

# ANNUAL REPORT TO DEPOSITORS



## ECONOMIC OVERVIEW

The Federal Reserve embarked on their monetary tightening program in March 2022, and has since raised its target rate from near 0% to 5.50% today. Widely held expectations for a rate cut in 2024 have waned as economic data and employment have remained strong. Whereas inflation has been stubbornly high around 3.5%, well above the Fed's explicit goal of 2%. Bond markets have adjusted to higher interest rates which from a historical perspective are actually closer to normal rate levels, now in a context of 4.50% to 5.50%. Remarkably, the yield curve has remained inverted, meaning short-term interest rates are higher than long-term rates for the last 21 months. This has been the longest continuous inversion for the U.S. Treasury market, and historically nine out of ten times an inversion has been a prelude to economic recession within the following two years.

Global equity markets were hit hard by higher interest rates, but about seven months into the Fed's tightening cycle they stabilized, and subsequently posted strong gains in 2023 and through Q1 2024. The S&P 500 is up 50% from the October 2022 low while the NASDAQ 100 is up a blistering 71% during the same period. These returns are more akin to mid-cycle expansion rather than an economy on the precipice of recession. However, consumer sentiment is softening and a large cohort of Americans are now struggling under inflation-induced hardships. Key consumer expenses such as housing, food, and energy are all up more than 20% over the last three years. The country's top 1% have \$20 trillion invested in equities as opposed to just \$400 billion owned by the entire bottom half. This dichotomy highlights that not everyone experiences "one economy" but rather different economies, creating a financial chasm that is unfortunately widening.

Perhaps adding to Americans' angst in the shadow of booming financial markets are geopolitics. The Israel-Hamas and Ukraine-Russia wars, in addition to the China-Taiwan tensions, have raised the stakes and consequences from missteps to a higher level than any time since World War II. Adding to this turmoil is the Biden-Trump presidential rematch which could heighten market volatility later this year. These presidential contenders are polar opposites on economic, immigration and foreign policy matters thus each are expected to lead the nation in starkly different directions.

Artificial Intelligence (AI) took a foothold in markets and investors' minds last year due to tremendous advances in AI in terms of accessibility and generative output quality. Although we are still in the early innings of this massive technological disruption, the cyber-verse continues to transform and innovate our economy. A range of areas from AI to cryptocurrencies to self-driving electric vehicles are radically altering the status quo, but should lead to advances in productivity and the quality of our daily life.

## FINANCIAL STRENGTH

Measured on a combined basis, as of December 31, 2023 Emigrant Bank and its Affiliated Banks had approximately \$6.3 billion in assets and over \$1.4 billion in total equity capital. Emigrant's total capital-to-asset ratio of over 22% places its capital strength among the highest in the nation. Emigrant's conservative balance sheet provides the bedrock foundation from which it generated \$37.4 million of net income in 2023. Our balance sheet closely matches the repricing of assets and liabilities to reduce exposure to market interest rate shocks. Prudent interest rate risk management and conservative credit underwriting are key to our successful strategy. Emigrant's primary responsibility is to be a trusted fiduciary of our depositor's money. Profits are earned prudently year after year but never compromising our well-honed framework of tightly managed business risk.

## SERVING OUR CUSTOMERS

Emigrant Bank retains over 4,800 mortgage loans totaling nearly \$1.4 billion on our balance sheet. Emigrant's three internet bank initiatives; **EmigrantDirect**, **DollarSavingsDirect** and **MySavingsDirect** are ideal platforms for our customers to bank and save via the internet. Overall our diversified internet and branch based deposits of approximately \$4.7 billion serve over 183,000 accounts in all 50 states.

Throughout our continuous 174 year history, Emigrant Bank has focused on its mission to serve the banking needs of small savers. To this day, an interest bearing savings account can be initiated with as little as one dollar at an attractive rate of interest, free of account fees, and is FDIC insured up to \$250,000 per depositor. We pride ourselves in the elegant simplicity of our banking and lending offerings. Competitors sometimes offer unnecessarily complex products with an intention to harvest fees from their clients rather than to serve their best financial interest.

## LOOKING AHEAD

Under the umbrella of our affiliate, New York Private Bank & Trust (NYPB&T) we continue to thrive and reach a new generation of clients across the nation. We have expertise in personal trusts and estate plans, offer asset management advisory services, and can construct innovative financing strategies. To learn more about our entire suite of private banking and investment businesses, please visit: [www.NYPBT.com](http://www.NYPBT.com).

Emigrant is the quintessential community bank that now operates on a national level in terms of deposit gathering, lending, and investment management. As we approach Emigrant's 175th Anniversary, the Milstein family is humbled to have been entrusted by our depositors and clients with their money for nearly four decades. Our paramount concern has always been the safety and soundness of our bank. We will ensure that one of the oldest, most financially sound banks in the nation will continue to serve your needs and the needs of future generations. Our bank is your bank too!



**HOWARD P. MILSTEIN**

Chairman, President and Chief Executive Officer