



Looking Out Into 2025: Navigating a Shifting Economic and Banking Environment

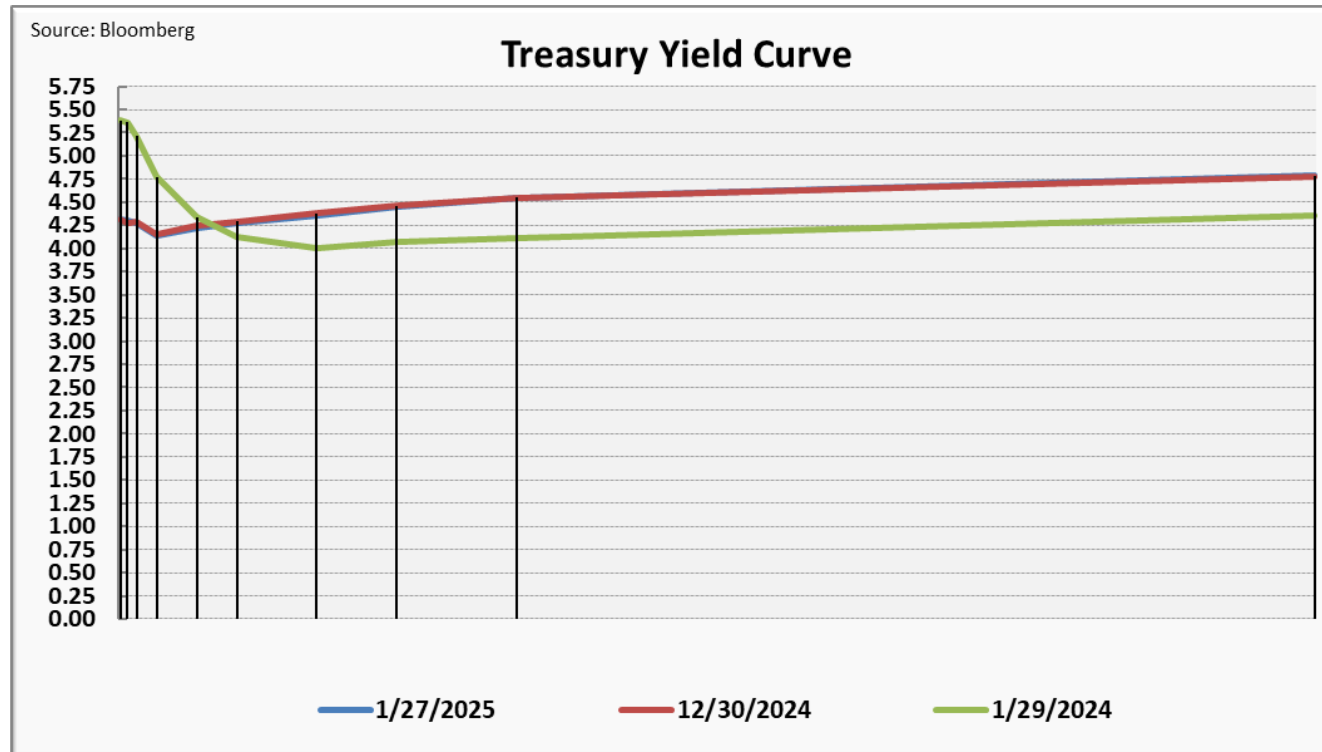
EPG, INCORPORATED

DAVID THOMAS, PRESIDENT

Agenda

- Backdrop: Economic environment in context of the Maine banking industry
- EPG Interest Rate Forecast: Implications for balance sheet management
- What are the most pressing challenges for Northeast banks?
- Is my balance sheet aligned to meet my priorities and address my challenges?
- Lending in the current environment
- Important topics of regulatory focus
- Key elements of successful liquidity management
- How do I assess my liquidity position, and when should I consider changes?
- Important trends to follow in the coming months

Treasury Yield Curve Comparison



Treasury Yields			
	1/27/2025	12/30/2024	1/29/2024
1 Month	4.32	4.31	5.38
3 Month	4.30	4.27	5.36
6 Month	4.27	4.29	5.21
1 Year	4.14	4.15	4.77
2 Year	4.22	4.25	4.34
3 Year	4.27	4.29	4.13
5 Year	4.36	4.38	4.01
7 Year	4.45	4.46	4.07
10 Year	4.55	4.55	4.11
30 Year	4.79	4.77	4.35

An Interest Rate Outlook: Balance Sheet Management



MARKET RATE	Actual (%) 12/31/2024	Projected (%) 12/31/2025	Yr1 Δ	Projected (%) 12/31/2026	Yr2 Δ
FedFunds	4.50	3.75	-0.75	3.75	0.00
Prime	7.50	6.75	-0.75	6.75	0.00
3mthTsy	4.31	3.65	-0.66	3.75	0.10
6mthTsy	4.27	3.60	-0.67	3.75	0.15
1yrTsy	4.14	3.60	-0.54	3.80	0.20
2yrTsy	4.24	3.65	-0.59	3.85	0.20
3yrTsy	4.27	3.65	-0.62	3.90	0.25
5yrTsy	4.38	3.70	-0.68	3.95	0.25
10yrTsy	4.57	3.75	-0.82	4.00	0.25
30yrTsy	4.78	3.85	-0.93	4.10	0.25

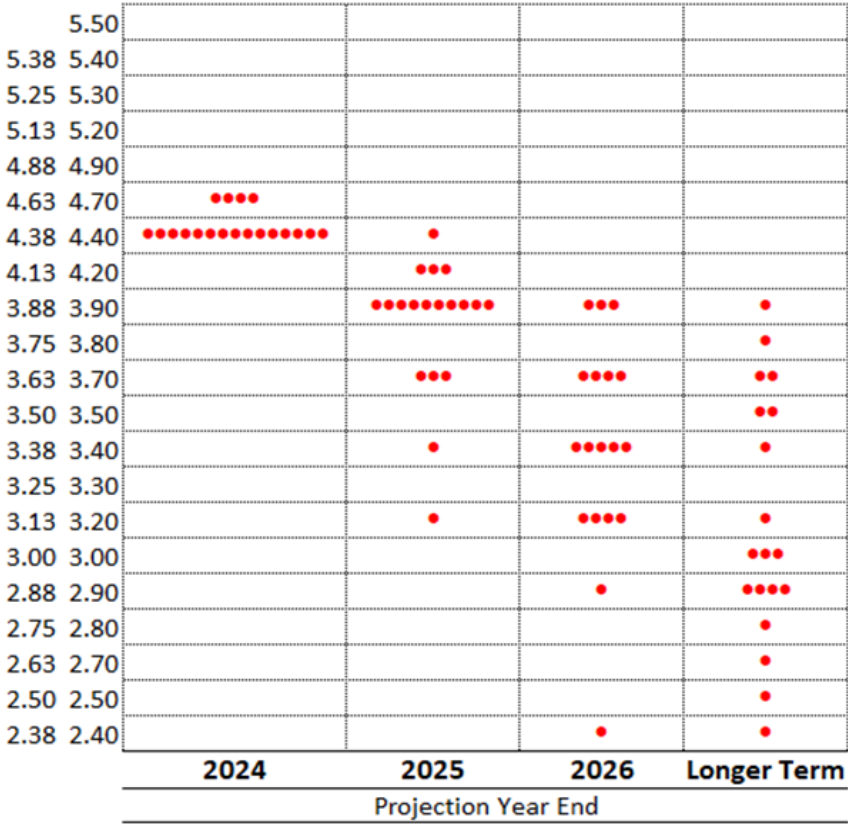
RATE OUTLOOK DESCRIPTION:

This represents EPG's current view of interest rates.
Depending on the actual timing of the ALM meeting, the forecast may be altered and/or updated.
For the most accurate current rate outlook, please call EPG, Inc. at (781) 235-2666.

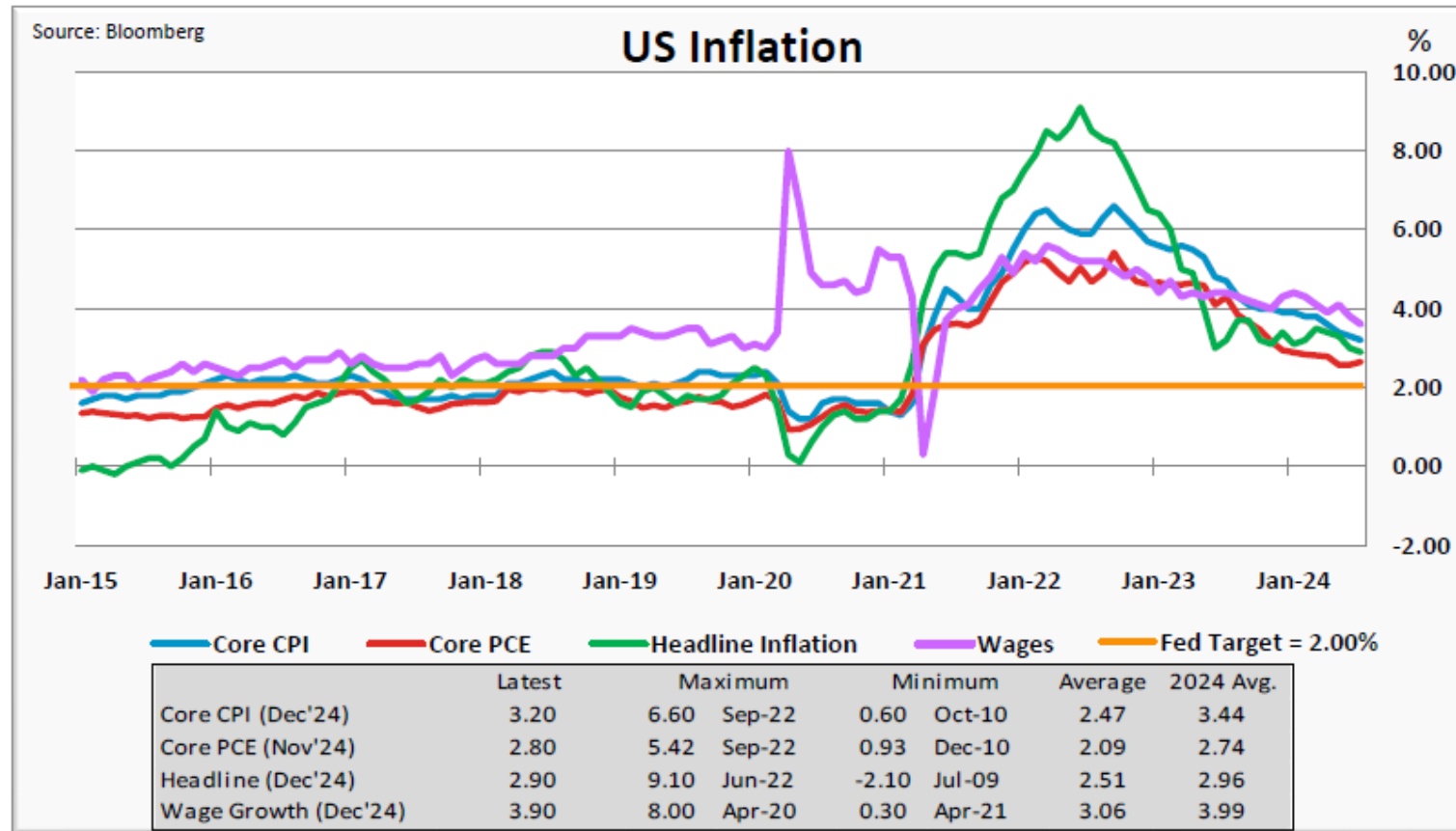
December Dot Plot Projects Fewer Cuts in 2025



FOMC DOT PLOT

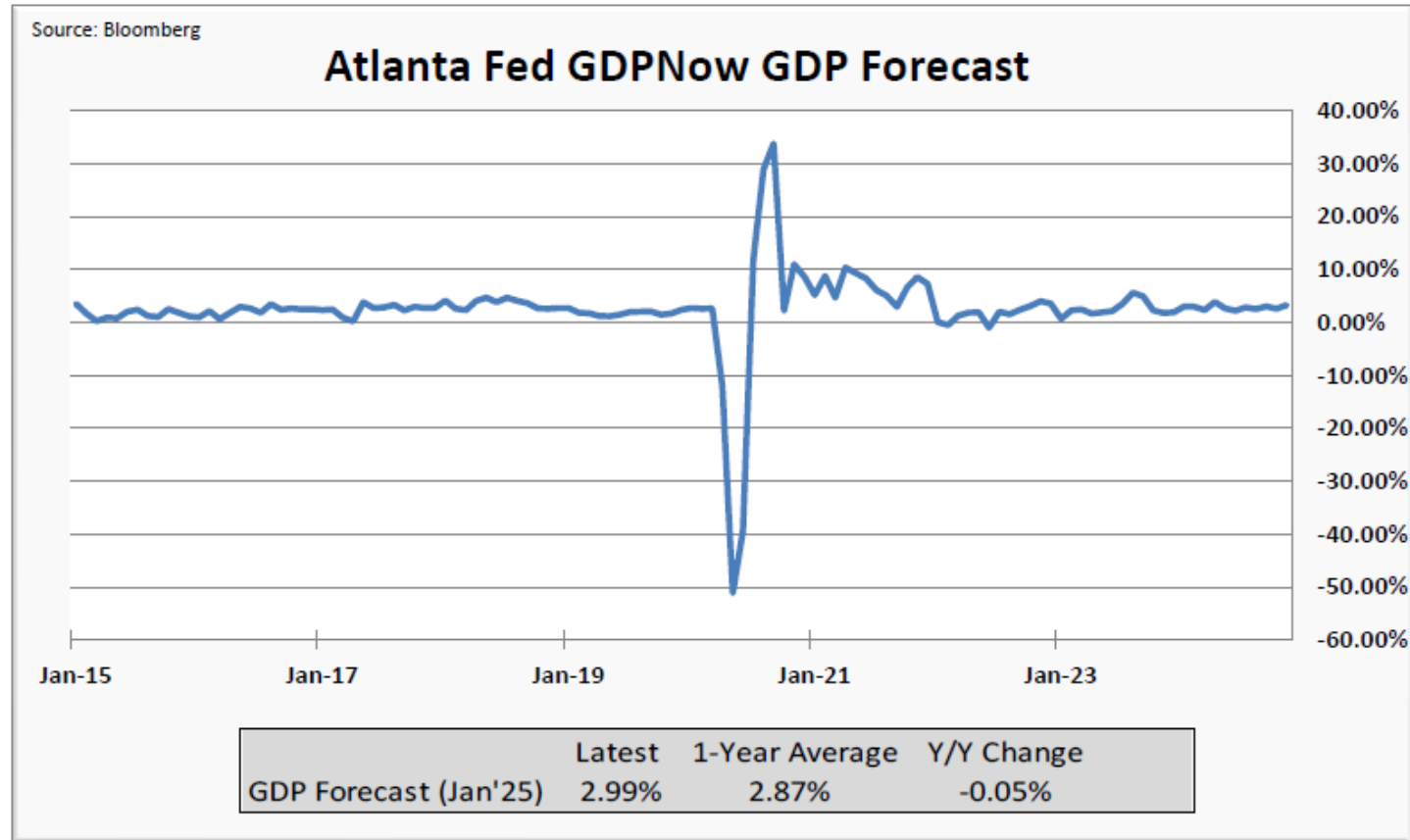


Inflation Still Above 2% Target Prior to Tariff Impacts



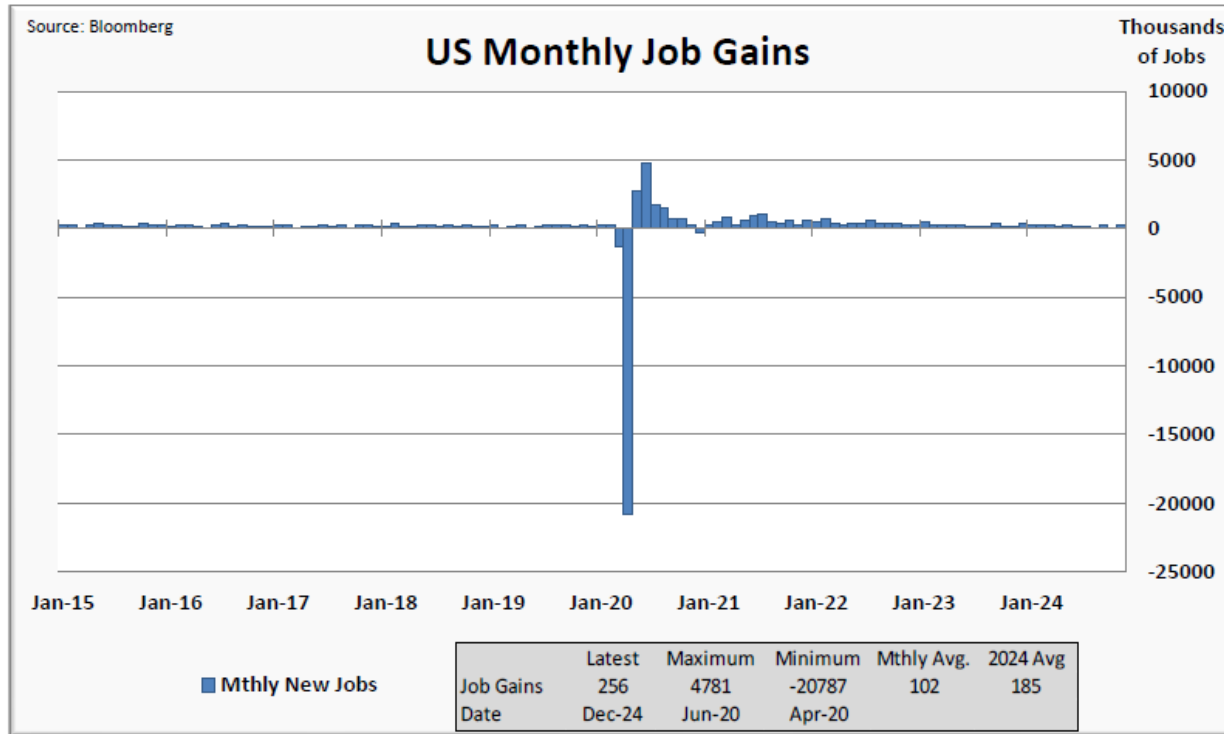
December 2024: Core CPI down to 3.2% from 3.3%; Headline Inflation up to 2.9% from 2.7%.

GDP Growth Forecasts Still Above Longer-Term Average

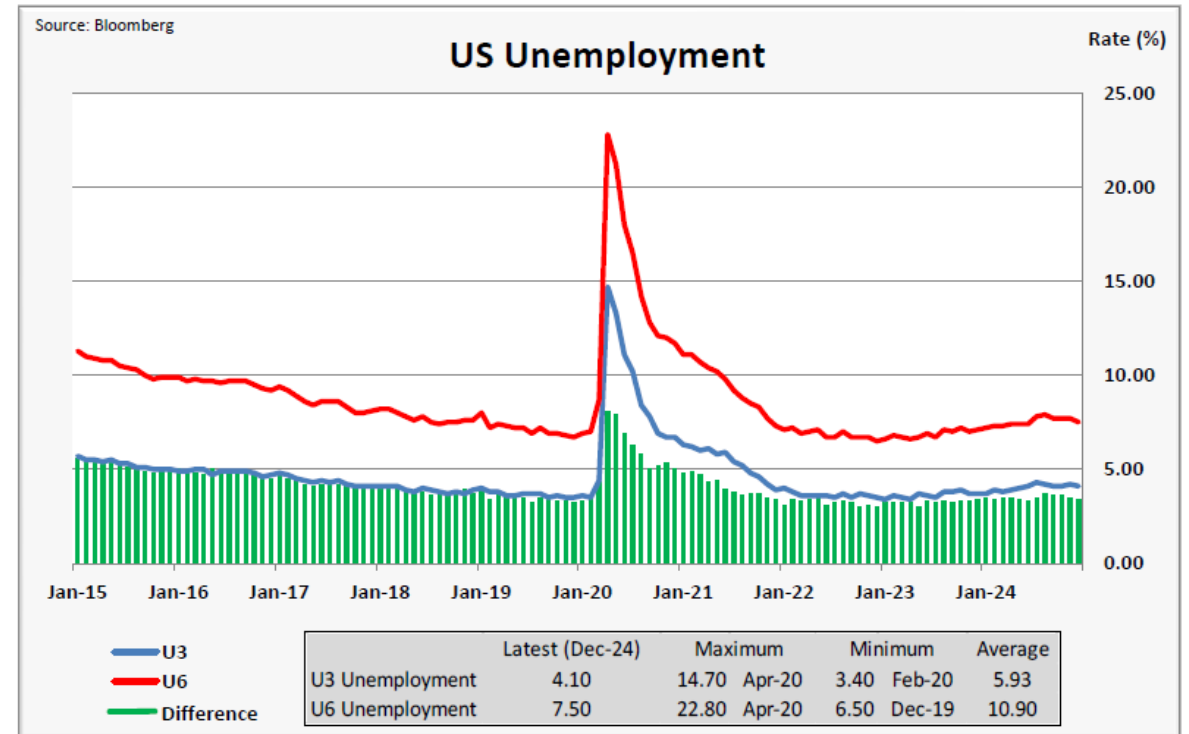


Atlanta Fed GDP Forecast now at 2.99%.

Labor Market Slowing, But Still Expanding

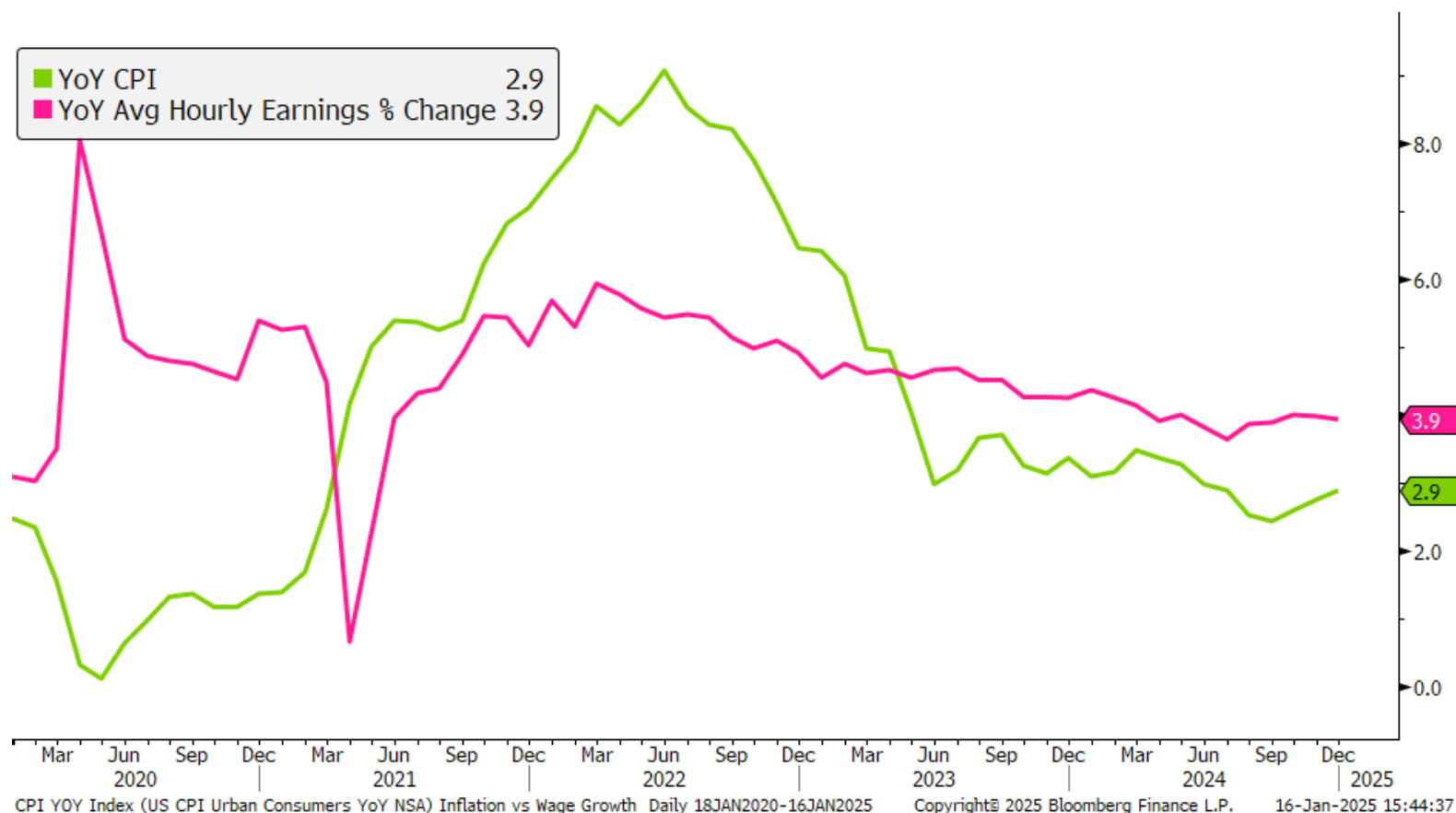


256k new jobs created in December, sharply outperforming expectations of 153k.



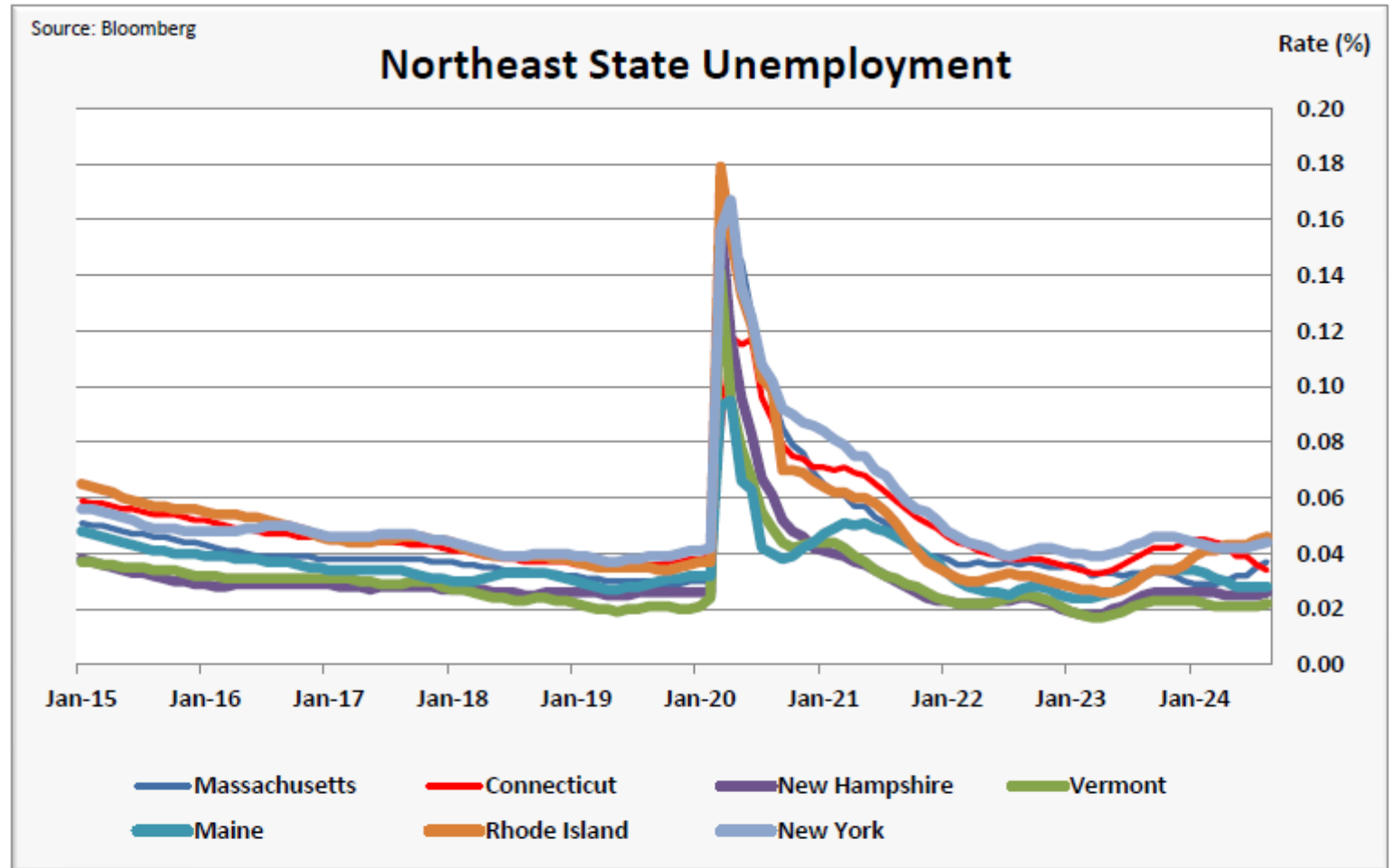
Dec'24: the U3 rate decreased 0.1% to 4.1%; The U6 rate decreased 0.2% to 7.5%.

Wage Growth Still Ahead of Inflation, Fueling Consumer Spending



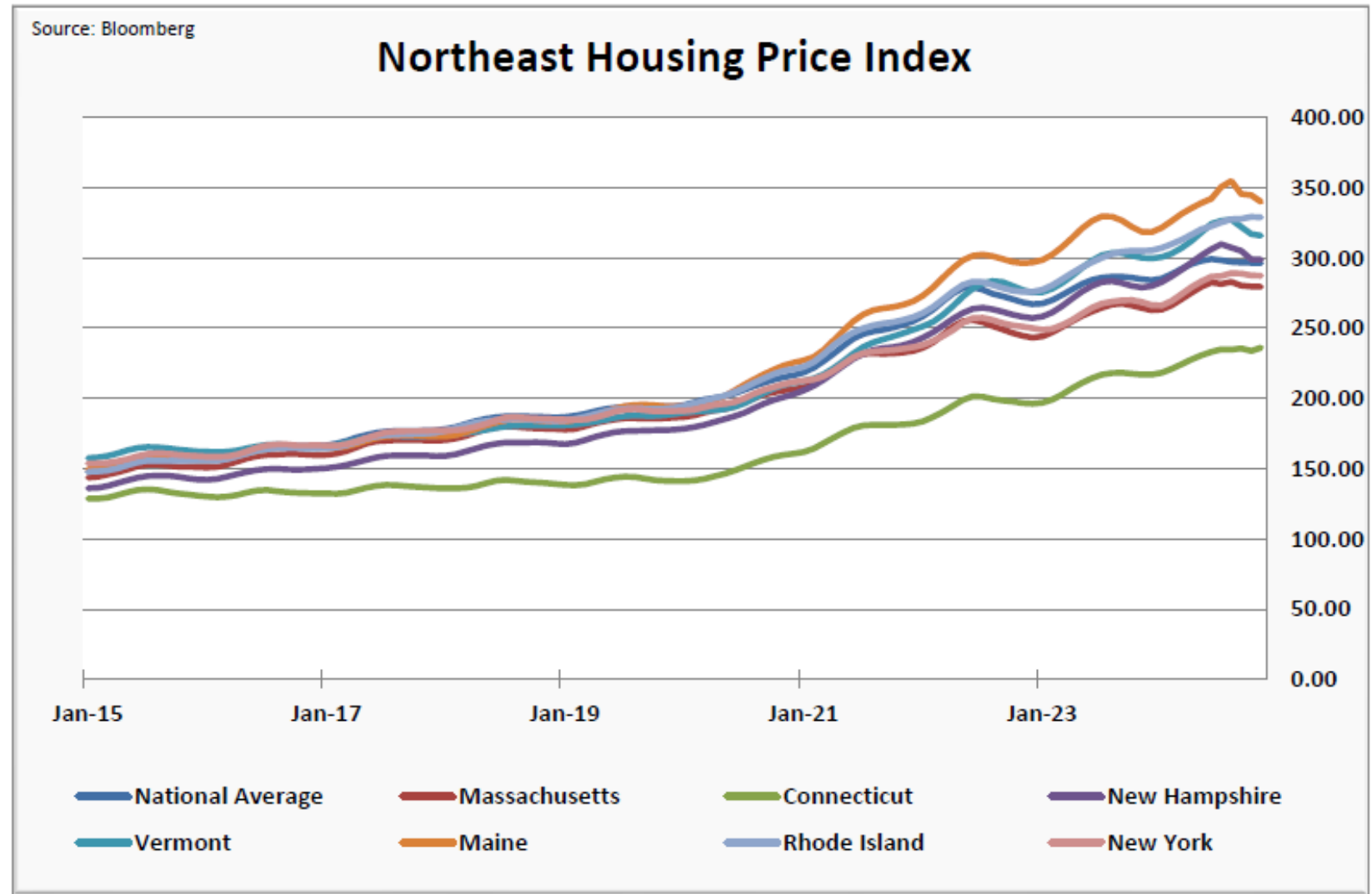
Source: Bloomberg LP

Northeast Labor Market



	Latest (Nov-24)	Q/Q Change	Y/Y Change	1 Yr. Average
Massachusetts	4.00%	0.30%	0.80%	3.33%
Connecticut	3.00%	-0.40%	-1.20%	3.84%
New Hampshire	2.50%	-0.10%	-0.10%	2.54%
Vermont	2.40%	0.20%	0.10%	2.20%
Maine	3.10%	0.30%	-0.30%	3.02%
Rhode Island	4.60%	0.00%	1.20%	4.29%
New York	4.40%	0.00%	-0.20%	4.33%

Northeast Housing Prices Continue to Trend Upward



What are the most pressing challenges for Community Banks?



Liquidity Management

Loan growth in likely environment

Net interest margin management

Performance Metrics

- Which of these can I control, and which can I not?
- How do I accomplish these?

Is my balance sheet aligned to meet my priorities and address my challenges?

- More than just the asset and liability mix: must look deeper
 - Product structure
 - Retail market knowledge
 - Brand clarity



Lending in the Current Environment



Anticipated loan demand looking into 2025



Competitive advantage?



Lending “best practices”

Structure

Rate

Credit Dynamics

Topics of Regulatory Focus



Capital



Liquidity



Credit Risk



Interest Rate Risk

Discussion Points for Liquidity Management

Effective corporate governance consisting of oversight by the BOD and active involvement by management in an institution's control of liquidity risk.

Appropriate strategies, policies, procedures, and limits used to manage and mitigate liquidity risk.

Comprehensive liquidity-risk measurement and monitoring systems.

Active management of intraday liquidity and collateral.

An appropriately diverse mix of existing and potential future funding sources.

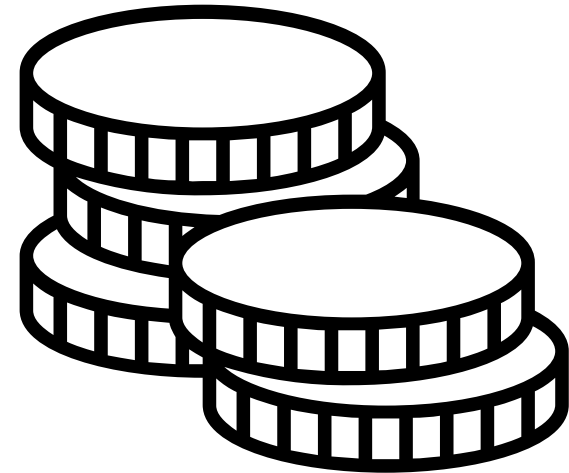
Adequate levels of liquid marketable securities free of legal, regulatory, or operational impediments that can be used to meet liquidity needs in stressful situations.

Comprehensive contingency funding plans (CFPs) that sufficiently address potential adverse liquidity events and emergency cash flow requirements.

Internal controls and internal audit processes sufficient to determine the adequacy of the institution's liquidity-risk management process.

Factors to Assess Adequacy of a Bank's Liquidity Position

- Historical funding requirements
- Current liquidity position
- Anticipated future funding needs
- Sources of funds
- Options for reducing funding needs or attracting additional funds
- Current and anticipated asset quality
- Current and future earnings capacity
- Current and planned capital position



Important Trends to Follow in the Coming Months



Questions?

Please contact David Thomas at dthomas@epgadv.com

205 Newbury Street, Suite 403 / Framingham, MA 01701

(800) 535-4544

www.epgadv.com

Disclaimer: This Document has been prepared by EPG Incorporated and is being circulated for general information only. EPG Incorporated is not making any recommendations or soliciting any action based upon the information contained in the Document and the views expressed above do not constitute and may not be relied on as investment advice. Nothing in the Document is an offer or solicitation to buy or sell any security. Although the Document may include investment related information, nothing in the Document is a recommendation that you purchase, sell or hold any security or other investment, or that you pursue any investment style or strategy. Nothing in the Document is intended to be, and you should not consider anything in the Document to be, investment, tax, accounting or legal advice. The market analysis, estimates and similar information, including all statements of opinion and/or belief, contained in the Document are subject to inherent uncertainties and qualifications are based on several assumptions. You should carefully review the information provided regarding such analysis and assumptions. All information is provided on an 'AS IS' basis only. The material in the Document is based upon information that EPG, Incorporated considers reliable, but no representation or warranty (express or implied) is being made that such information is accurate or complete, and it should not be relied on as such. EPG Incorporated shall not have any liability for the accuracy of the information contained herein, for delays or omissions herein, or for any results based on the recipient's use of the information. The views and opinions expressed above are as of the date of this commentary only and are subject to change at any time based upon market or other conditions. EPG Incorporated disclaims any responsibility to update such views. The Document is confidential and is not to be reproduced or distributed to persons other than the recipient and is intended solely for their internal use. Certain transactions and instruments discussed in the Document give rise to substantial risk and are not suitable for all investors. EPG Incorporated, or persons involved in the preparation or issuance of this material, may from time to time have long or short positions in, or buy and sell, securities, futures, or options identical or related to the securities and instruments mentioned herein. This material has been issued by EPG Incorporated, which may have acted upon or used this research prior to or immediately following its publication. It should not be assumed that any of the instruments discussed in the Document were, or will prove to be, profitable. Notwithstanding the foregoing, nothing contained in the preceding paragraph shall constitute a waiver by you of any of your legal rights under applicable U.S. federal securities laws or any other laws whose applicability is not permitted to be contractually waived. Copyright EPG, Incorporated 2023.

The preceding contents prepared by EPG are for general information only and do not constitute investment advice, nor convey any performance claim.