



BANK RISK MONITOR

— Defensible Risk Management —

BANKING CRISIS 2023

IF YOU READ THE NEWS, IT'S PROBABLY NOT WHAT YOU THINK

Andrew B Miller, PhD

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This presentation is based entirely on public information and is preliminary. It, therefore, does not represent an expert opinion.

WHO'S SPEAKING?

Andrew B Miller, PhD is a finance professional with over 25 years of experience working with and consulting to financial services companies.

Dr. Miller is a technical expert in risk management and valuation with executive-level corporate experience.

Dr. Miller has testified on behalf of banks in federal courts and in front of the SEC. He has conducted numerous independent banking investigations.

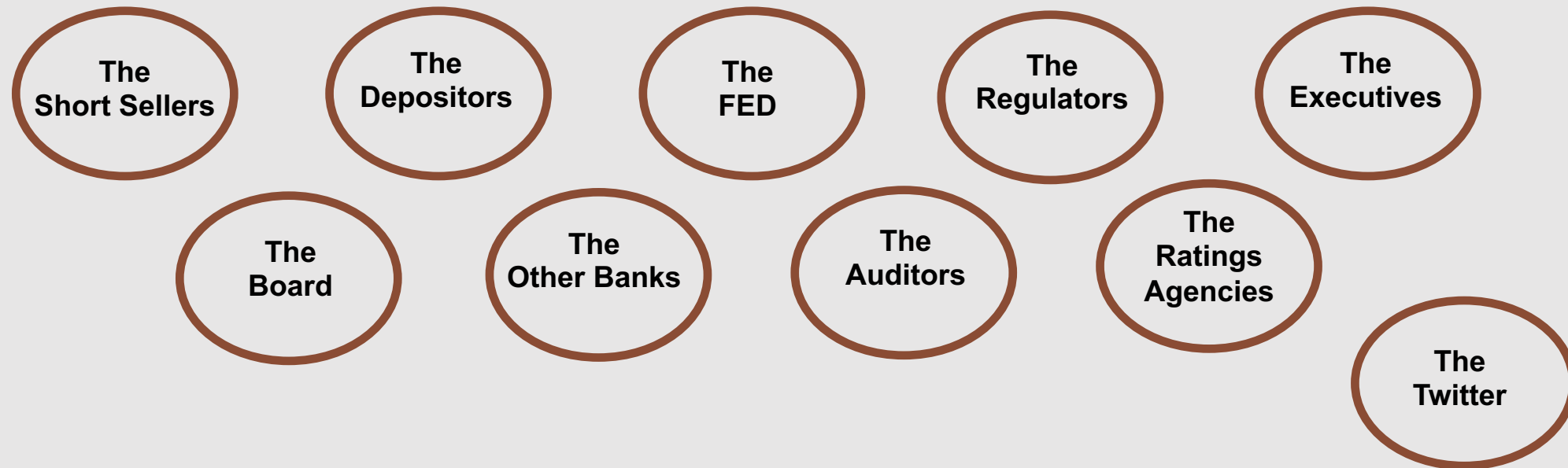
Dr. Miller holds a PhD from Cornell and an MS from Stanford. He was previously a professor at NYU.

Dr. Miller has consulted to financial services companies and their outside counsel including Citigroup, Duetsche Bank, JPMorgan, Bank Of America, Wells Fargo, AIG, Blue Mountain Capital (now Assured Investment), the Federal Housing Finance Association and the FHLB Chicago, among others.

WHY ARE WE HERE TODAY?

The recent banking “situation” is causing a boatload of speculation about who is to blame

Stakeholders who have come under fire



WHAT IS BEING SAID

Fed Official Calls Silicon Valley Bank Failure a ‘Textbook Case of Mismanagement’ WSJ 3/24/23

- “SVB failed because the ***bank’s management did not effectively manage its interest rate and liquidity risk***, and the bank then suffered a devastating and unexpected run by its uninsured depositors,” said Michael Barr, the Fed’s vice chairman for supervision, in written testimony released by the central bank.
- **The Fed is not mincing words, it places the blame on the executives and the board.**
- **What does that mean for your bank?**

WHAT IS BEING SAID

Fed's Barr Says Silicon Valley Bank Failed Because It Didn't Address Clear Risks, WSJ 3/28/23.

- Barr doubled down in actual testimony stating, “Fundamentally, the bank failed because its management failed to appropriately address **clear** interest-rate risk and **clear** liquidity risk,” Mr. Barr said, saying those concerns were initially highlighted by supervisors of the bank in November 2021.”
- In testimony, Barr, Gruenberg and Liang also cited ***mismanagement missteps such as a high proportion of uninsured deposits as well as heavy losses on securities portfolios***.

Now, wait a minute. Is the Fed blaming banks for having trusting depositors and suffering valuation losses (that HTM rules are designated for) on UST and agency-backed investments caused by recent Fed rate increases? All banks fall into this category – **what are the clear management failures?**

What caused this banking crisis?

