

SCALING TO \$276M

OPTIMIZING NET INTEREST MARGIN & OPERATIONAL EFFICIENCY



A Strategic Roadmap to 30% ROE by 2028

Prepared for the Board of Directors &
Executive Management Committee

The Strategic Profitability Bridge

Core Thesis: To achieve \$276M in assets with a 30% Return on Equity (ROE), we must simultaneously widen the Net Interest Margin (NIM) and flatten the fixed-cost curve.



1. Yield Expansion

Shift asset mix to high-yield Consumer Loans (**95% yield**) and Small Business products (**85% yield**).



2. CoF Compression

Aggressive deposit mix shift from CDs (**3.5%**) to Checking (**.01%**) to drive average CoF to **1.5%**.



3. Operational Leverage

Cap marketing spend at **20%** of revenue by 2030 and decouple headcount from asset growth via automation.



4. Liquidity Optimization

Rebalance the **\$22M** investment portfolio from T-Bills to Corporate Bonds.

Key Metric: Current **Overhead (\$642k)** must support tripled volume.

Strategy 1: Optimizing Loan Portfolio Yield

Prioritizing High-Yield Assets to Drive Net Interest Income (NII)



The Opportunity:

A 50 basis point lift on the total loan book is achievable by prioritizing Consumer and Small Business (85% yield) origination.

Impact:

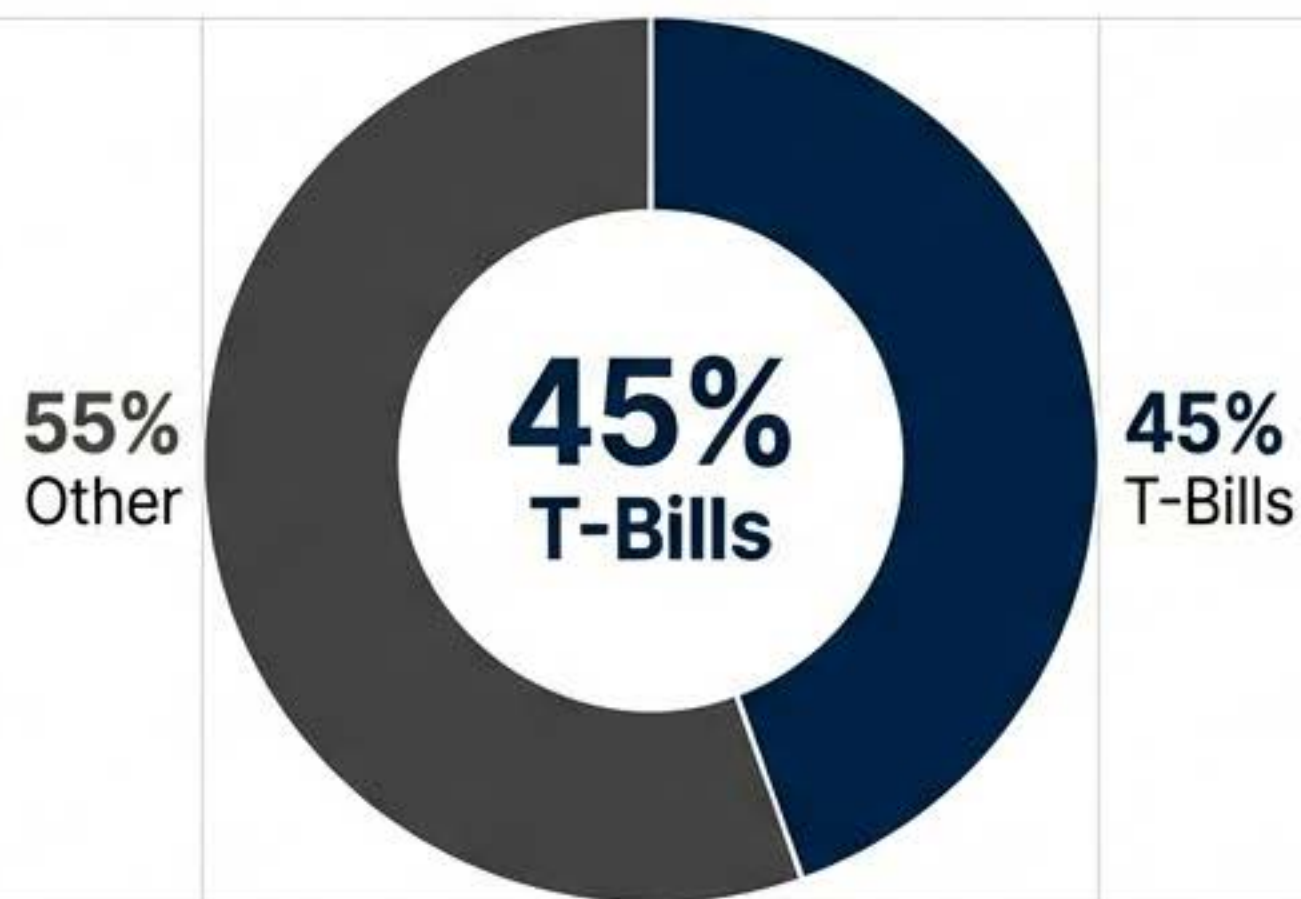
Shifting just \$10 million from a 6% yield asset to the 95% consumer product creates a visible impact within one quarter.

Risk Note: High yield requires quantified Loan Loss Provisions (LLP) to offset default risk.

Strategy 5: The Investment Portfolio Pivot

Maximizing Returns on \$22M in Liquid Assets

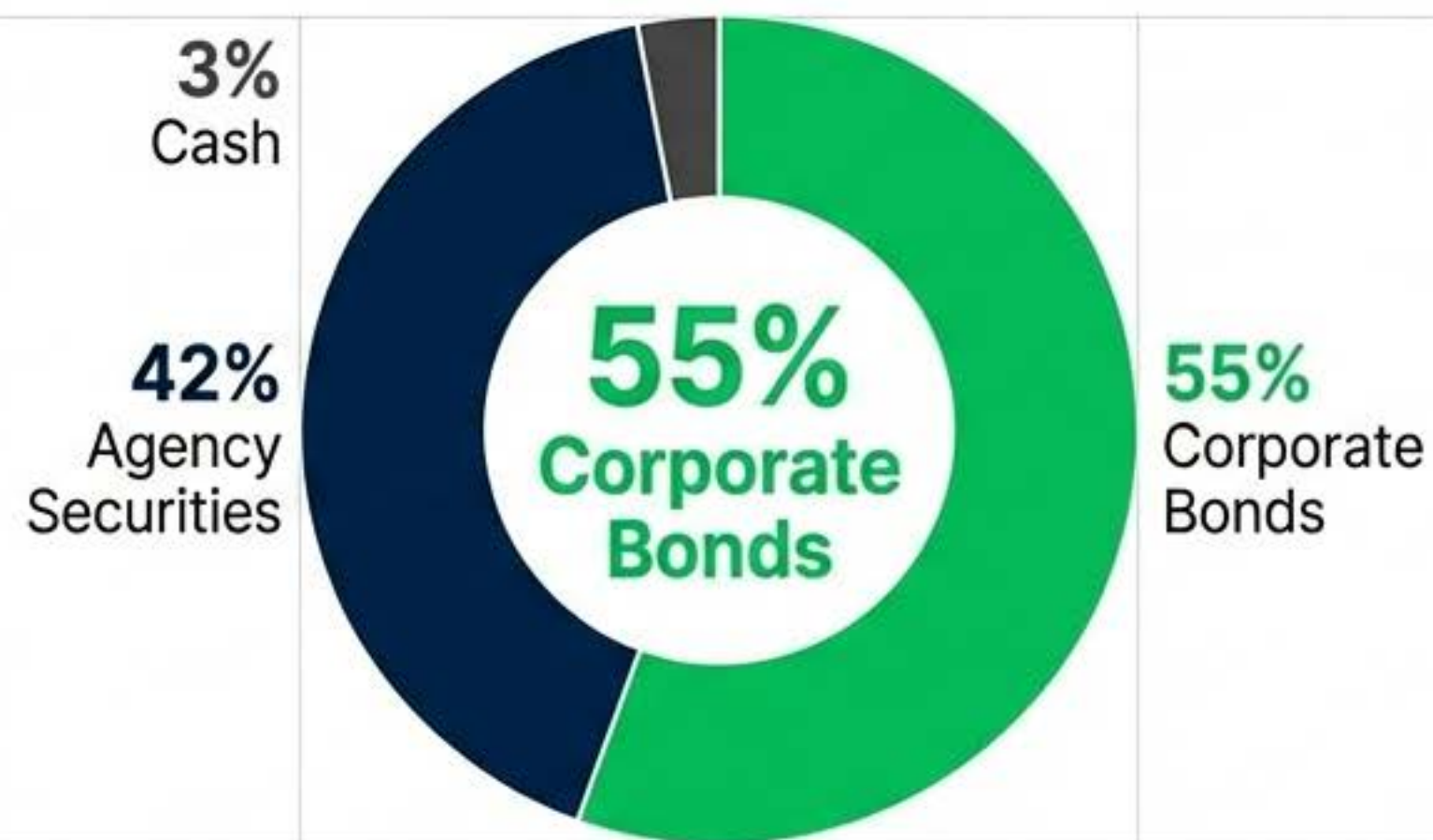
Current State (Lazy Capital)



The Logic:

Idle cash is wasted opportunity. We must capture the yield spread between T-Bills and Corporate Bonds immediately.

Future Target (Active Yield)



Action Items:

- Prioritize Bond purchases first.
- Monitor yield curve changes weekly.
- Exit T-Bills upon maturity.

Strategy 4: Diversifying Non-Interest Fee Income

Stabilizing Earnings Beyond Interest Spreads

Payment Processing



Current Take-Rate: 20%

Target Take-Rate: **23%**

Action: Tier pricing based on client size to capture volume scale.

Wealth Management



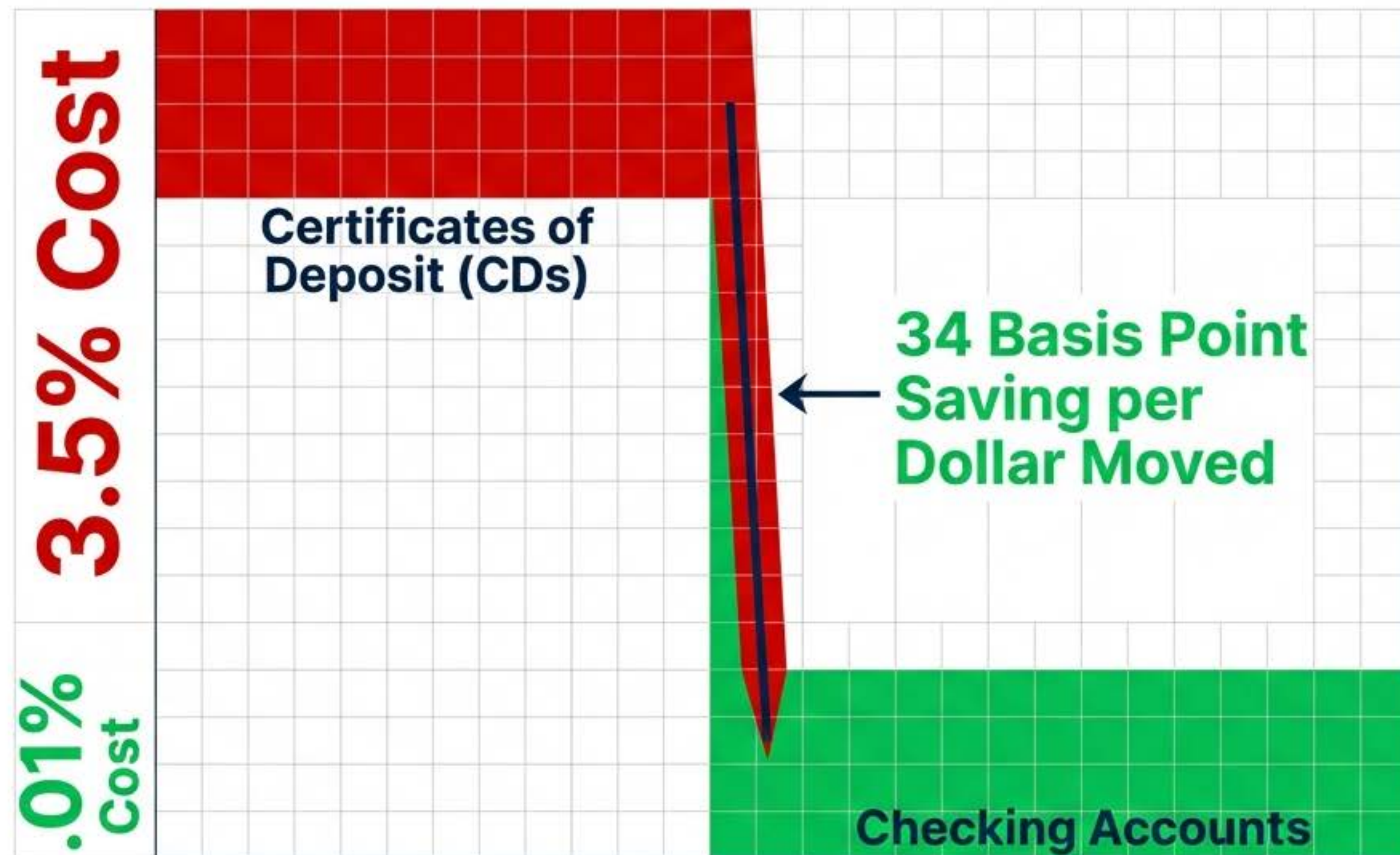
Benchmark Fee: **100 bps (1.00%)**

Basis: Assets Under Management (AUM)

Goal: Non-interest fee revenue must cover 30% of fixed overhead by year-end 2025.

Strategy 2: Drastically Reducing Cost of Funds (CoF)

The Deposit Mix Shift is Our Fastest Profit Lever



Target:

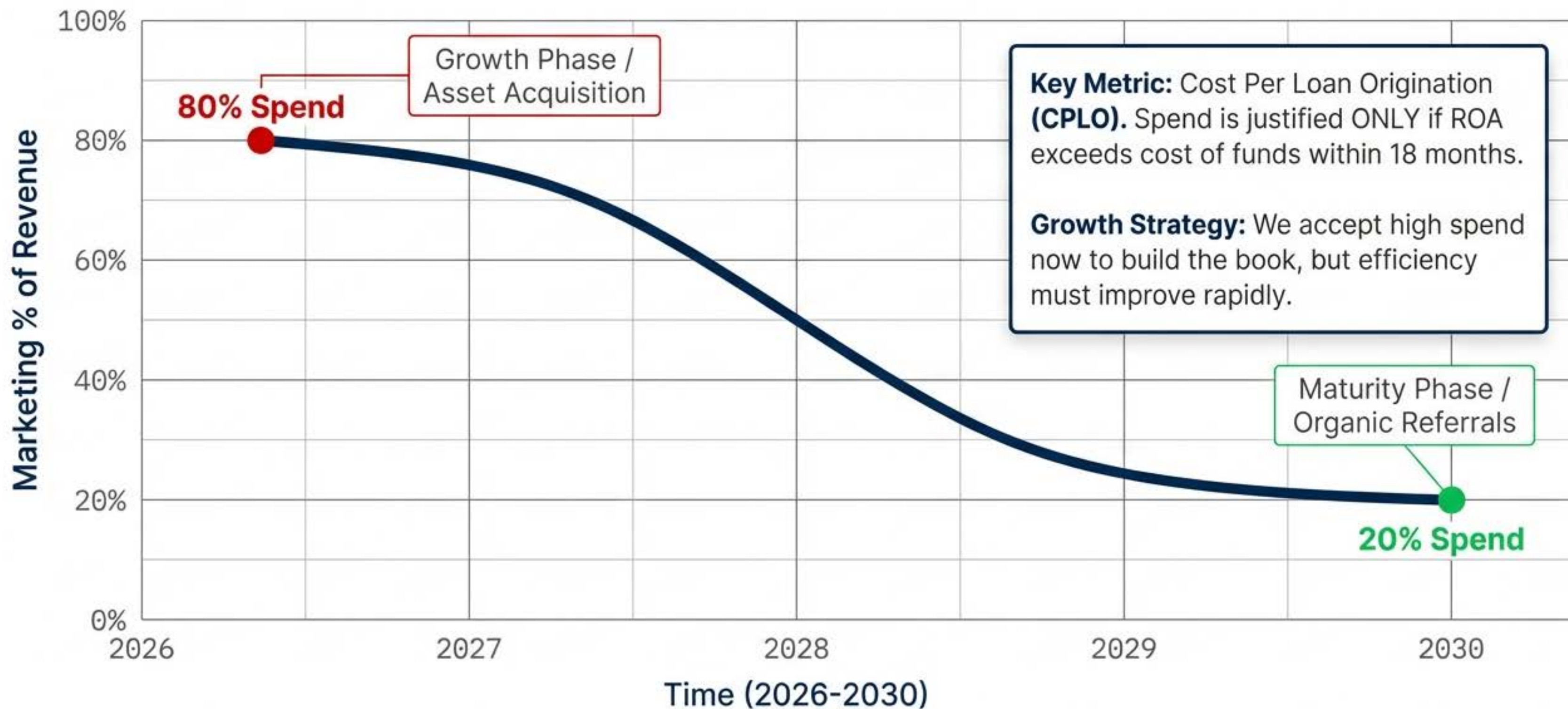
Drive average CoF from 2.2% down to 1.5%.

Execution:

Marketing must focus purely on deposit acquisition volume (cheap fuel).
Incentivize advisors to promote checking over term deposits.

Strategy 6: Marketing Spend & Efficiency Curve

From Acquisition Aggression (2026) to Organic Efficiency (2030)



The Scalability Challenge

Supporting \$276M Assets on Today's Infrastructure

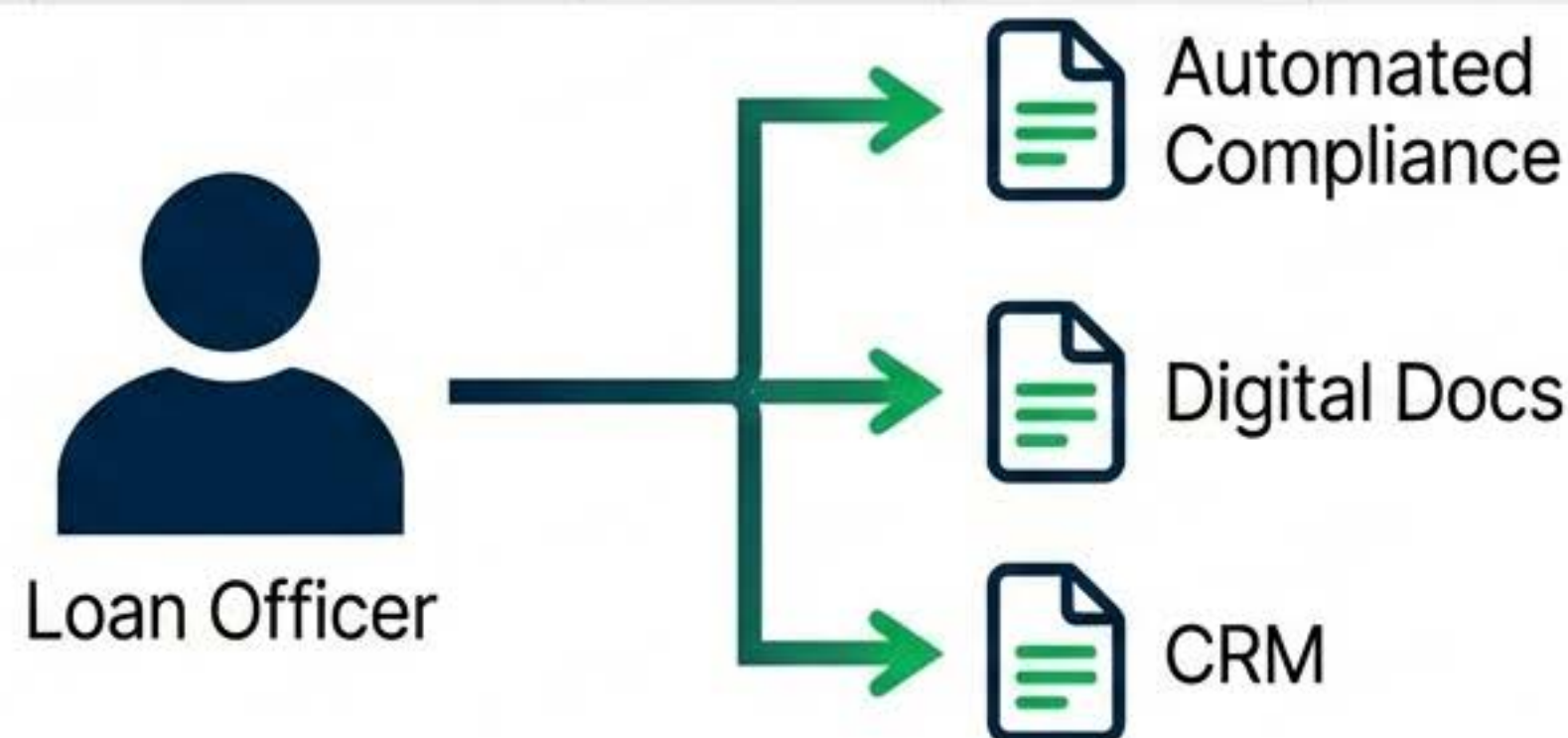


- **The Constraint:** Current Fixed Overhead is \$642,000 annually.
- **The Goal:** Cost per dollar of asset must shrink by 80% to hit 2028 targets.
- **Insight:** Managing technology and compliance expenses relative to growth is the critical hurdle.

Strategy 3: Employee Productivity & Revenue Per Head

Decoupling Headcount from Asset Growth

- **Baseline:** Loan Officer (LO) cost = \$80k/year.
- **Scale Challenge:** Growing from 40 to 120 LOs pushes salary expense to \$9.6M.
- **Solution:** Tech must ensure new LOs generate revenue above linear cost scaling.



Metric: Revenue Per Employee > Cost Per Employee

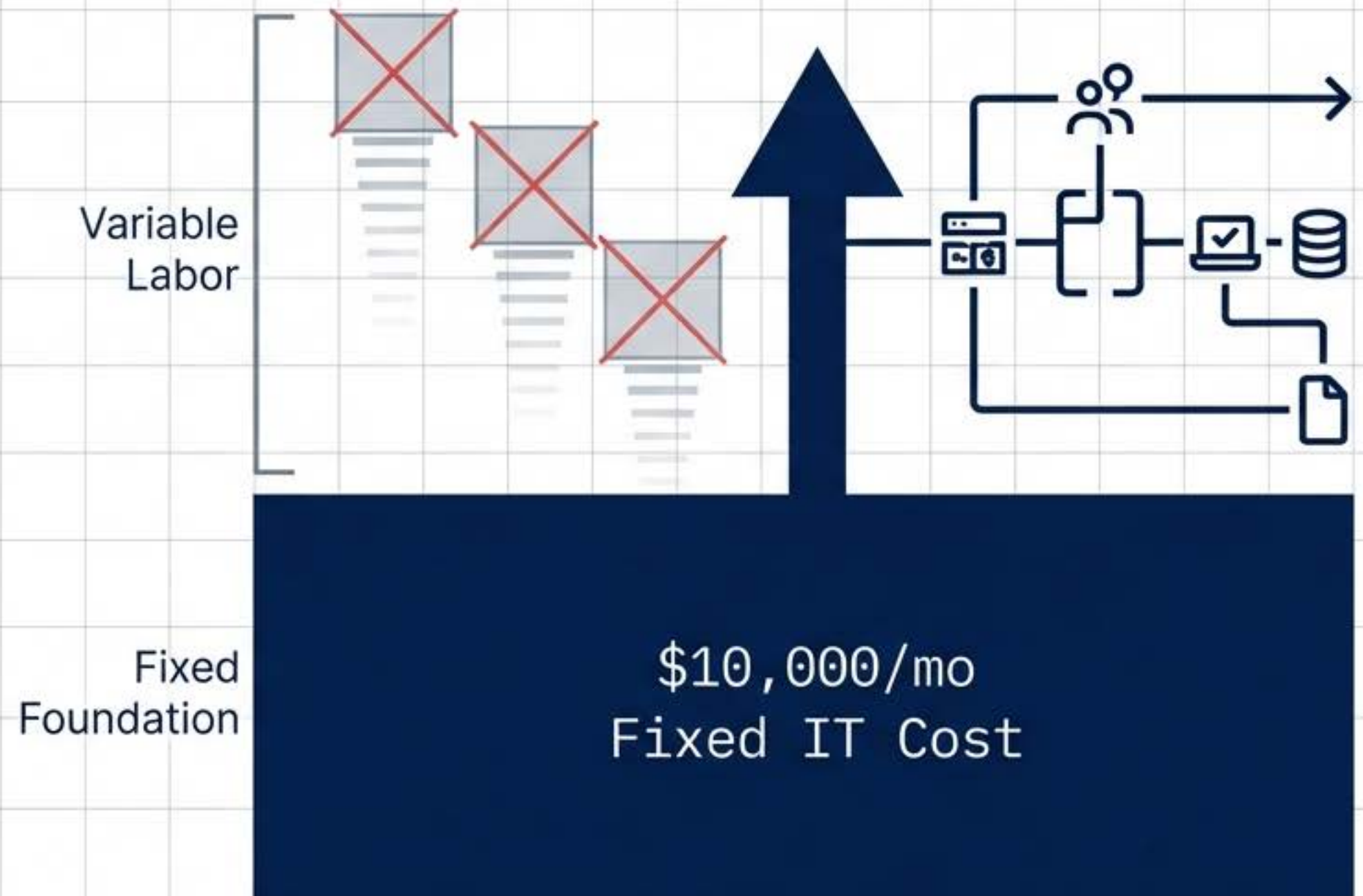
Tactic: Staffing levels indexed to complexity, not volume.

Strategy 7: Automating the Back Office

Locking in Fixed Costs via IT Automation

Key Data Points

- Investment: \$10,000/month software license.
Inter Regular
- Term: 36-Month Contract Lock-in.
Inter Regular
- Strategic Logic: Fixed IT costs are preferable to variable labor costs. This stabilizes the cost-to-serve per customer before transaction volume
Inter Regular



Managing the Risk of Growth

Protecting the Upside



Credit Risk

High-yield consumer loans (95%) carry high default rates. We must quantify Loan Loss Provisions (LLP) accurately.



Compliance Risk

Regulatory costs step up at \$150M assets. Map BSA/AML monitoring software triggers now.



Churn Risk

Digital onboarding is the bottleneck. If onboarding takes >14 days, churn risk rises for tech-savvy customers, wasting marketing ROI.

The Combined Effect on Net Interest Margin

$$\left[\begin{array}{c} \text{Yield Increase} \\ + \\ \text{Fee Income} \end{array} \right] - \left[\begin{array}{c} \text{CoF Reduction} \\ + \\ \text{OpEx Efficiency} \end{array} \right] = 30\% \text{ ROE}$$

We are pulling 7 levers simultaneously to maximize the spread.

Strategic Timeline (2025 - 2030)

Phase 1: Immediate (2025)

Rebalance Investment Portfolio (Exit T-Bills)

Slate Grey Inter Medium

Launch .01% Checking Marketing Campaign

Slate Grey Inter Medium

Authorize \$10k/mo IT automation

Slate Grey Inter Medium

2025

Phase 2: Acquisition (2026)

High Marketing Spend (80% of Revenue)

Slate Grey Inter Medium

Automate Loan Origination

Slate Grey Inter Medium

2026

Phase 3: Scale & Maturity (2028-2030)

Scale to \$276M Assets

Growth target achieved through sustained effort

Marketing spend drops to 20%

Efficiency gains realized

Fee income covers 30% of overhead

Stable revenue stream established

2028

2029

2030

Immediate Next Steps

1



IT: Authorize the \$10,000/month automation budget and lock 36-month terms.

2



Marketing: Shift focus solely to .01% Checking Accounts to drive CoF down.

3



Treasury: Liquidity Team to exit T-Bills for Corporate Bonds immediately.

4



Lending: Set new Loan Officer quotas based on Consumer/Small Biz origination to capture the 50bps yield lift.