

# Banking Conditions

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A magnifying glass is positioned over a bar chart. The chart has a y-axis ranging from 50,000 to 100,000 and an x-axis with months from Jan to Dec. The bars are blue and show an upward trend. A legend on the right side of the chart identifies 'Sales 1', 'Sales 3', and 'Sales 4'.

**BANKING &  
SUPERVISION FORUM 2023**  
FEDERAL RESERVE BANK OF KANSAS CITY

# Technical Notes:

This presentation provides metrics for commercial banks sourced from Consolidated Reports of Condition & Income (call reports), S&P Global Market Intelligence, FRED, FRB H.8 and H.4.1 releases, Haver, and the FRB Senior Loan Officer Opinion Survey on Bank Lending Practices.

# Recap: 4Q 2022 Conditions

## Historic shifts in balance sheets

- Loan growth and core deposit runoff
- Funded by liquid assets and other borrowings (primarily FHLB, brokered, and uninsured CDs)

## Improved margins offset by noninterest items

- Significant rebound in margins, benefitting from rising rates and loan growth
- Decreased noninterest income, greater provisioning

## Credit quality remains sound

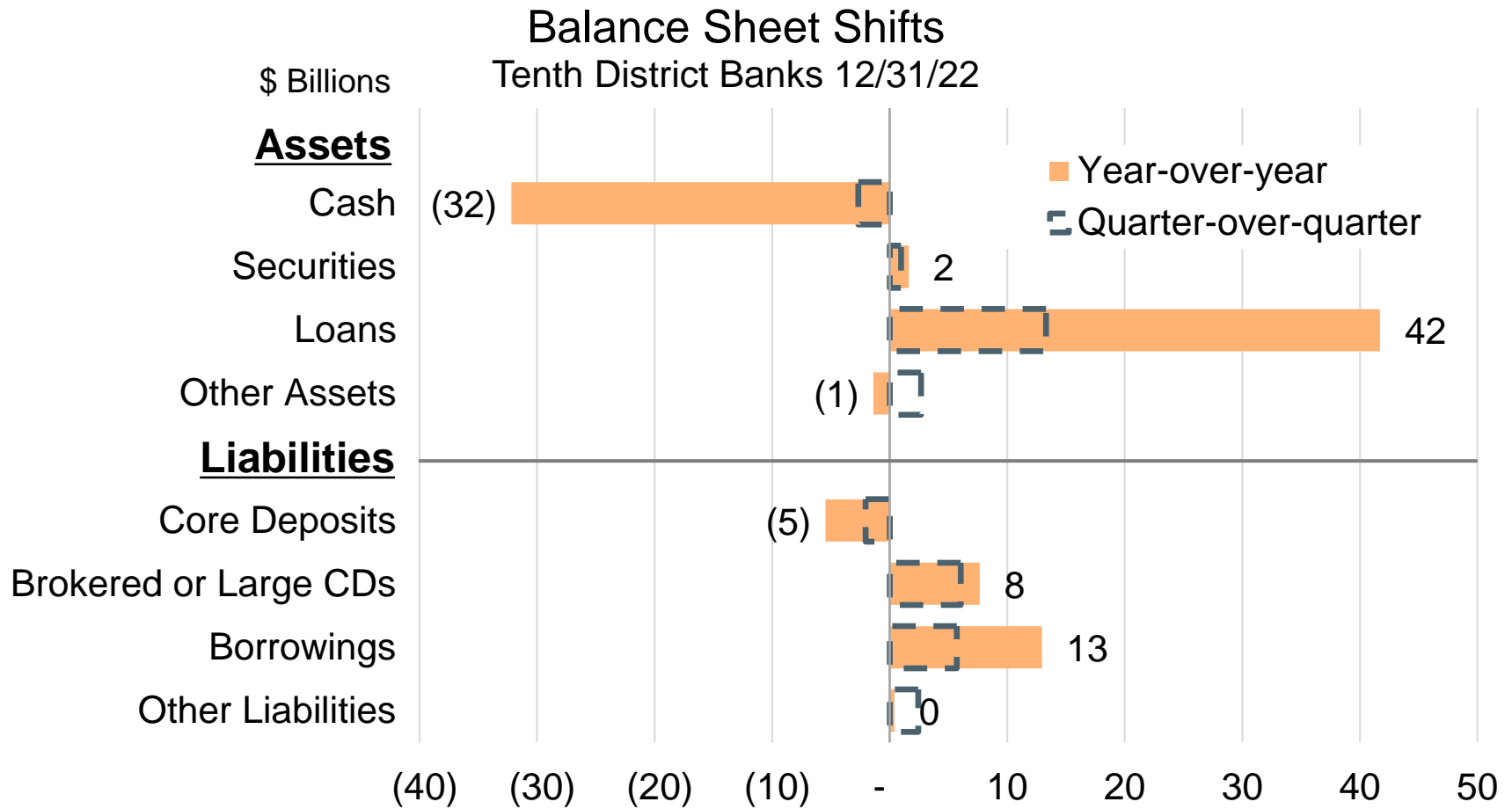
- Low past due and nonaccruals
- Consumer debt growing; impact of increasing rates on variable rate loans

## Capital growth outpaced by increased risk

- Large unrealized losses in securities hit tangible equity
- Risk-weighted assets\* grew 17% vs total asset growth of only 2%

\*Among Tenth District non-CBLR filers

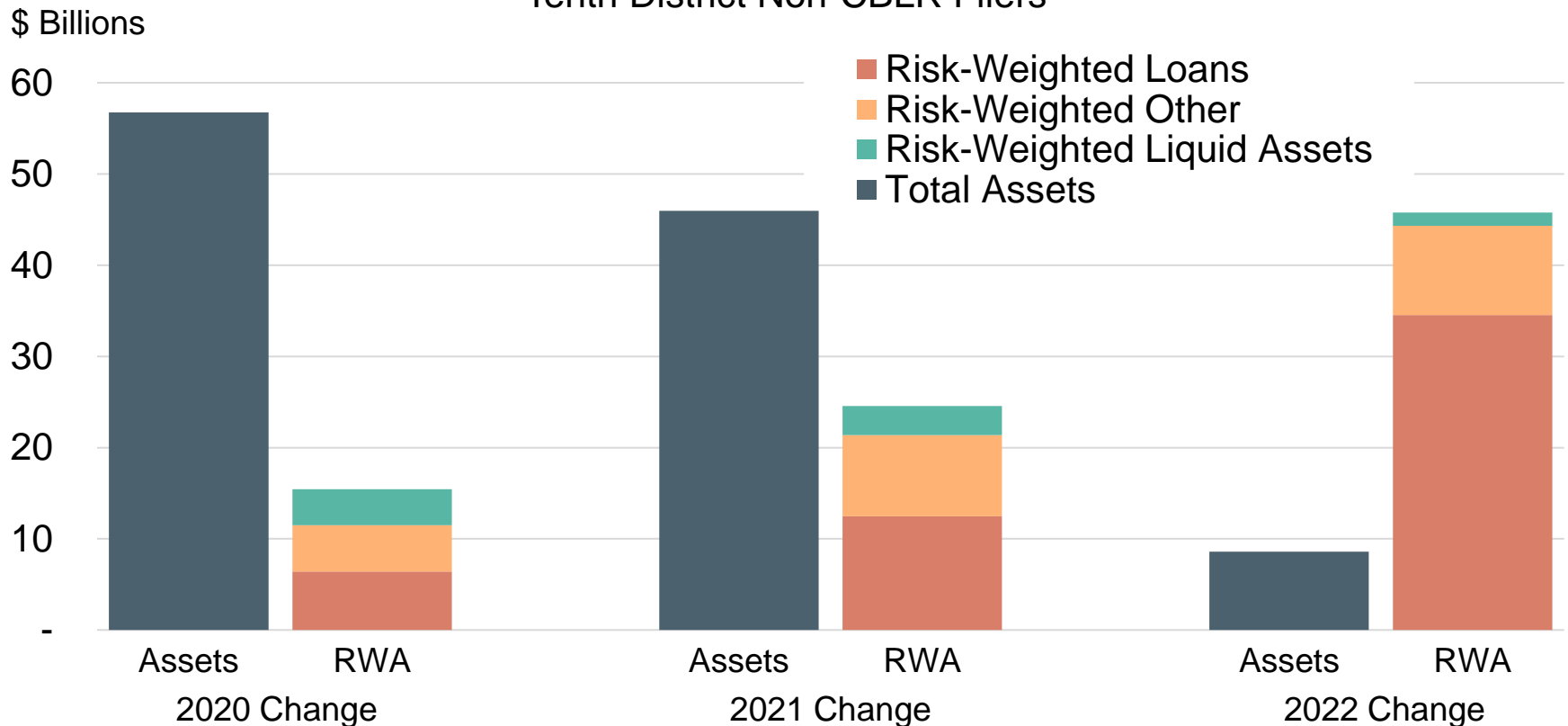
# Historic Shifts In Balance Sheets Impact Liquidity, Margins



Source: Reports of Condition and Income

# Increasing Risk Profiles Impact Capital

Change in Risk-Weighted Assets  
Tenth District Non-CBLR Filers



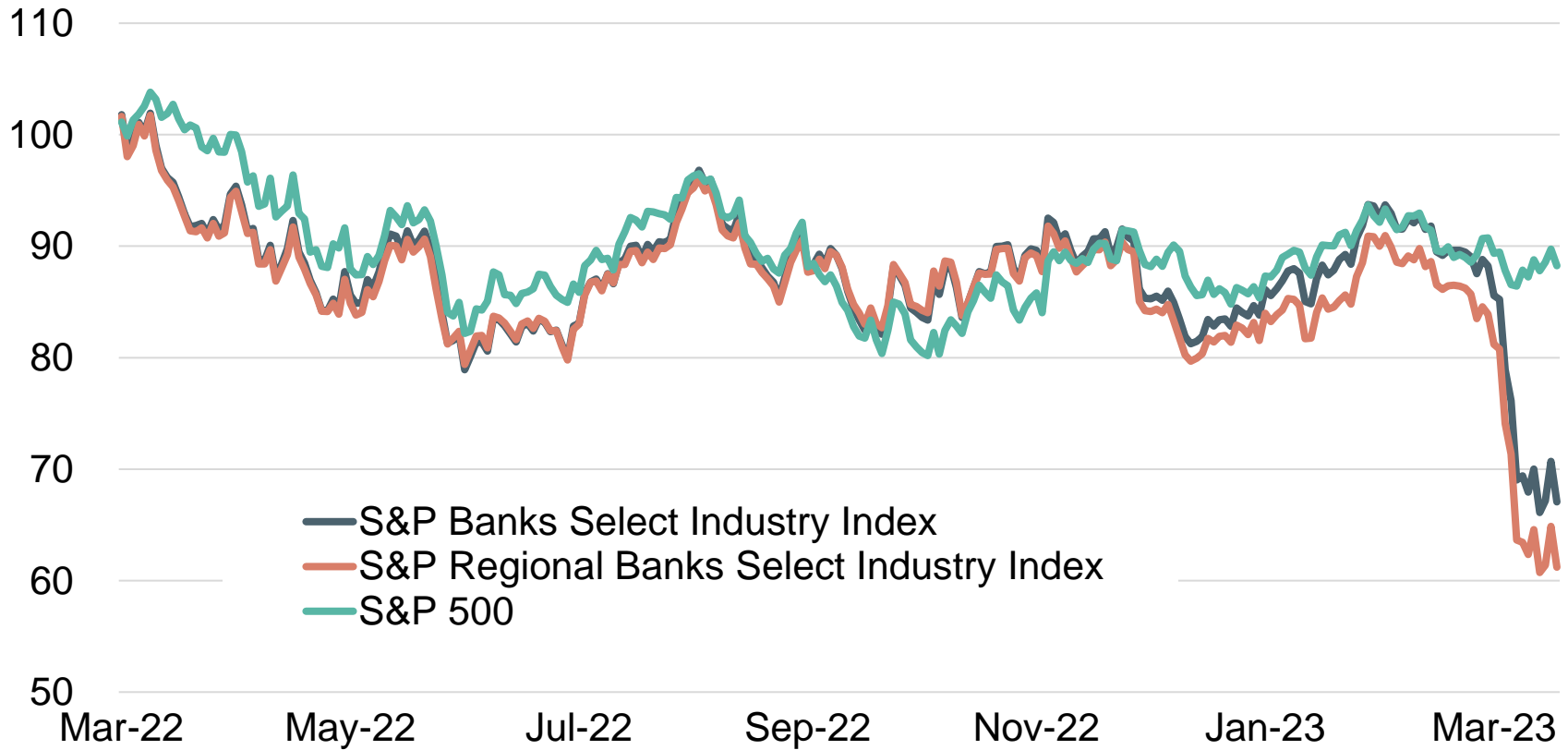
Source: Reports of Condition and Income

# Renewed Look: March 2023

- Reputational risk
- Liquidity, interest rate risk
  - Deposit composition, behavior
  - Unrealized losses
  - Other borrowing options
- Capital considerations
- Credit conditions, expectations

# Reputational Risk Elevated

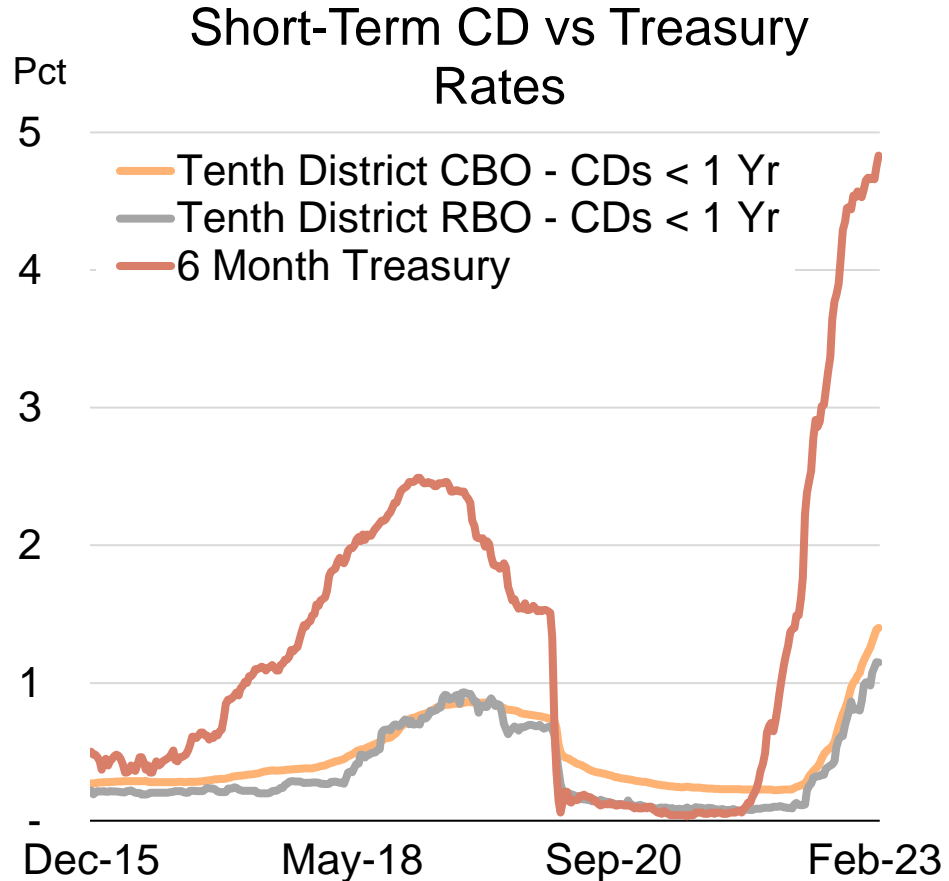
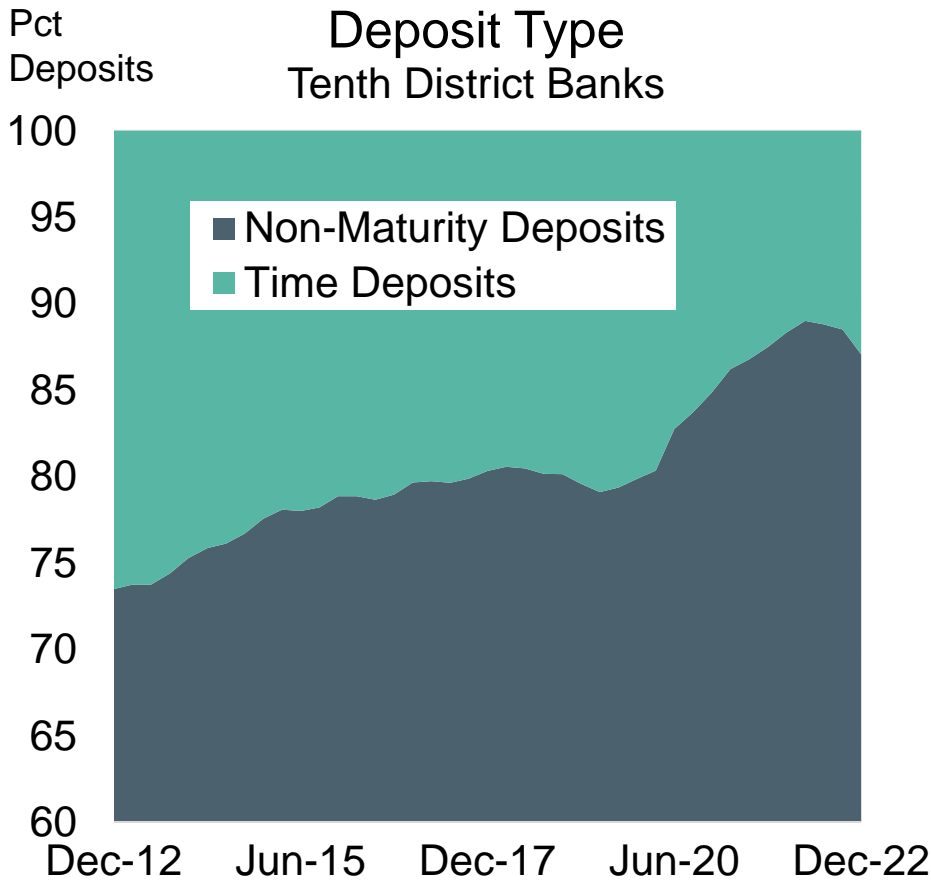
Stock Prices S&P 500 vs Bank Index  
Change from March 2022



— S&P Banks Select Industry Index  
— S&P Regional Banks Select Industry Index  
— S&P 500

Source: S&P Global Market Intelligence

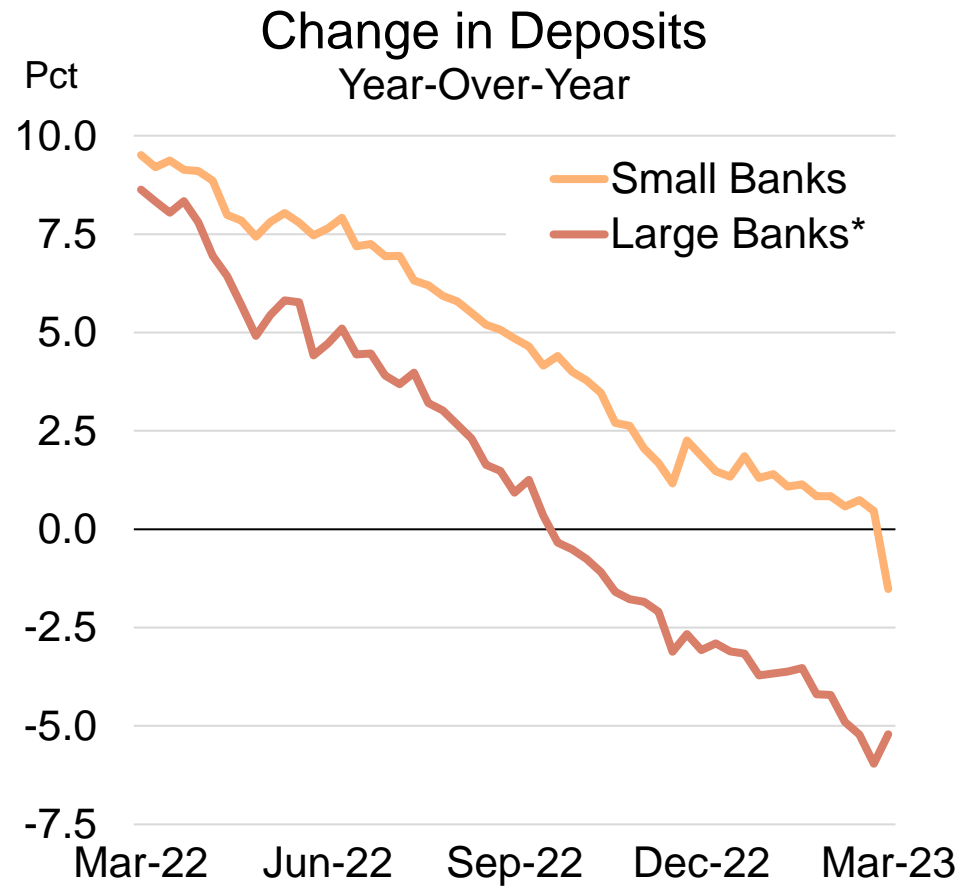
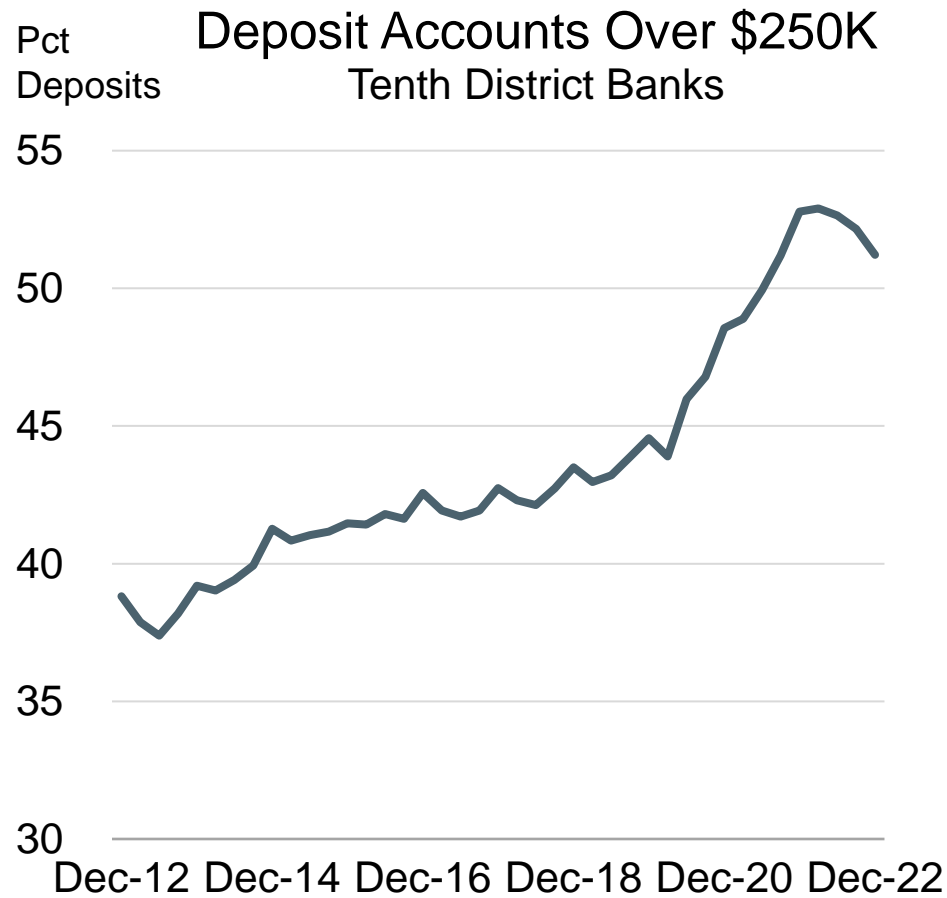
# Deposit Composition, Characteristics Shifting



Sources: Reports of Condition and Income, S&P Global Market Intelligence, FRED



# Deposit Composition, Characteristics Shifting



\*Large vs small domestically chartered commercial banks as used in FRB H.8 release data  
Source: Reports of Condition and Income, H.8 Data

# Expansion of Other Borrowing Options

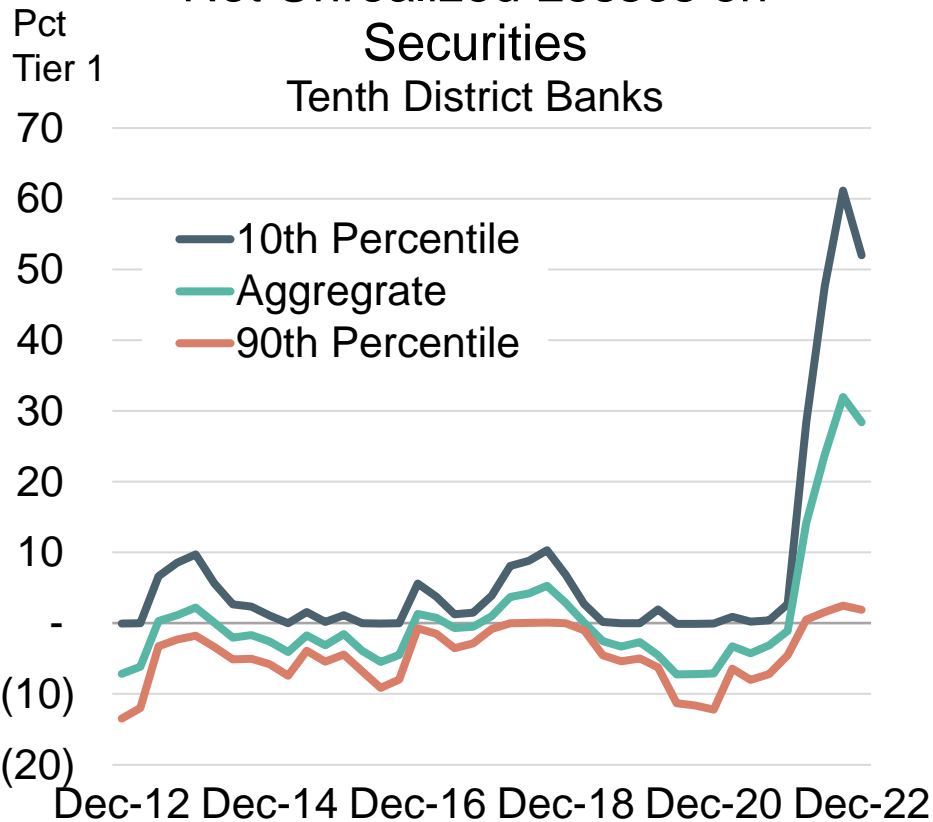


Source: FRB H.4.1 Release

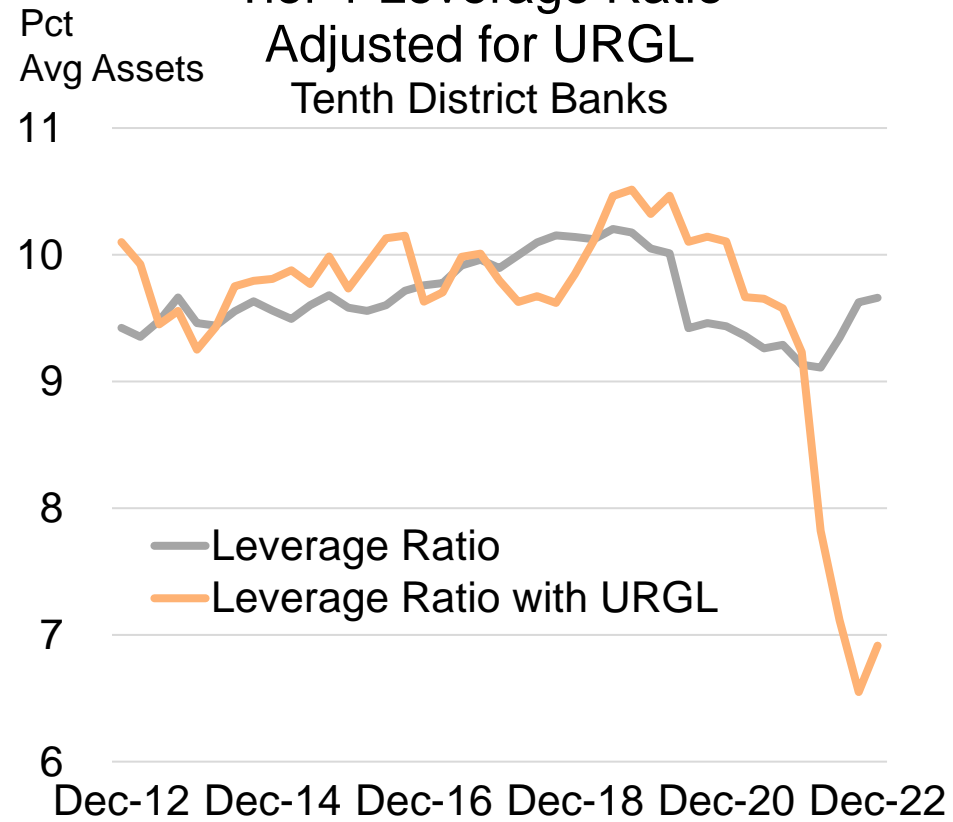


# Securities Impeded By Unrealized Losses

Net Unrealized Losses on Securities  
Tenth District Banks



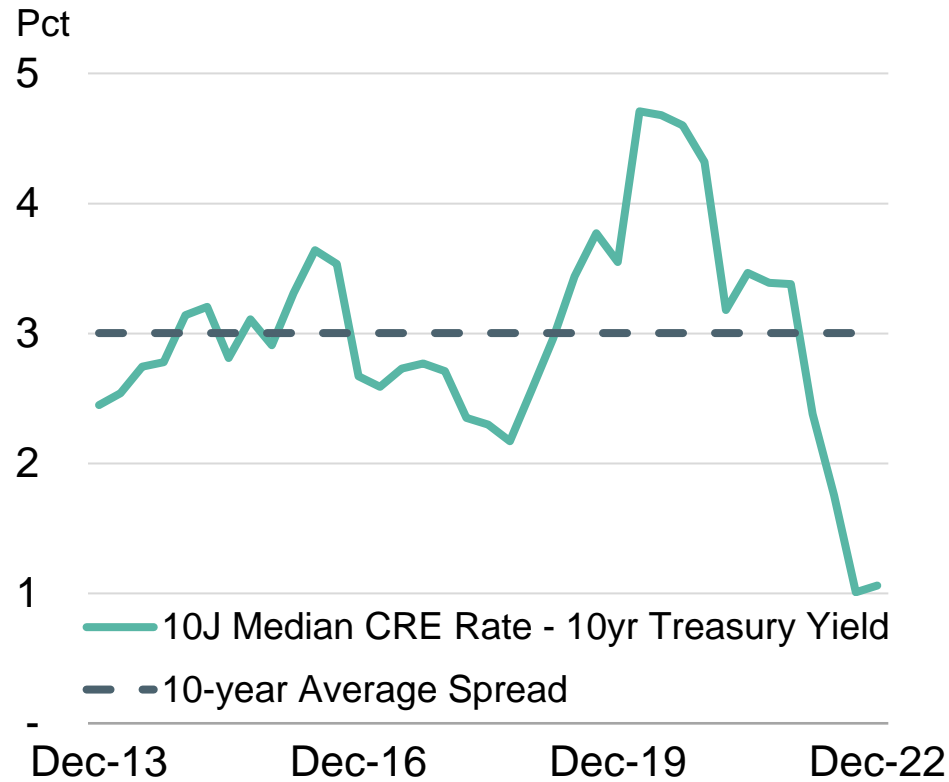
Tier 1 Leverage Ratio Adjusted for URGL  
Tenth District Banks



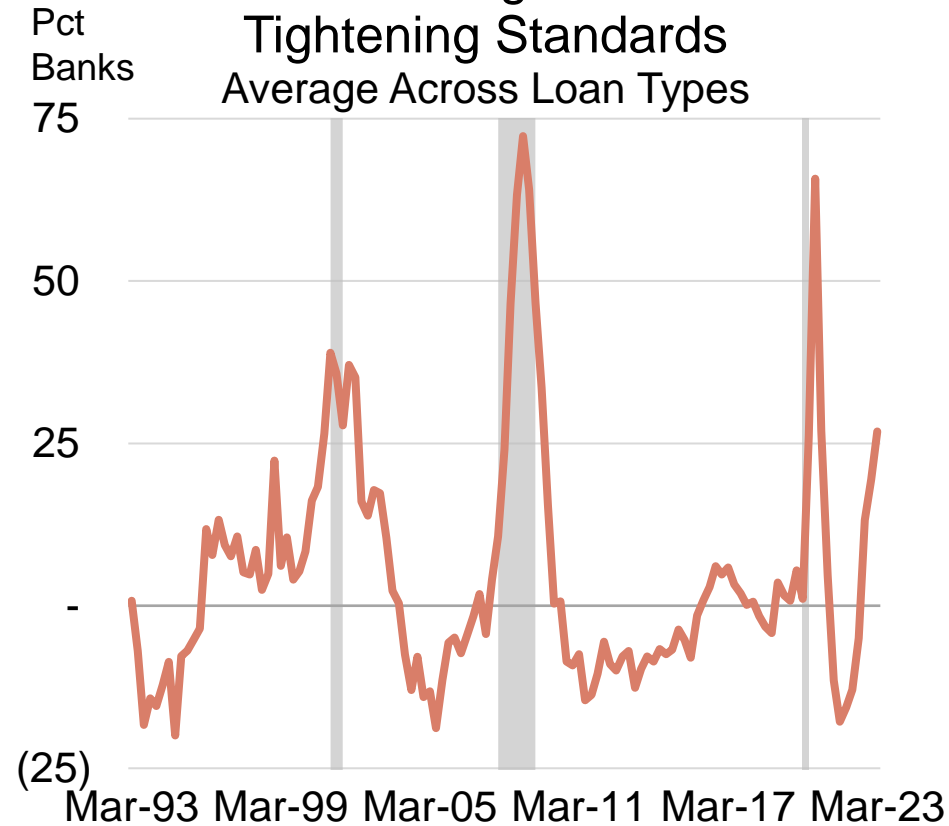
Source: Reports of Condition and Income

# Sound Credit Conditions But Expectations of Future Stress

CRE Loan Rate Spread  
Tenth District Banks

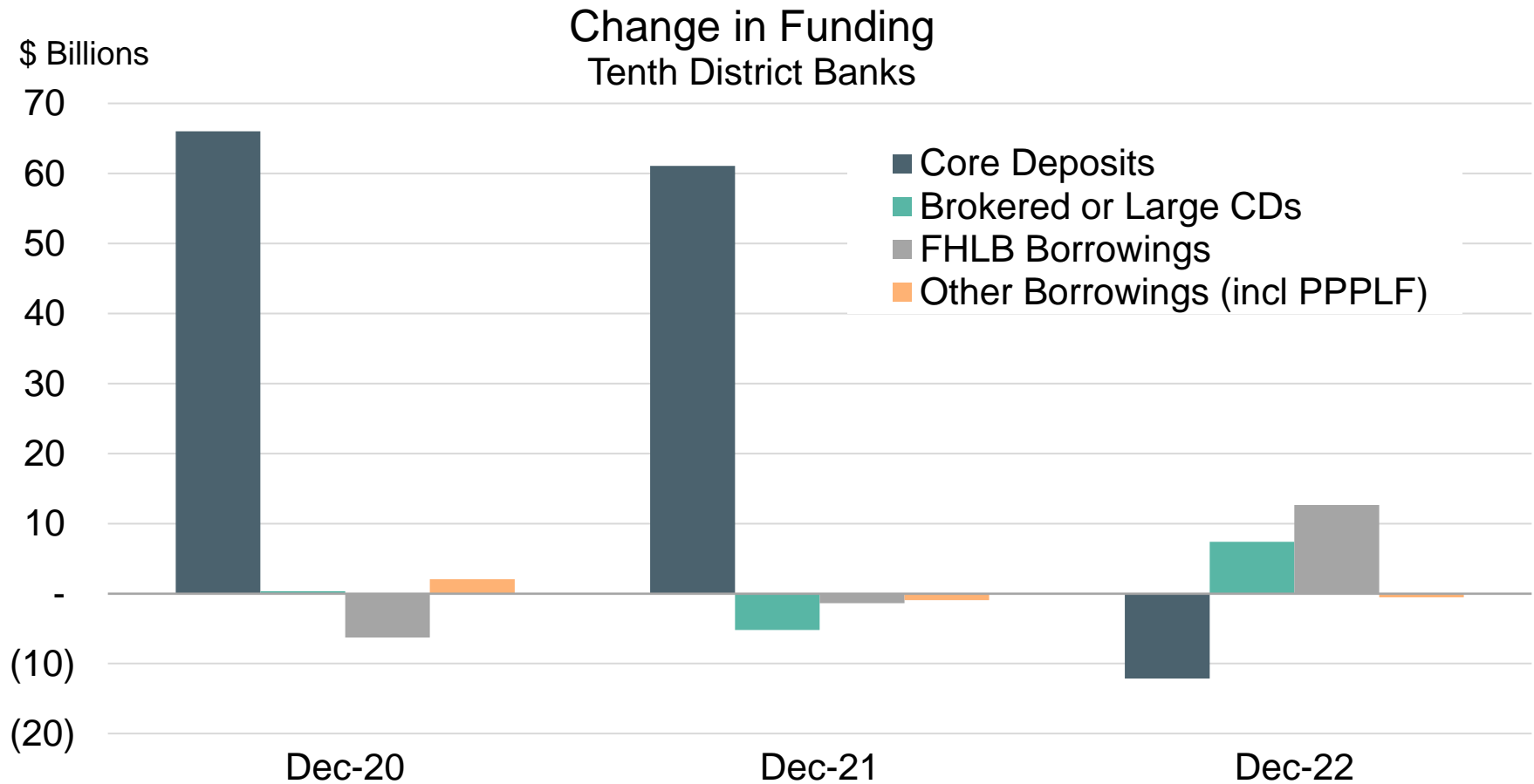


Net Percentage of Banks  
Tightening Standards  
Average Across Loan Types



Sources: Reports of Condition and Income, Haver, Senior Loan Officer Opinion Survey on Bank Lending Practices

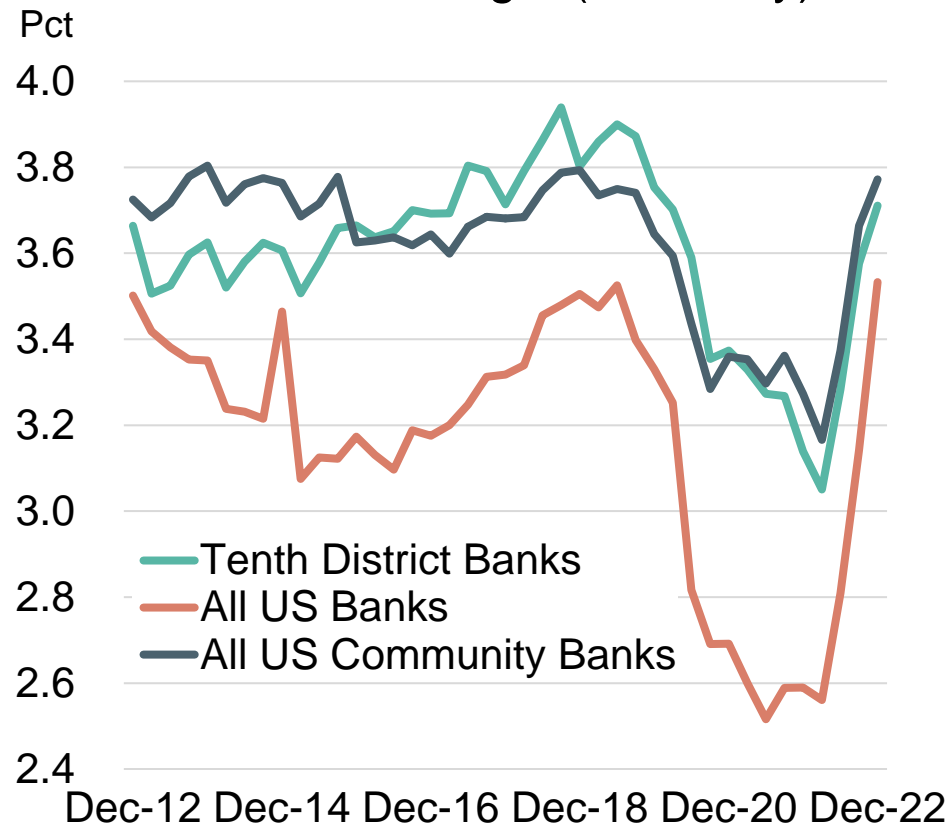
# Other Borrowings Funding Deposit Runoff



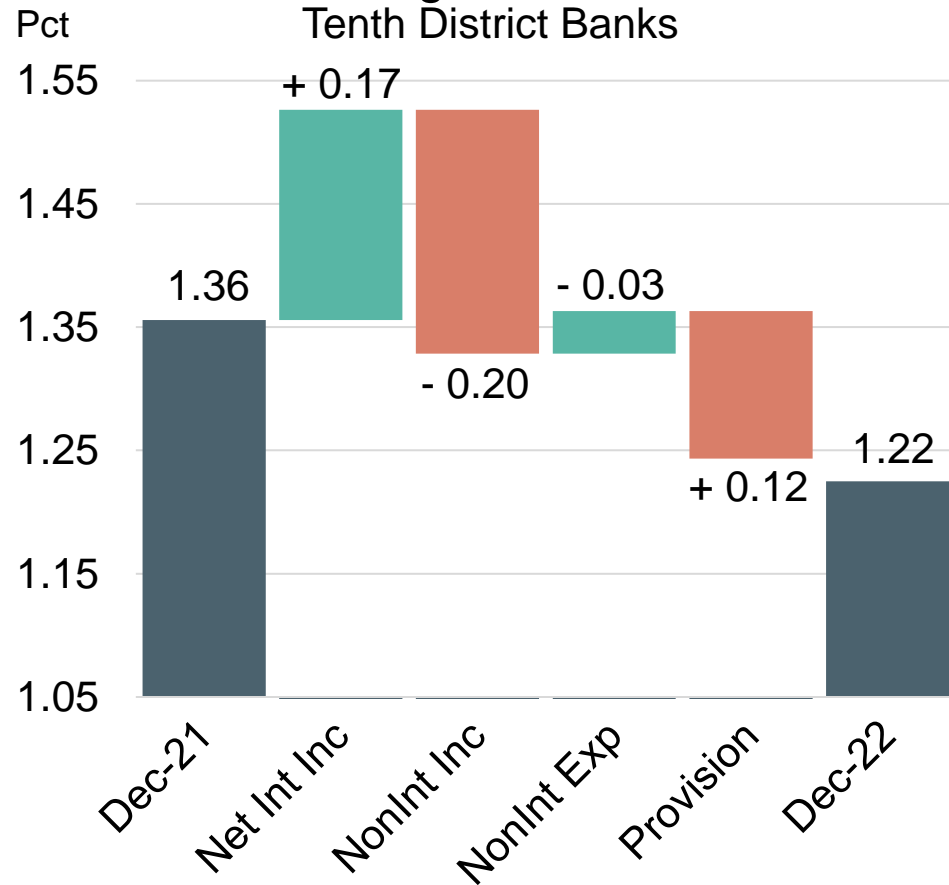
Source: Reports of Condition and Income

# Margins Benefit, Though Offset By Noninterest Items

Net Interest Margin (Quarterly)



Change in ROAA  
Tenth District Banks



Source: Reports of Condition and Income