Banking Conditions

Ryan Harwell
Vice President,
Examinations and Inspections
Earnings pressured by increased expenses, reduced non-interest income

Return on Average Assets (YTD)
Tenth District Banks

Change* in Annual Net Income
Percent of Average Assets, Tenth District Banks

Source: Reports of Condition and Income
*Note: An increase in expense items is shown as a negative impact to earnings, and a decrease in expense items is shown as a positive impact to earnings.
Margins fell as funding costs increased

Source: Reports of Condition and Income
*Note: An increase in expense items is shown as a negative impact to earnings.
Balance sheet shifts impacting liquidity

Change in Balance Sheet Items
December 31, 2023, Tenth District Banks

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<tr>
<th>Assets</th>
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Source: Reports of Condition and Income

Banking & Supervision Forum
Moderate loan growth amid competition for deposits

Loan Growth (%) by Type
Tenth District Banks, Merger-Adjusted
Year-Over-Year as of December 31, 2023

Loans to Core Deposits Ratio
Tenth District Banks

Source: Reports of Condition and Income
Reduced asset-based liquidity, increased reliance on noncore funds

**Liquid Assets**

Percent of Assets, Tenth District Banks

- Int-Bear Bank Balances
- Fed Funds Sold + Resales
- Unpledged Securities

**Change in Funding from 4Q21**

$ Billions, Tenth District Banks

- Non-Maturity Deposits
- Time Deposits
- Brokered Deposits
- FHLB Borrowings
- Other Borrowings

Source: Reports of Condition and Income
Credit watch: past dues and concentrations

Noncurrent Loans
Percent of Loan Type, Tenth District Banks

- 10 Year High/Low
- Current

CRE Highly Concentrated Banks
Pct of Banks, Tenth District Banks

Source: Reports of Condition and Income
Capital mostly stable against moderated asset growth, reduced retained earnings

Source: Reports of Condition and Income

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Financial trends reflected in rating downgrades

Source: National Examination Data
Increasing risk reflected in uptick in matters requiring board attention

Exam Findings (MRA/MRIAs)
KC FRB-Led State Member Bank Exams

- IT-Related Issues (per SR 98-9)
- Credit Risk Management
- BSA / AML Issues Risk Management
- Market/Liquidity Risk Management
- Consumer Compliance / CRA
- Management - Risk Management
- Audit Issues
- Asset & Wealth Management
- Operational Risk
- Capital
- Earnings / Budgeting

Source: National Examination Data

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