Banking Conditions

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Disclaimer

Financial data presented is sourced from quarterly public Call Report filings of US commercial banks. The data was most recently updated as of May 6, 2024, representing preliminary Q1 2024 data that is subject to change upon finalization. Information on examination ratings and issues is sourced from the Federal Reserve System National Examination Data.
Earnings pressured by increased expenses, reduced non-interest income

Return on Average Assets (YTD)

Source: Reports of Condition and Income

*Note: Decreases in expense items are shown as positive impacts to earnings.

Banking & Supervision Forum
Margins fell as funding costs increased

Net Interest Margin (YTD)

<table>
<thead>
<tr>
<th>Date</th>
<th>All US Banks</th>
<th>All US Community Banks</th>
<th>District Banks</th>
<th>District 10-Year Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar-14</td>
<td>3.53</td>
<td>3.35</td>
<td>3.25</td>
<td>-0.5</td>
</tr>
<tr>
<td>Mar-16</td>
<td>3.50</td>
<td>3.30</td>
<td>3.20</td>
<td>-1.0</td>
</tr>
<tr>
<td>Mar-18</td>
<td>3.45</td>
<td>3.25</td>
<td>3.15</td>
<td>-1.5</td>
</tr>
<tr>
<td>Mar-20</td>
<td>3.40</td>
<td>3.20</td>
<td>3.10</td>
<td>-2.0</td>
</tr>
<tr>
<td>Mar-22</td>
<td>3.35</td>
<td>3.15</td>
<td>3.05</td>
<td>-2.5</td>
</tr>
<tr>
<td>Mar-24</td>
<td>3.30</td>
<td>3.10</td>
<td>3.00</td>
<td>-3.0</td>
</tr>
</tbody>
</table>

Change* in NIM
Percent of Average Earning Assets, Tenth District Banks

- Mar-23: Yield on Earning Assets = 3.53
- Cost of Funds = 3.35

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; funding challenges improving

<table>
<thead>
<tr>
<th>Category</th>
<th>2023</th>
<th>1Q2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Securities</td>
<td>10</td>
<td>-</td>
</tr>
<tr>
<td>Loans</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Other Assets</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Core Deposits</td>
<td>-</td>
<td>20</td>
</tr>
<tr>
<td>Brokered or Large CDs</td>
<td>15</td>
<td>25</td>
</tr>
<tr>
<td>Borrowings</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>-</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Reports of Condition and Income

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Moderate loan growth amid competition for deposits

- **Loan Growth (%) by Type**
  
  Tenth District Banks, Merger-Adjusted
  Year-Over-Year as of March 31, 2024

- **Loans to Core Deposits Ratio**

Source: Reports of Condition and Income

Banking & Supervision Forum
Reduced asset-based liquidity, continued reliance on noncore funds

Liquid Assets
Percent of Assets, Tenth District Banks

Change in Funding from 1Q22
$ Billions, Tenth District Banks

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

**Noncurrent Loans**
Percent of Loan Type, Tenth District Banks

- Total
- 1-4 Family
- CLD
- Other CRE
- C&I
- Agriculture
- Consumer

10 Year High/Low
- Current

**CRE Highly Concentrated Banks**
Percent of Banks, Tenth District Banks

- CLD (> 100% Tier 1 and allowance)
- NOO CRE (> 300% Tier 1 and allowance)
- Total CRE (> 300% Tier 1 and allowance)

Source: Reports of Condition and Income
Capital benefits from moderated asset growth despite earnings challenges

Source: Reports of Condition and Income
Financial trends reflected in supervisory ratings

Composite Ratings
District State Member Banks

Liquidity Ratings
District State Member Banks

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