawthorne
Chief Operating Officer



Von.Hawthorne@trutreasury.com

Von has over 15 years of financial services and leadership experience. During that time, he's had leadership roles throughout treasury and payment solutions focused primarily in commercial payments and risk management. He has a reputation as a "builder"- building strategies, structures, and people to drive business results. Von currently resides in Forsyth, GA with his wife Sandy, son Jayce (9), and daughter Ava (5).

Prior Experience

- Senior Vice President, Commercial Banking
- Senior Vice President, Strategy Consultant
- Senior Vice President, Quality Assurance - Treasury Solutions
- Vice President - Commercial Card Business Manager
- Assistant Vice President - Payments Strategist
- Analyst - Treasury and Payment Solutions

Organizations

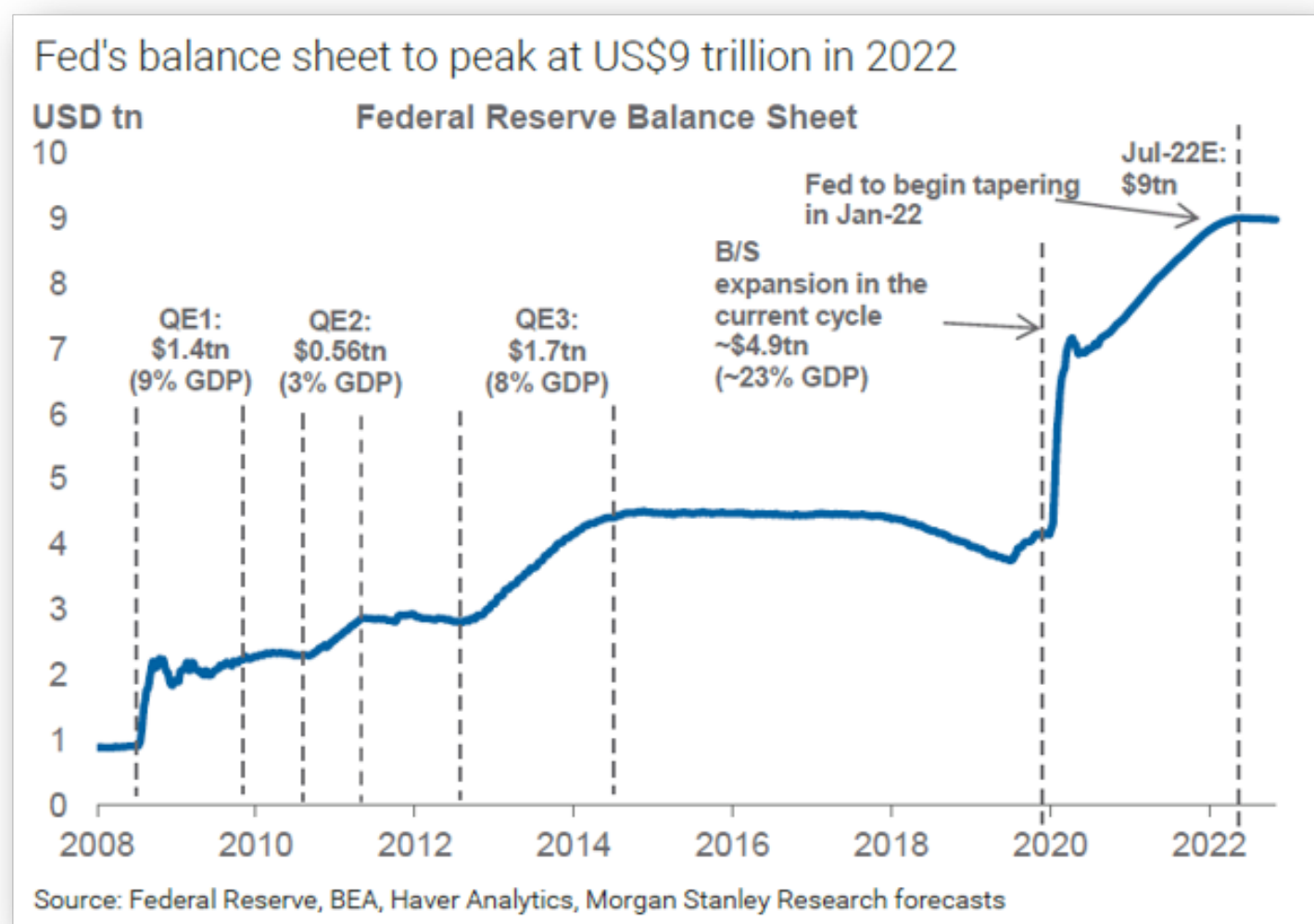
- Truist Financial
- T. Rowe Price

Education

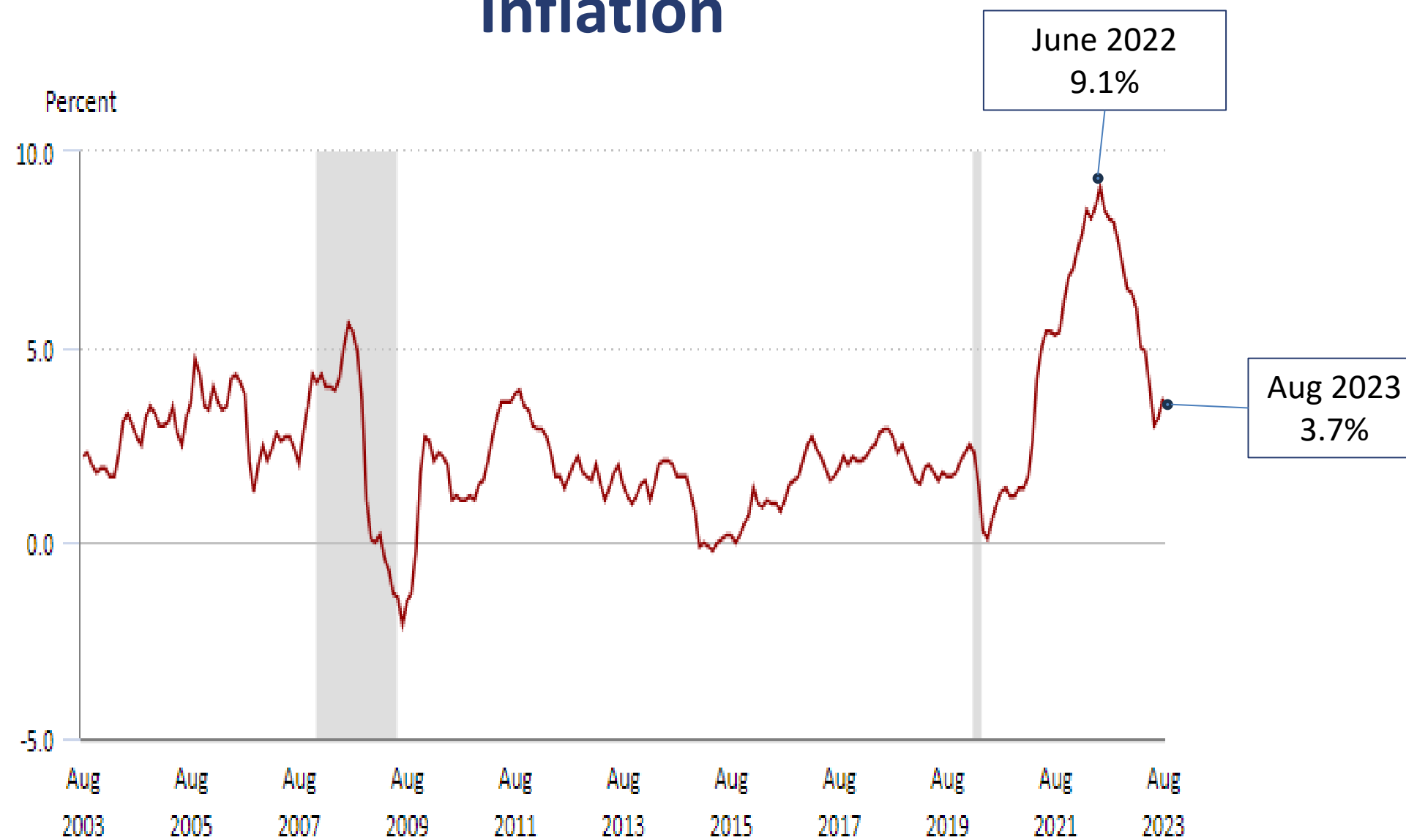
- Masters in Business Administration

Excess Money Supply a Driver for Inflation

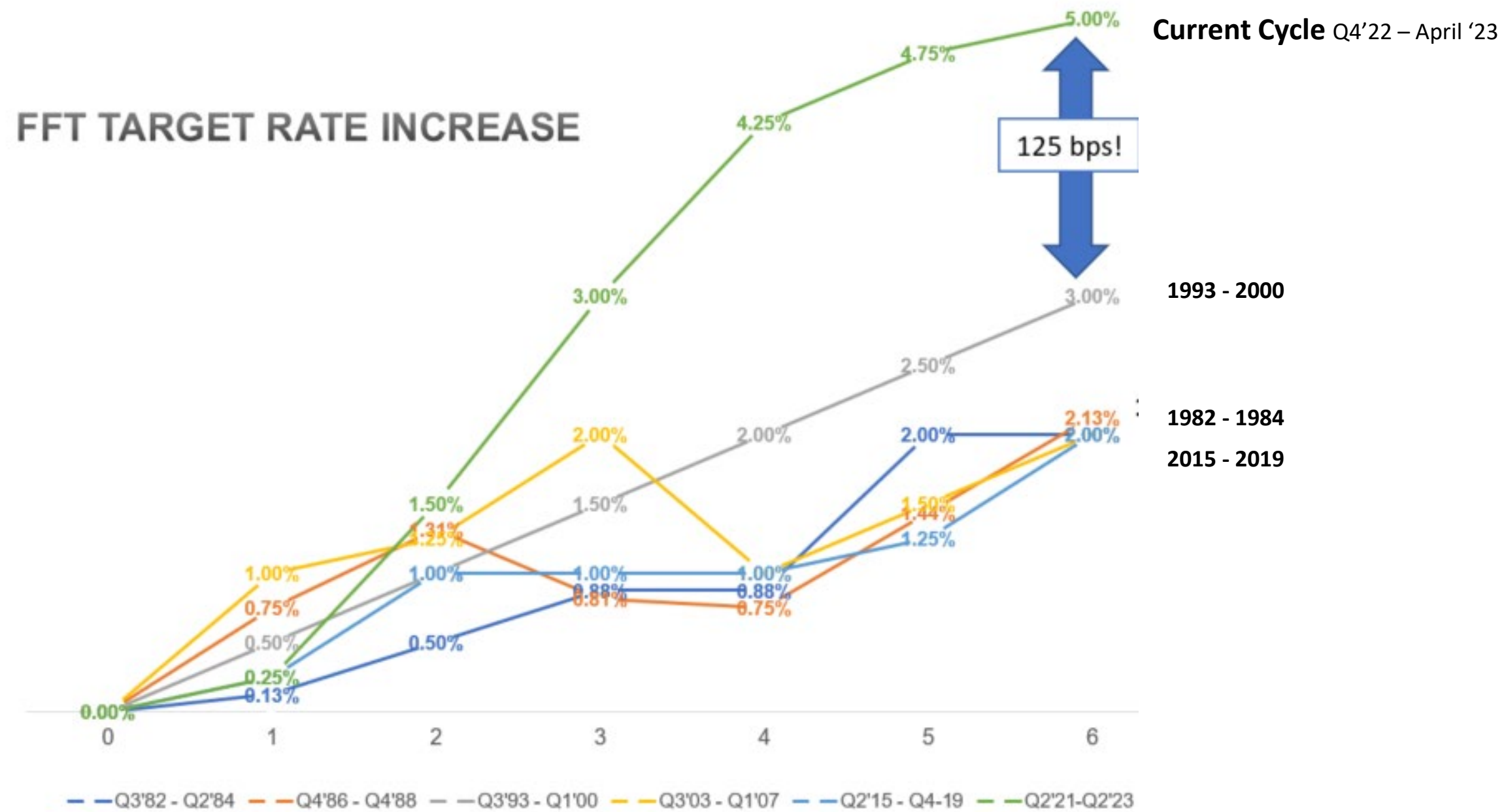
Quantitative Easing



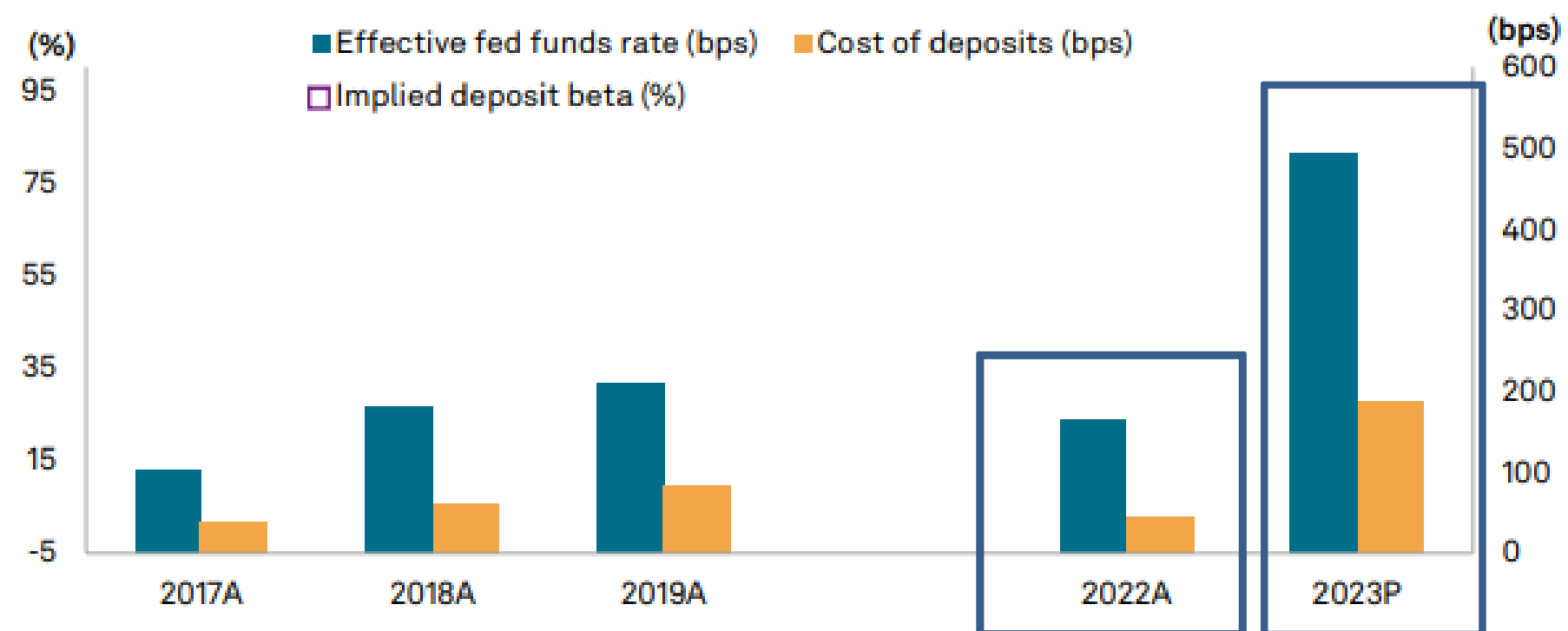
Inflation



Unprecedented Rate Increase



The Cost of Deposits is Rising



Data compiled April 5, 2023.

Figures for the federal funds rate through 2023 are based on a 4-quarter average of estimates provided by IHS Markit.

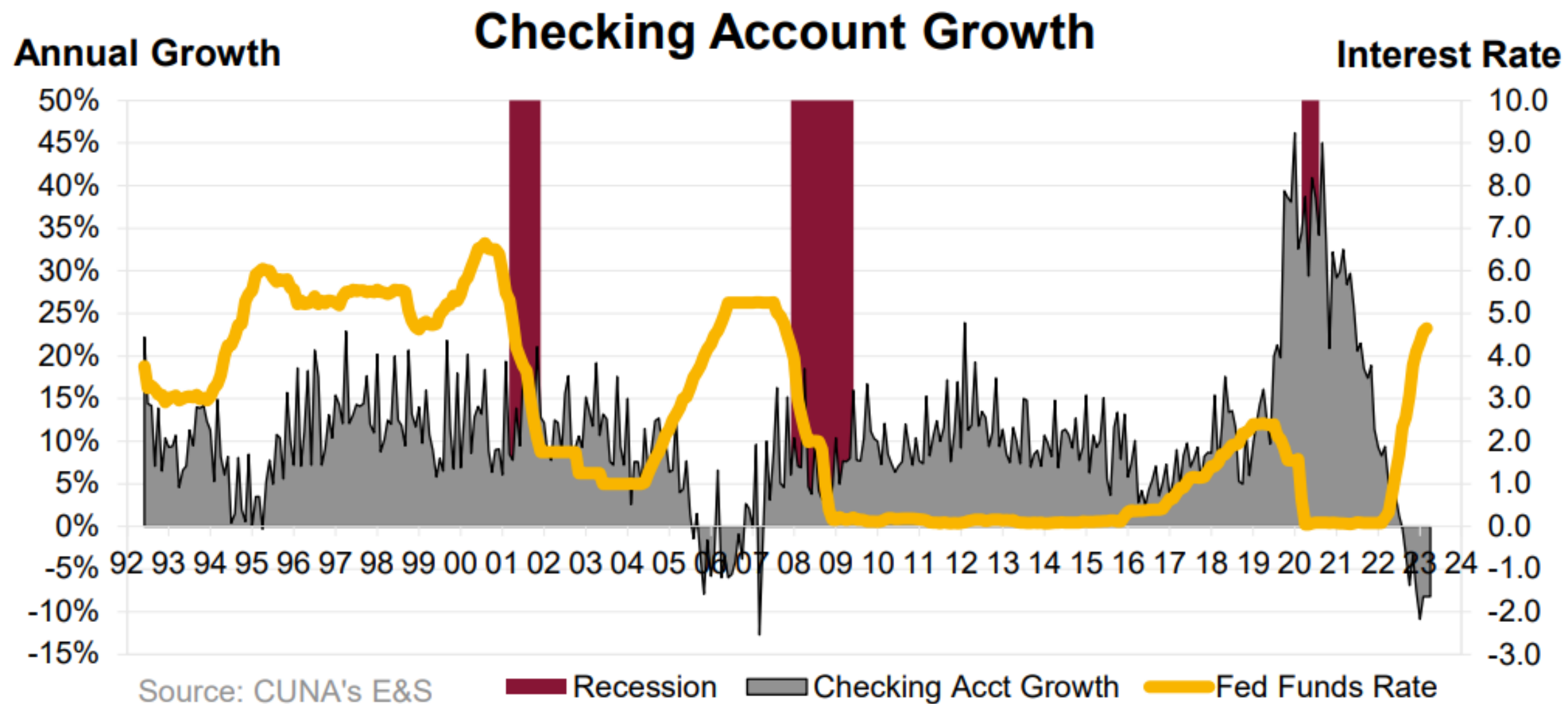
Actual reported figures used when available.

Sources: S&P Global Market Intelligence; IHS Markit; proprietary estimates.

© 2023 S&P Global.

Source: S&P Global Market Intelligence

Lower Checking Account Balances



Source data: CUNA & NCUA

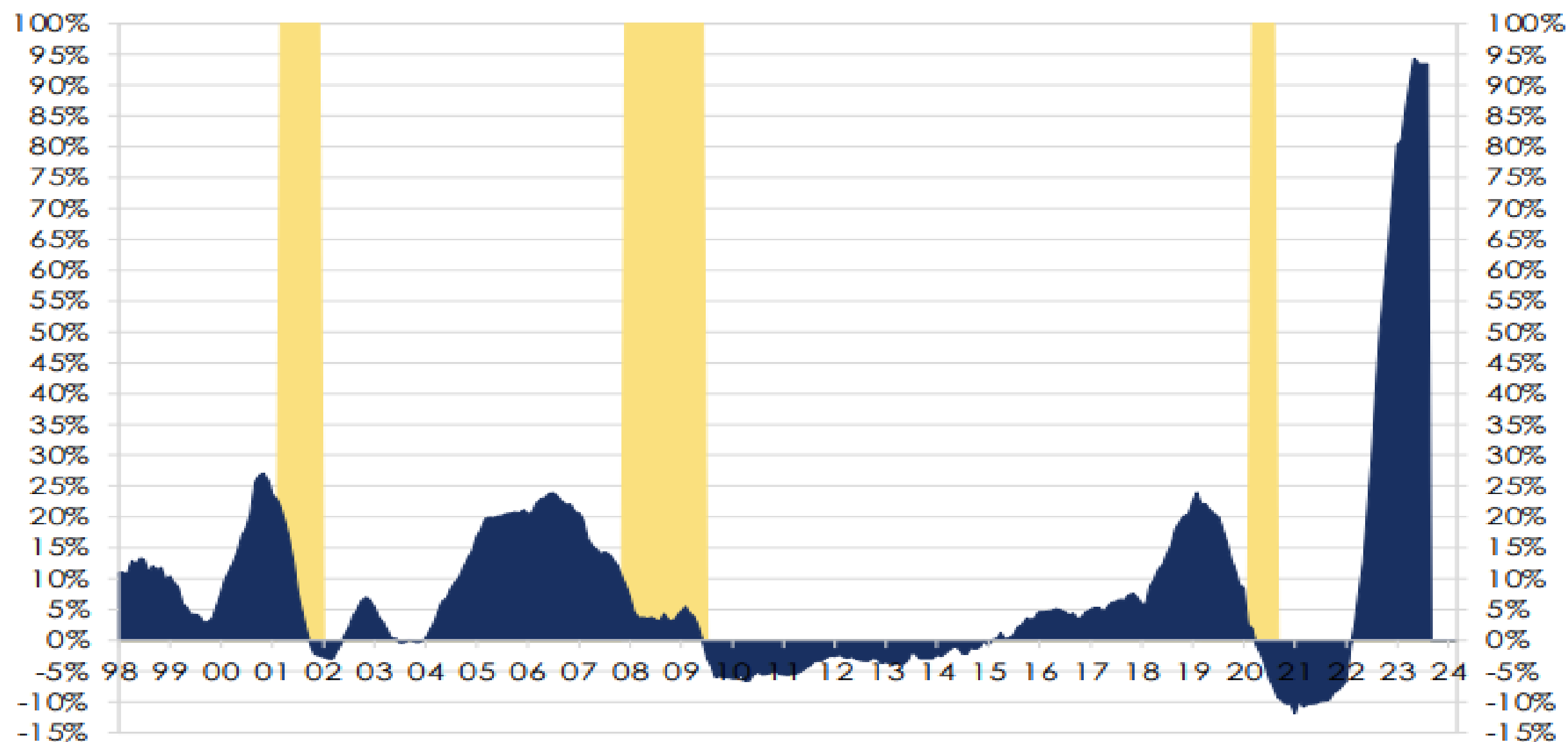
Higher CD Balances

On a monthly basis, CDs increased 4.2% in June, while money market accounts fell 1.8% and regular share deposits fell 1.6%.

Higher Cost of Funds

CD's now make up **21.9%** of all credit union deposits, up from **12.9%** in June of 2022

CU Share Certificate Growth
Seasonally-Adjusted Annualized Growth Rate



Source: CUNA & NCUA

Affects on Real Earnings

Average hourly earnings compared to CPI inflation

Year-over-year change; Monthly, June 2020 to June 2023



Data: Bureau of Labor Statistics; Chart: Axios Visuals

Deposits Are the Lifeblood of a Credit Union



Three Strategies to Win the Battle For Business Deposits

1 Double Down on Business Deposits

2 Deposits as a Condition of Credit

3 Be Prepared to Support Business Owners

Double Down on Business Deposits

Business Deposit Value



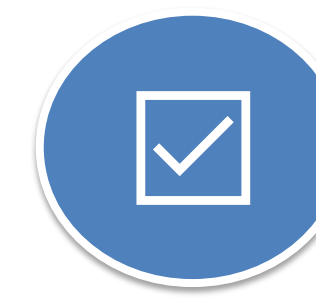
Larger Balances

- Avg Consumer: **\$9,284**
- Avg SMB: **\$12,100**
- Avg CML: **\$362,111+**



Lower Cost

- Interest on checking lower than consumer (if offered at all)
- Alternatives to hard interest with Earning Credit Rates (ECR) & overnight sweep



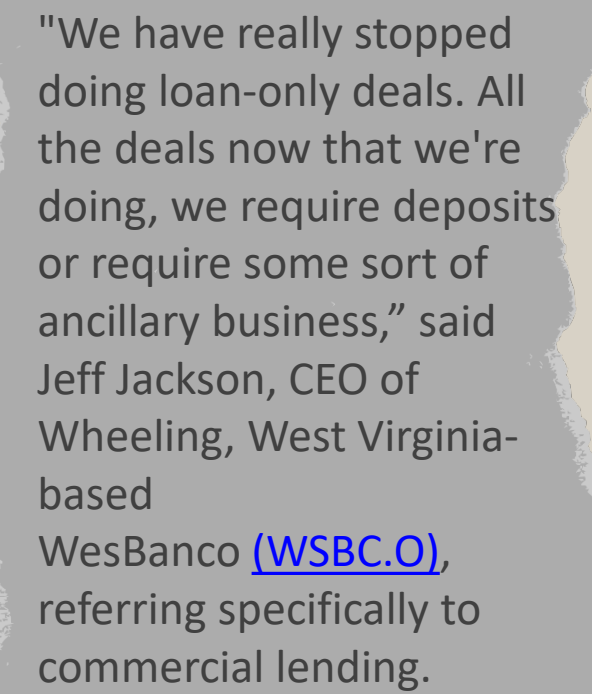
Fee Production

- Deposit fee assessment
- Maintenance fees
- Treasury Service Fees

Source:

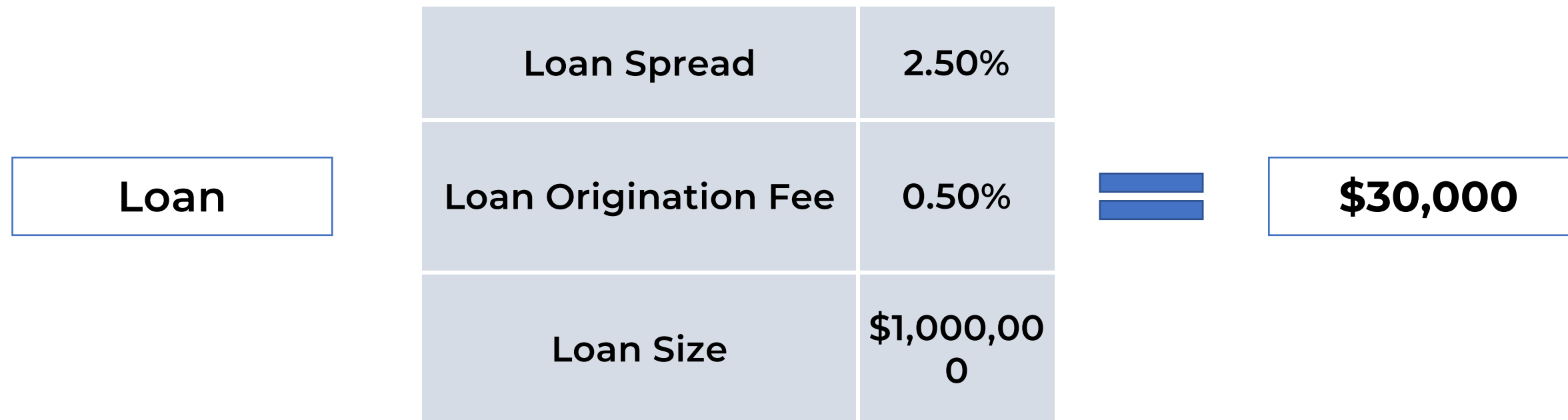
<https://www7.fdic.gov/sod/sodMarketBank.asp?barltem=2>

Deposits as a Condition of Credit



"We have really stopped doing loan-only deals. All the deals now that we're doing, we require deposits or require some sort of ancillary business," said Jeff Jackson, CEO of Wheeling, West Virginia-based WesBanco ([WSBC.O](https://www.wsbc.com)), referring specifically to commercial lending.

Only Credit – A CU Pitfall



Deposits as a Condition

Loan

Loan Spread	2.50%
Loan Origination Fee	0.50%
Loan Size	\$1,000,000

\$30,000

Deposit

Deposit Balance	\$2,000,000
FTP	1.75%

\$35,000

Treasury Management

Payables
Receivables
Commercial Card & Merchant

\$18,000

+

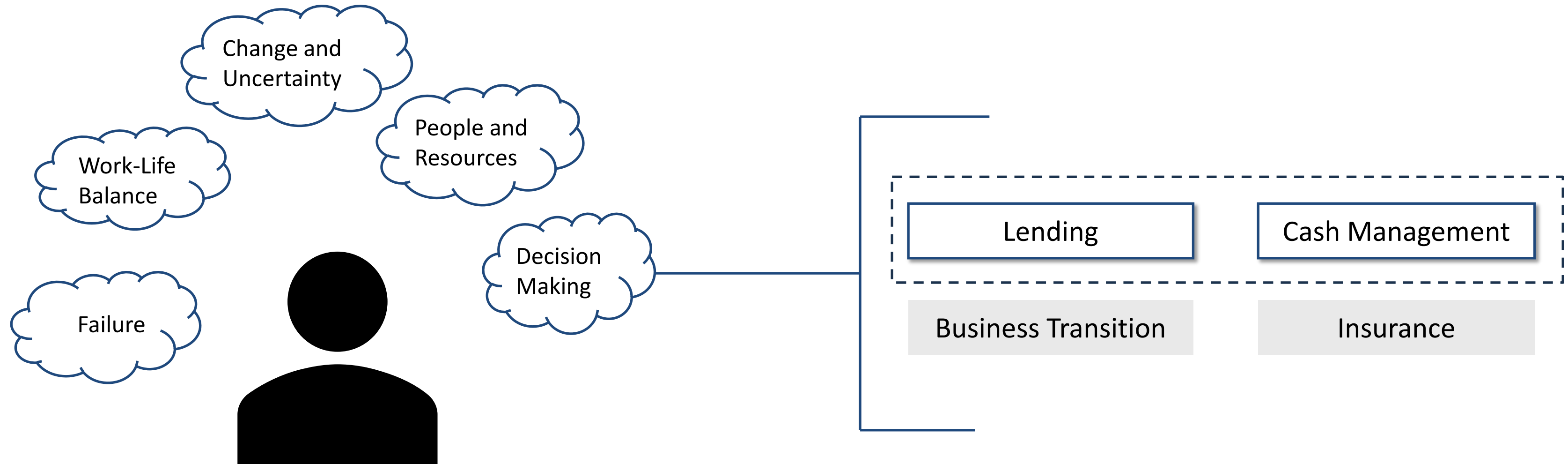
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\$83,000

Be Prepared to Support Business Members

Thoughts of a Business Owner



Typical Business Loan Types

Line Of Credit

A business line of credit is a flexible financing option that allows businesses to draw funds up to a predetermined limit, repay them, and draw again as needed. Interest is usually charged only on the amount borrowed.

SBA Loan

Small Business Administration (SBA) loans are partially guaranteed by the U.S. government, which reduces the risk for lenders and can make it easier for small businesses to secure financing. Some popular SBA loans include 7(a) loans, 504 loans, and microloans.

Term Loan

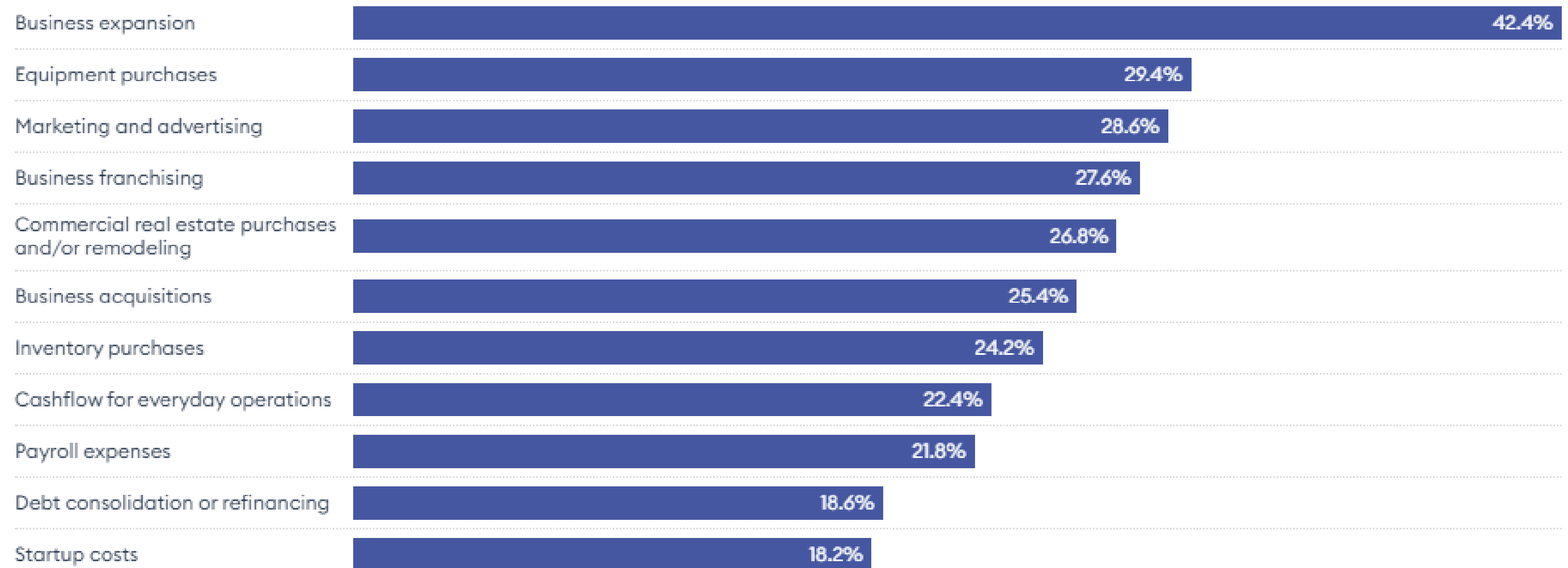
These are traditional loans with fixed repayment terms, interest rates, and repayment schedules. They can be short-term (1-3 years), intermediate-term (3-10 years), or long-term (10+ years) depending on the intended use of the funds and the borrower's creditworthiness.

CRE Loan

These loans are used to finance the purchase or improvement of commercial property. They typically have longer repayment terms and may require a larger down payment compared to other types of loans.

Reasons for Applying for a Business Loan

Respondents were able to select up to three reasons why they applied for a loan.

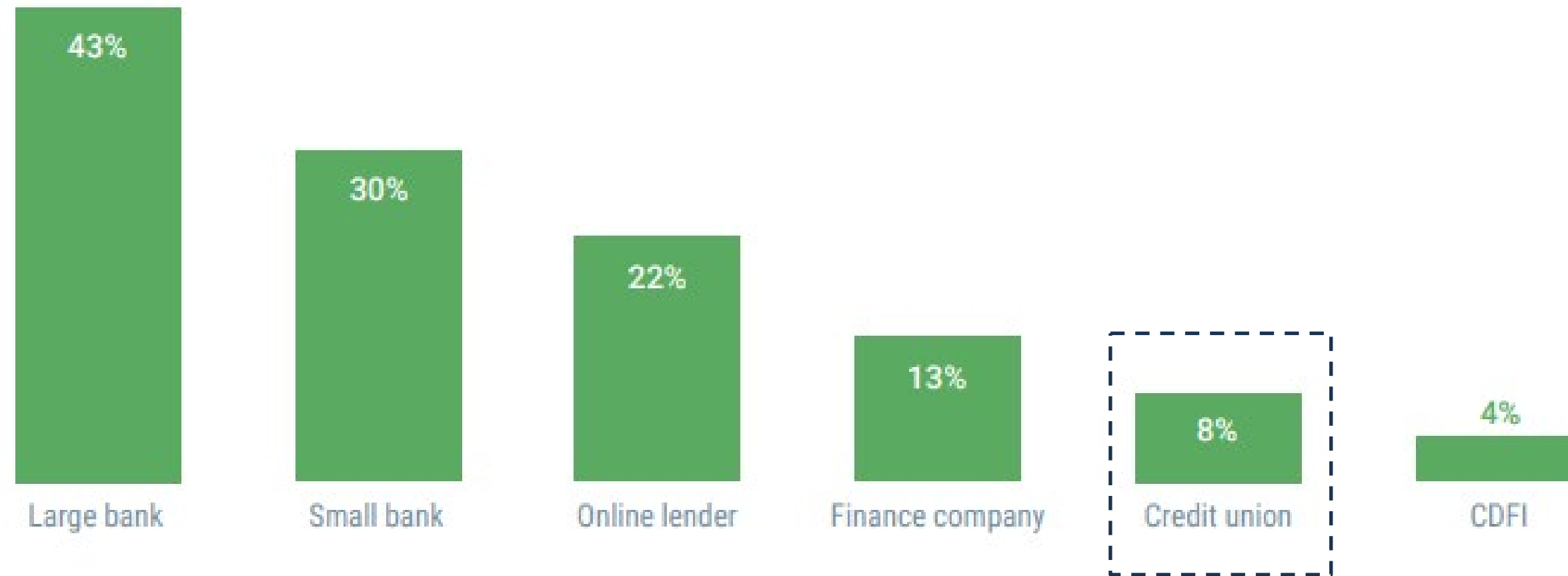


Note: We surveyed 500 U.S. adults who applied for a business loan.

Source: Forbes Advisor April 2023 Survey • Embed

Forbes ADVISOR

Where Are Small Business Owners Applying for Loans?

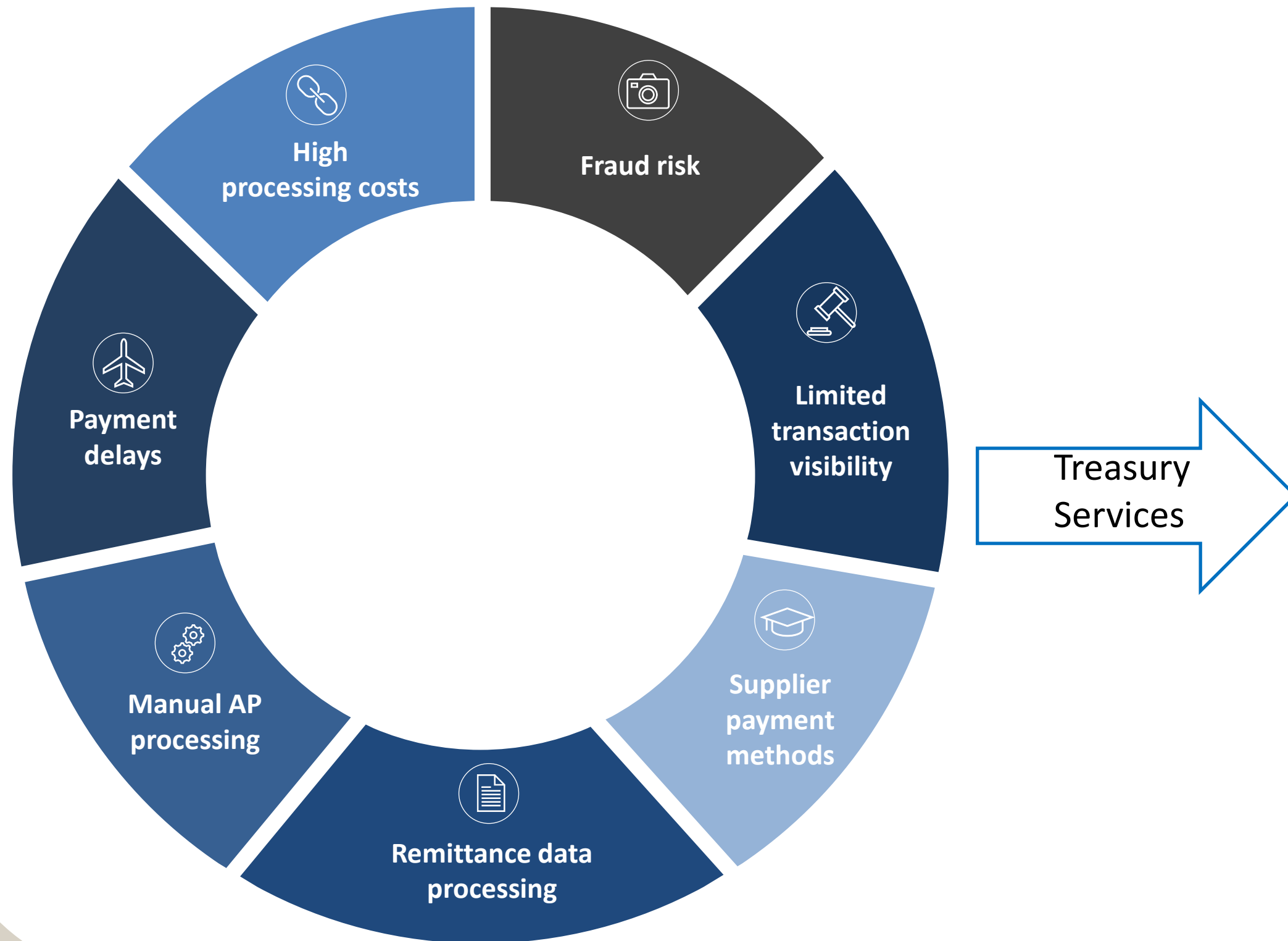


1 Respondents could select multiple options. Excludes pandemic-related financial assistance applications. Response option "other" not shown. See [Appendix](#) for more details.

2 See [Notes and Definitions](#) for details on time period definitions and lender descriptions used in the SBCS.

Treasury Management is More Critical!

Cash Management



- Automation of Cash Flows
- Increased Security / Fraud Prevention
- Operational Efficiencies and Savings
- Optimized Return on Cash

Should You Build A Treasury Management Department Yourself?

Products

PAYABLES

- Digital Wire Origination
- International Remittance
- ACH Origination
- Integrated Payables
- Payroll Services
- Business Card

CASH SERVICES

- ZBA
- Depository Services
- Investment / Loan Sweep
- Armored Carrier
- Cash Vault

RECEIVABLES

- ACH Collection
- Remote Deposit
- Merchant Services
- Lockbox
- EBPP

FRAUD PREVENTION

- Check Positive Pay
- Account Reconciliation
- ACH Block and Filters

Sales Organization

Tier 3 Program

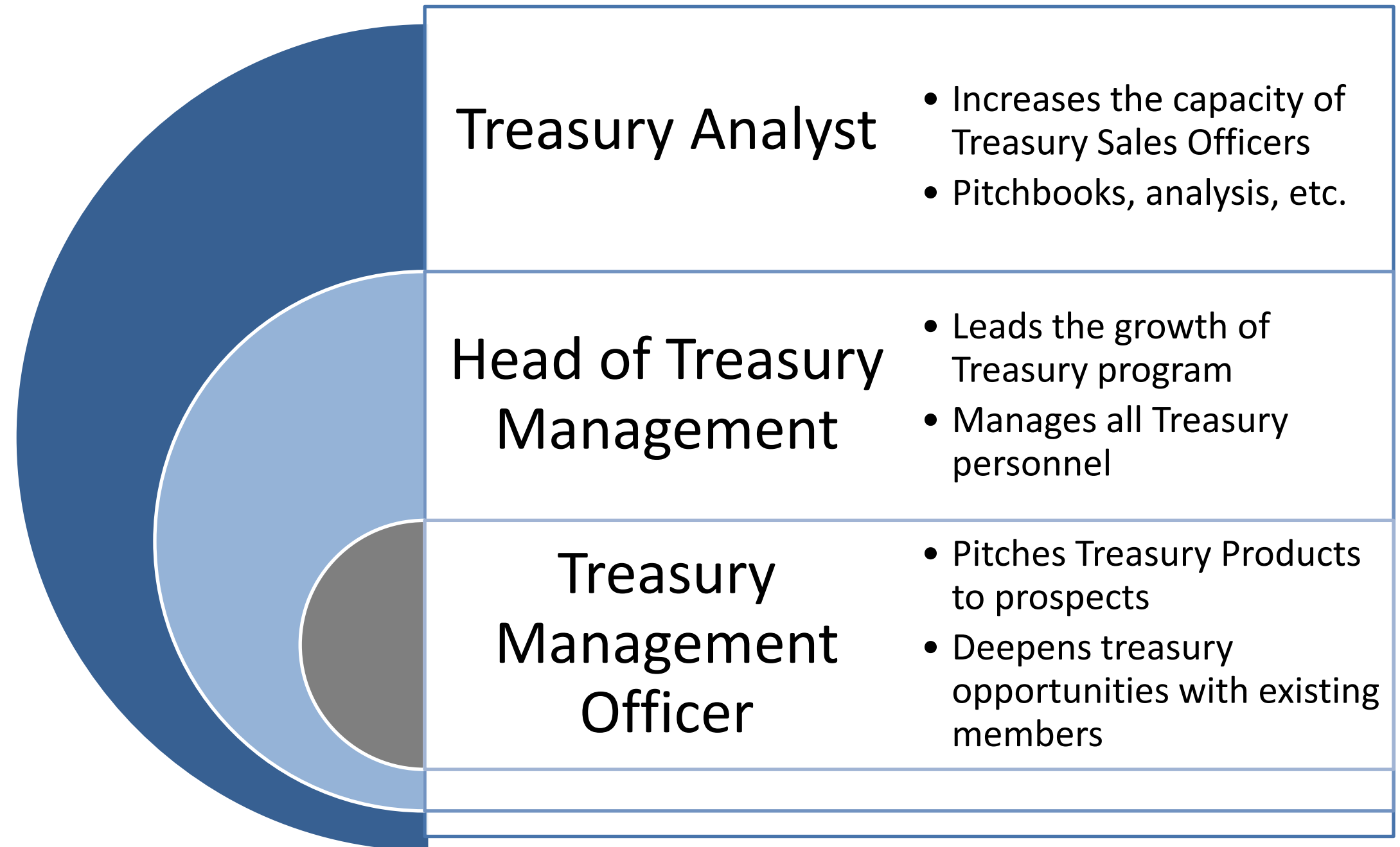
- Mid/Late Growth Stage
- Revenue: \$1MM+

Tier 2 Program

- Early Growth Stage
- Revenue: \$500K - \$1MM

Tier 1 Program

- Upstart Stage
- Revenue: \$0 - \$500K



Operations

1

Onboarding Specialist

- Makes sure all required docs are signed
- Provides the member with business digital account access
- Configures products for member to align with their intended use
- Trains the member to ensure the member knows how to use the products
- Follow's up with the member to ensure the member doesn't have issues with the product

2

Service

- Handles inbound calls or emails from members
- Troubleshoots members issues product or digital issues
- Researches members product or digital issues by contacting the vendor (if required)
- Follows up with members to notify them of the problem's resolution

3

Billing

- Ensures clients are billed correctly
- Ensures exception pricing request are recorded
- Ensures pricing on billing statements are correct

Mitigate Risk

Internal Treasury Management Policies

- Provide a framework for decision making.
- Establish a Credit Union's expectations.
- Ensure compliance with laws and regulations.

Internal Treasury Management Procedures

- Ensure activities are consistent and efficient.
- Provide clarity in roles and responsibilities.
- Can be used as a training tool for new employees.

Agreements & Addendums

- Sets clear expectations for Credit Unions and its members regarding treasury management products

Treasury Sales Procedures

Document ID: TTS 100

Revision

Purpose and Scope:

- The purpose of this procedure is to provide a framework for decision making.
- This procedure applies to all members used to deliver key products.
- This procedure applies to all business. This procedure is used to ensure compliance with laws and regulations.

Background:

The success of Tru Treasury services depends on the quality of the members used to deliver key products. This procedure is used to ensure compliance with laws and regulations.

Key Roles and Definitions:

- Treasury Consultant: Provides guidance and support to members.
- Relationship Officer: Conducts business with members.

Procedures:

Sales Planning

- Annual Planning
 - Data Analysis
 - Design
 - Organizational
 - Member
 - Documentation
 - Treasury Program
 - Design
 - Review
 - Collaboration
 - Treasury Note: In
- Portfolio and Prospect
 - Treasury Management
 - Credit Union

TREASURY SERVICES MASTER AUTHORIZATION FORM

Member Name: _____ Date: _____

AUTHORIZATION AND AGREEMENT FOR TREASURY SERVICES

I am an authorized representative of the organization specified in the "Member Name" field of this form, and I am authorized to execute this Agreement, as well as the product-specific Addenda to the Agreement, from time to time, and any corresponding operational instructions supplemental to Credit Union's Business Membership and Accounts maintained with Credit Union. The Services covered by this Agreement and not otherwise defined, have the meanings given to them in the Addenda.

Upon full execution below, Member may from time-to-time use the Agreement and/or Addenda thereto. Member may begin to use the Services only after Member has received all required and properly executed Addenda and completed all testing and training requirements.

By signing below, Member agrees that, in the event Credit Union is required to accept the "ACCEPT" button when presented with same), from Member's authorization of the underlying action or request. (such purposes or any other purpose, except as may be required by law or regulation.)

I represent and warrant that Member has taken all action required to execute and deliver on behalf of Member this Authorization and Addenda with respect to a Service. I am authorized to enter into this Agreement and Addenda thereto. These may include, but are not limited to, giving Credit Union the authority to execute the Services and designating employees or agents to act in the name of the Member.

Guidelines for completion:

If Member is a:

- corporation
- limited liability company
- partnership (general or limited)
- limited liability partnership
- sole proprietorship
- governmental entity

* Includes any individual authorized under Member's charter or bylaws, including but not limited to: member, managing member, manager or general partner who has authority to bind the Member.

Signature of Authorized Representative _____

Print Name of Authorized Representative _____

Title _____

The following address may be used for giving notices in connection with this Agreement, unless other different addresses to be used are provided in the Addenda.

Street _____

ACH ORIGINATION SERVICE ADDENDUM

THIS ACH ORIGINATION SERVICE ADDENDUM (hereinafter, this "Agreement") is made by and between [Redacted] Credit Union (the "Credit Union") and the undersigned corporation, partnership, limited liability company, sole proprietorship, non-profit association or organization, or other commercial entity or government or other public entity (the "Member") and is incorporated by reference into the parties' Master Treasury Management Services Agreement (the "MTMSA"). By selecting the ACH Origination Services on the Enrollment Form, the Member agrees to the terms of this ACH Origination Services Addendum (the "ACH ORIGINATION SERVICE ADDENDUM") and this ACH Origination Services Addendum thereby becomes a part of the MTMSA. This Addendum applies to all ACH and funds transfer services made available by the Credit Union to Member pursuant to this Agreement (hereinafter the "Service"). The Service may be used in conjunction with the Online Banking System Addendum (or "Online Banking Service"), and this Appendix shall be construed consistently with the terms of the MTMSA, as applicable. Unless otherwise defined herein, the terms used in this Agreement shall have the same meaning as set forth in Article 4A of the Uniform Commercial Code and, to the extent applicable, the Electronic Fund Transfer Act (EFTA) and its implementing regulations. This Agreement shall be effective when the MTMSA is signed by both parties. Member agrees to the following terms and conditions:

ACH Transactions: Member wishes to initiate credit and/or debit Entries through the Credit Union to accounts maintained at the Credit Union and in other depository financial institutions by means of the Automated Clearing House Network ("ACH") pursuant to the terms of this Agreement and the rules of the National Automated Clearing House Association ("NACHA") and the Credit Union's operating rules and procedures for electronic entries, including any exhibits or appendices thereto now in effect, or as may be amended from time to time, (the "Rules") with respect to such Entries. This Agreement sets forth the terms and conditions pursuant to which the Credit Union will provide to Member the ACH Services outlined herein ("Services"). Member hereby requests the Credit Union to provide the Service described in this Agreement. By executing this Agreement and/or using the Services described in this Agreement, Member accepts and agrees to all terms, conditions, and provisions of this Agreement and agrees that this Agreement sets forth the terms and conditions pursuant to which the Credit Union will provide to Member the Service outlined herein. To the extent that Member transmits Entries via the Internet, Member must execute the Internet Banking System agreement which is hereby incorporated by reference and made a part hereof. In the event of inconsistency between a provision of this Agreement, the Uniform Commercial Code ("UCC"), the Internet Banking System agreement, and/or the Depository Agreement, the provisions of this Agreement shall prevail. Terms not otherwise defined in this Agreement shall have the meaning ascribed to those terms in the Rules. The term "Entry" shall have the meaning provided in the Rules and shall also mean the data received from Member hereunder from which the Credit Union initiates each Entry.

Member Responsibility: Member agrees to be solely responsible for the use of ACH transmission platforms, including the responsibility to safeguard the Member's confidential access capability and complying with user documentation, procedures and other instructions regarding Transactions. The Credit Union is entitled to rely on any instructions, notices, and other information received from Member, electronically, in writing or orally, that the Credit Union reasonably and in good faith believes to be genuine. Member shall be liable to the Credit Union for and shall indemnify and hold the Credit Union harmless from any and all claims, causes of action, damages, expenses (including reasonable attorney's fees and other legal expenses), liabilities and other losses resulting from acts, omissions, or provision of invalid or inaccurate data by Member or any other person acting in Member's behalf, including without limitation: (a) a breach by Member of any provision of this Agreement; (b) the Credit Union's crediting of the account of any person as requested by Member; and (c) the failure to act or the delay by any financial institution other than [Redacted] Credit Union.

Member Representations and Warranties; Indemnity: With respect to each Transaction, Member represents to the Credit Union and agrees that (a) each person involved in the Transaction has authorized the Transaction and the debiting of Member's account in the amount and on the date shown on such Transaction, (b) such authorization is operative at the time of transmittal

Identifying Opportunities

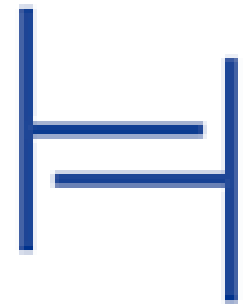
Existing Business Members

- Know the industry your members are in
- Analyze transaction activity
- Train Branch and Lending Employees
- Reach out

Attracting New Business Members

- Where is the opportunity in your region?
- How will you reach them?

...Or you can outsource!



TRU TREASURY

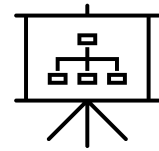
Questions?

Thank You!

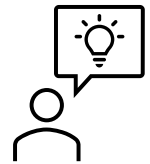
Appendix

About Tru Treasury

Established in 2020 by Credit Unions for Credit Unions



The Industry's Only Full-service Treasury Management CUSO



160+ Years of Treasury and Commercial Payment Solutions Experience



Leading Fintech and Cash Management Solutions

Our Ownership Group



Our Purpose

Provide credit unions with treasury management expertise to increase revenue as well as attract and retain business members.

The Value We Bring to Credit Unions



Competitive Capabilities

- Access to Treasury SMEs and Advisory Services for Business Members
- Provide Treasury Sales and Support Function
- Dedicated Team of Certified Treasury Professionals



Fee and Deposit Growth

- Benefit from Pre-negotiated Product and Service Rates
- Grow Deposits through Acquisition and Servicing
- Increase Non-interest Income



Economies of Scale

- Ability to Operate at a Lower Cost than Self-sourcing
- A Cooperative Team Reduces the Risk of Employee Turnover
- Learn Best Practices from the CUSO

Consulting Services

We will create a customized consulting plan to focus on the treasury solutions that meet your specific needs.

Treasury Management Solutions Include:

- Recommended products and services for business members
- Product vendor comparison and recommendations
- Product implementation roadmap
- Account Analysis configuration and implementation
- Price benchmarking and recommendations
- Risk policies and procedures Referral and sales training.



Comprehensive Treasury Program Management Support



Treasury Program Support

- Product support
- Marketing and sales
- Portfolio Analysis –
- Profitability and pricing
- Employee training and support



Treasury Sales Support

- White-label treasury deal advisory
- Sales strategy and content
- Treasury service and pricing management
- Deposit interest and ECR management
- Business member treasury reviews



Treasury Operations Support

- Tier II service support
- Account Analysis and transaction support
- Implementation and onboarding for business members

Tru Treasury Platforms

The collage displays various Tru Treasury platform interfaces. At the top left is an 'Account Overview' section listing accounts like 'Test Checking' and 'Plaid Saving' with their respective balances. The top middle shows a 'Product Modules' dashboard with a navigation menu. The middle section features a 'Current Portfolio' table with columns for Status, Date, and Revenue. The bottom section is a 'Member Business Treasury Risk Assessment' form, divided into 'Member Details' and 'Financial Details' sections, with various input fields and dropdown menus.

Tru Online Solutions

- Online Banking Portal connecting SSO to TM fintech
- Fully brandable with flexible architecture
- Monetization opportunity for fractional price point

Treasury Relationship Management System

- Analytics tool at member, branch, region, portfolio view
- Tracks stages of TM pipeline and opportunity
- Generates pricing scenarios and pro formas

Treasury Assessment Calculator (TRAC)

- Business ACH / RDC Risk Management
- Generates Risk score and Exposure limits
- Approval workflows and documentation for compliance

Get CMP Certified!



Cash Management Professional Certification

- Boost your team's Treasury Management Knowledge.
- Increase your team's ability to identify new sales opportunities.
- Improve your team's comfort with having Treasury Management discussions with your members.

