

Banking and the Economy

A Forum for Women in Banking

Banking Conditions in the Denver Zone



FEDERAL RESERVE BANK *of* KANSAS CITY

October 8, 2015

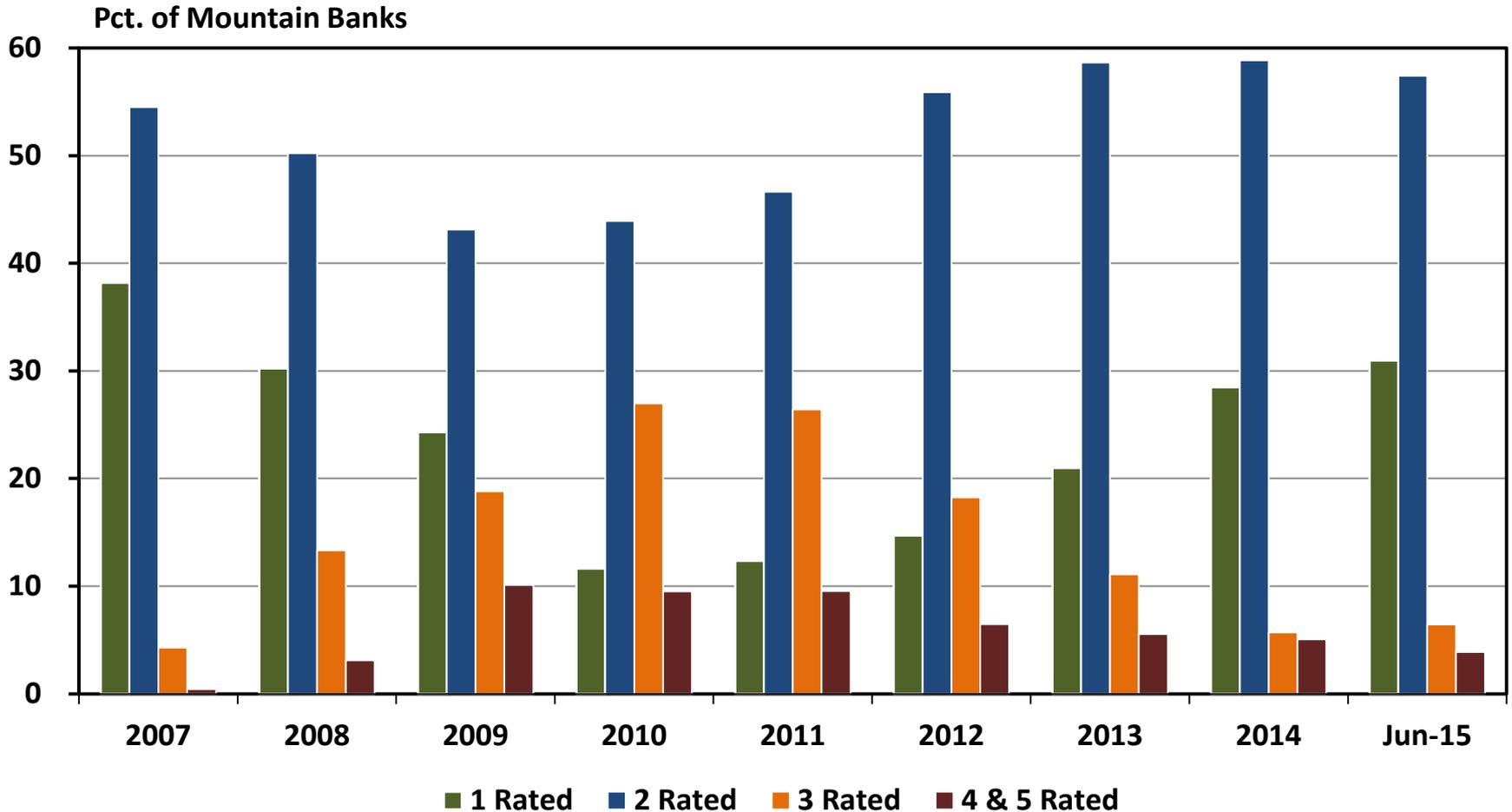
Richard Thorne

Assistant Vice President

Agenda

- Community Bank Performance
- Emerging Risks we are Actively Monitoring
- Top Concerns of Banks

Trend in Composite Ratings



* Most recent CAMELS ratings prior to each as-of date

** Total number of banks at Jun 2015 - 155

Source: National Examination Database

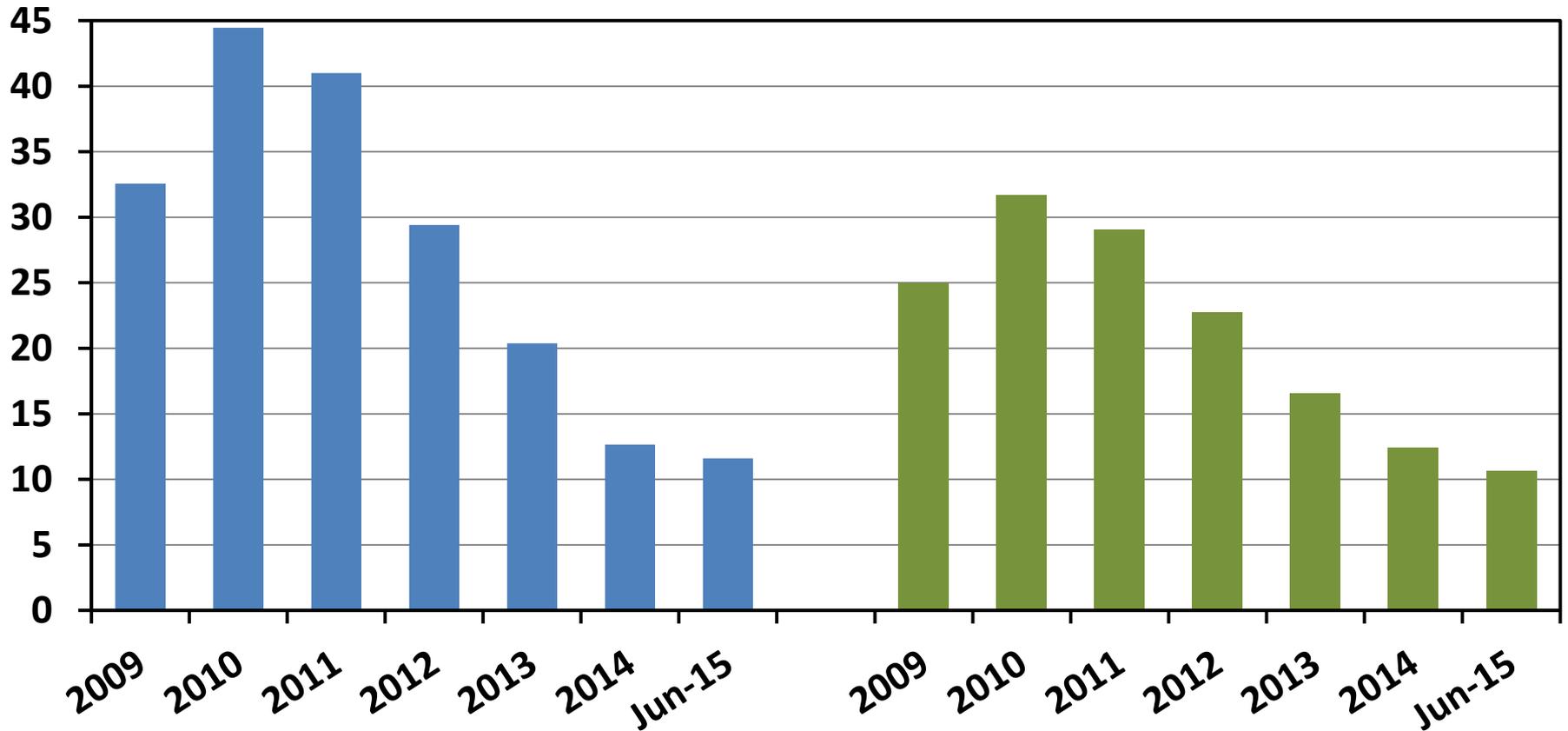


Problem Banks Continue To Decline

Pct. of Banks

Mountain Banks

All US Banks

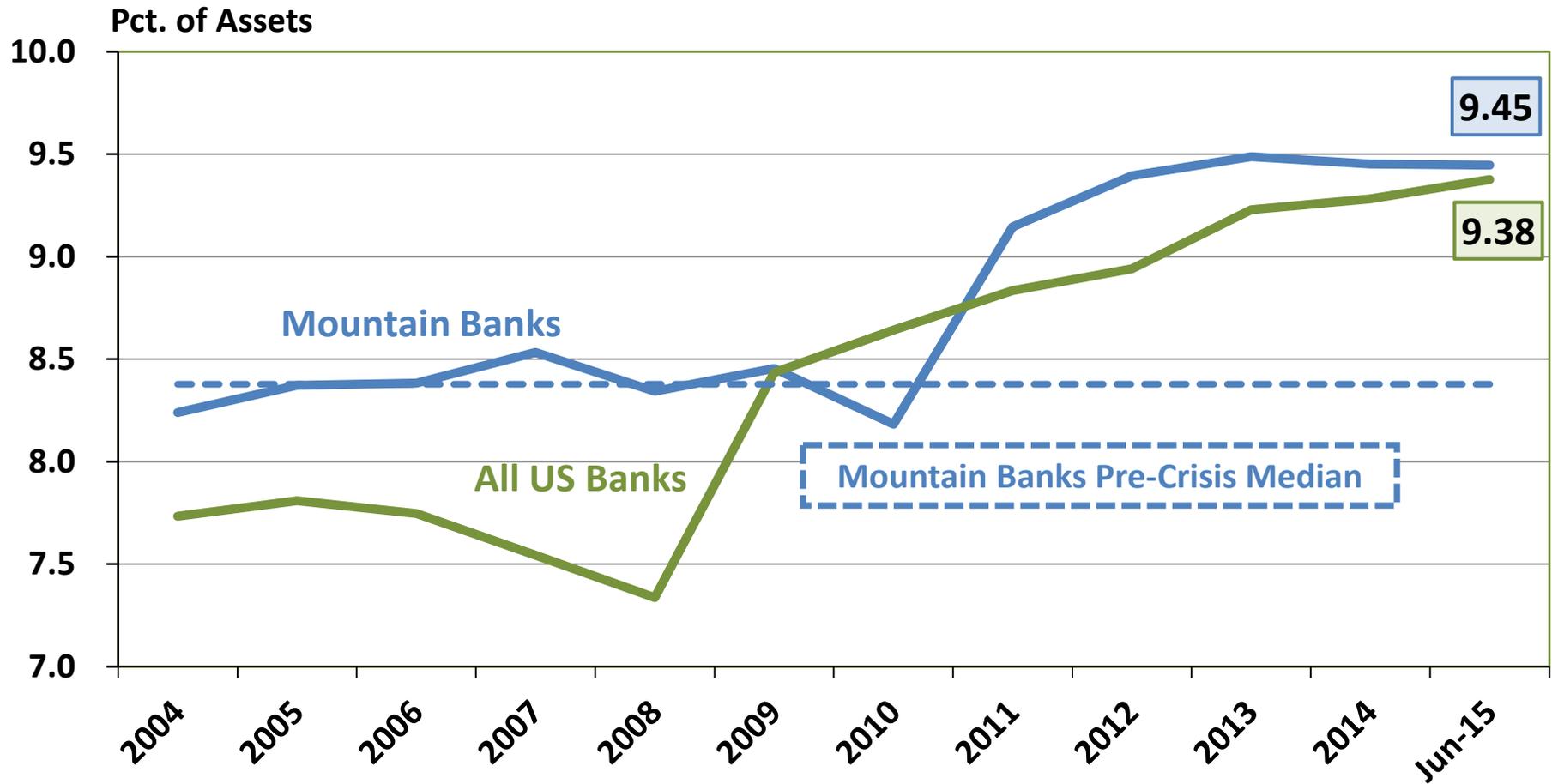


* Banks rated 3 or worse

Source: National Examination Database



Capital Levels Have Risen



* Pre-Crisis = Median from 1997 to 2007

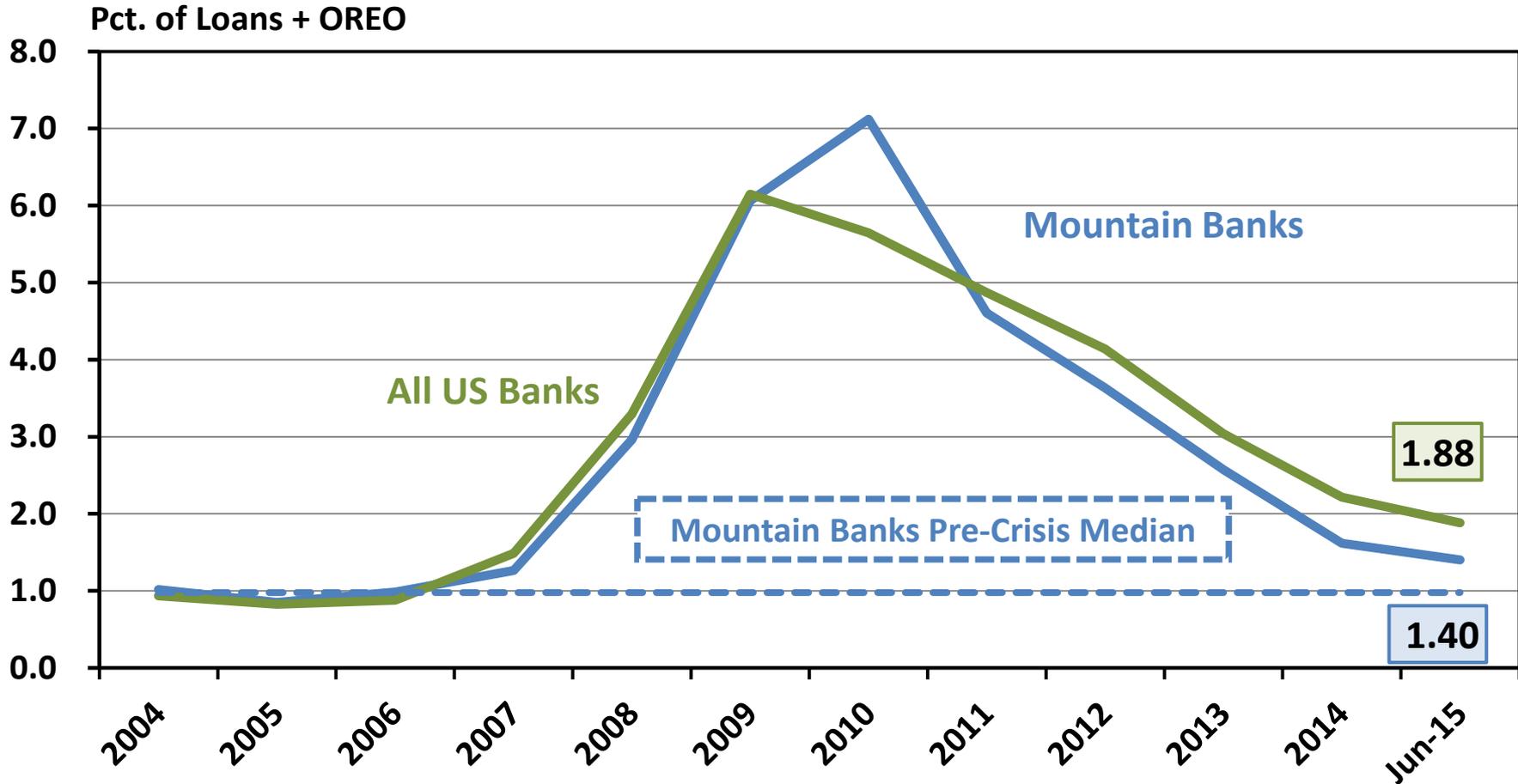
Note: Tier 1 capital to assets for leverage capital purposes – the “Leverage Ratio”

Source: Reports of Condition and Income



Problem Assets Have Declined

But Remain Above Pre-Crisis Median



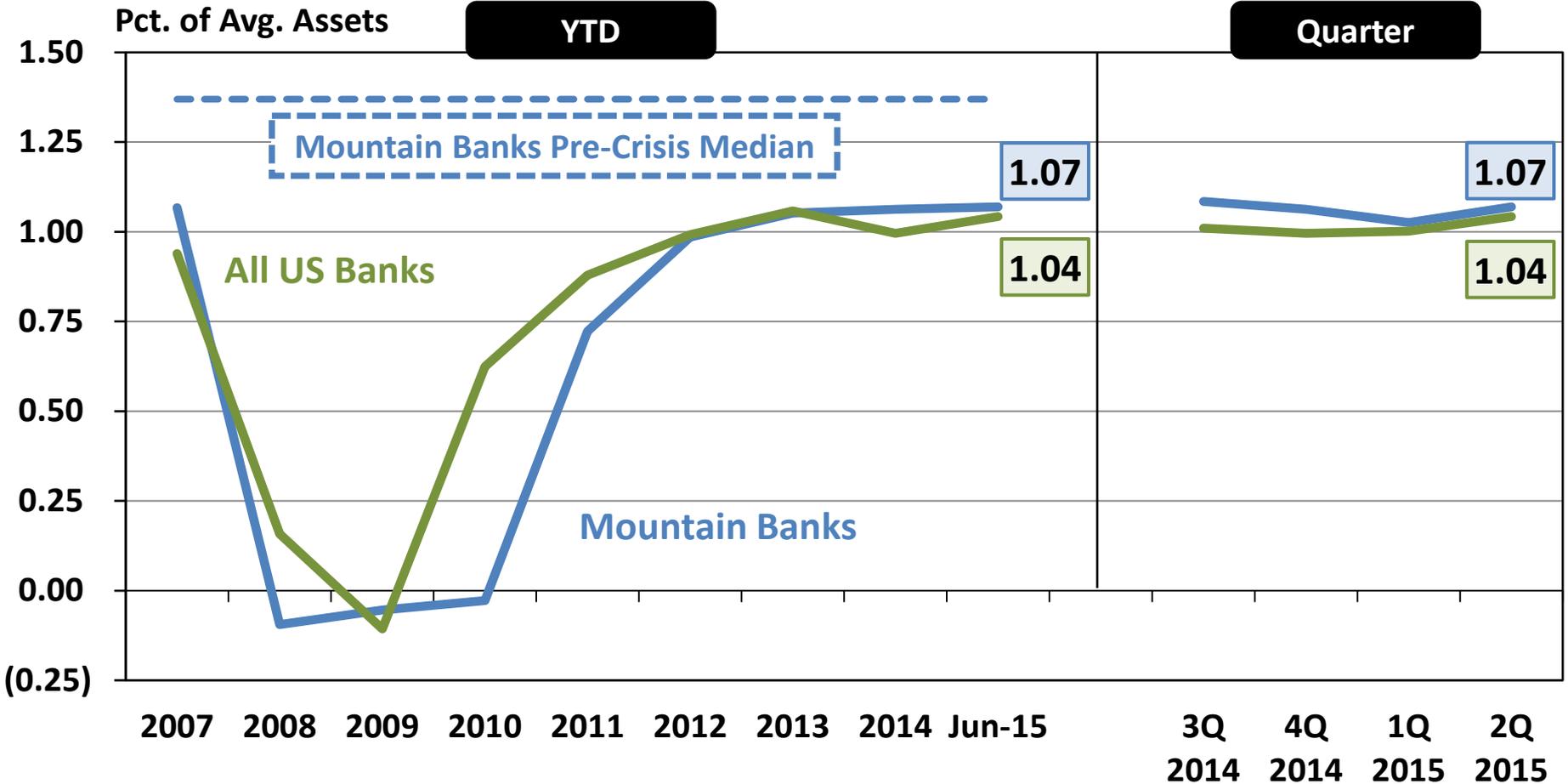
* Pre-Crisis = Median from 1997 to 2007

Note: Problem assets is loans 90+ days past due + nonaccrual loans + OREO as a percentage of total loans + OREO

Source: Reports of Condition and Income



Earnings Have Stabilized



* Pre-Crisis = Median from 1997 to 2007

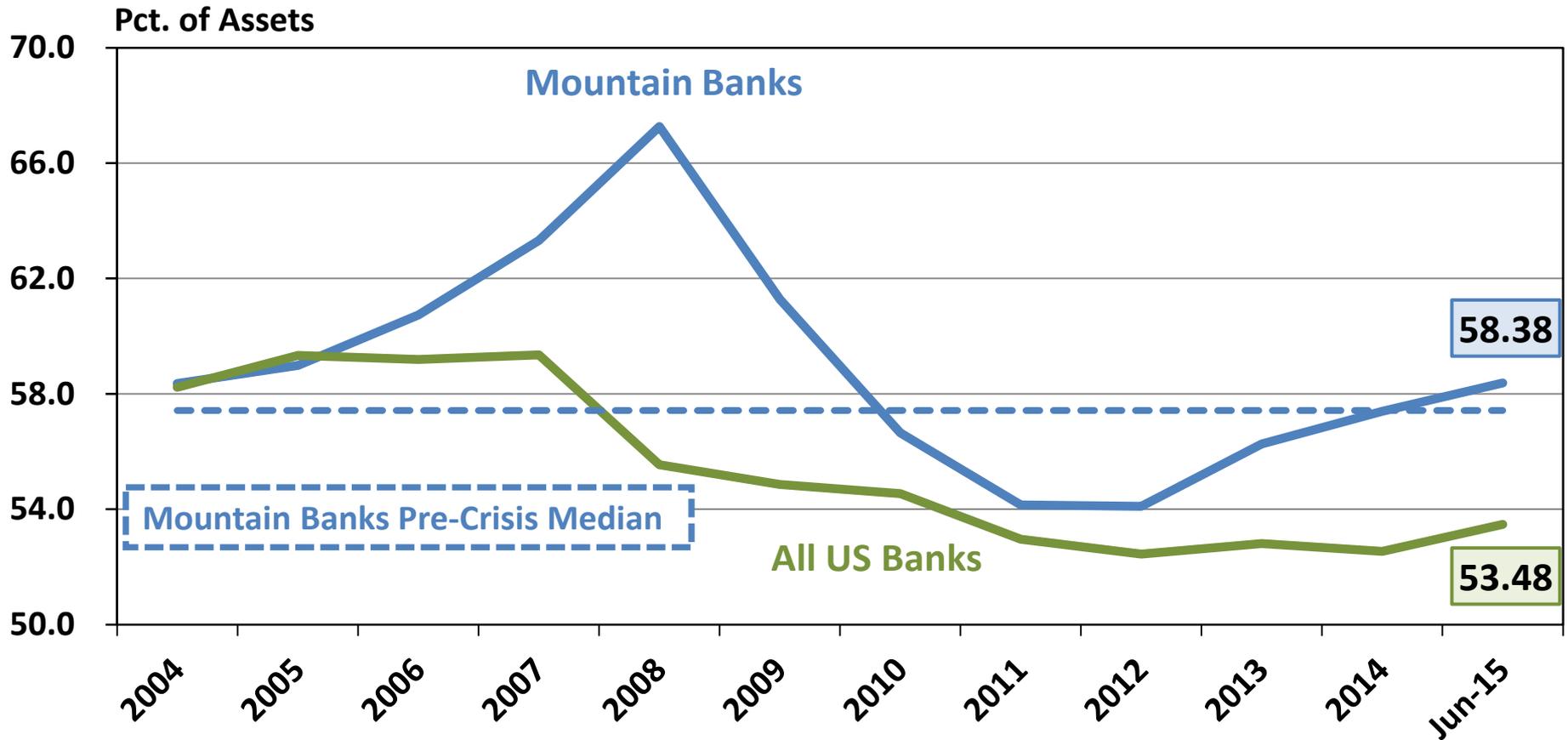
YTD = Net income (YTD), as a percentage of average assets (TTM) - annualized

Quarter = Net income (Quarter), as a percentage of average assets (Quarter) - annualized

Source: Reports of Condition and Income



Lending Has Increased



* Pre-Crisis = Median from 1997 to 2007

Note: Total loans as a percentage of total assets

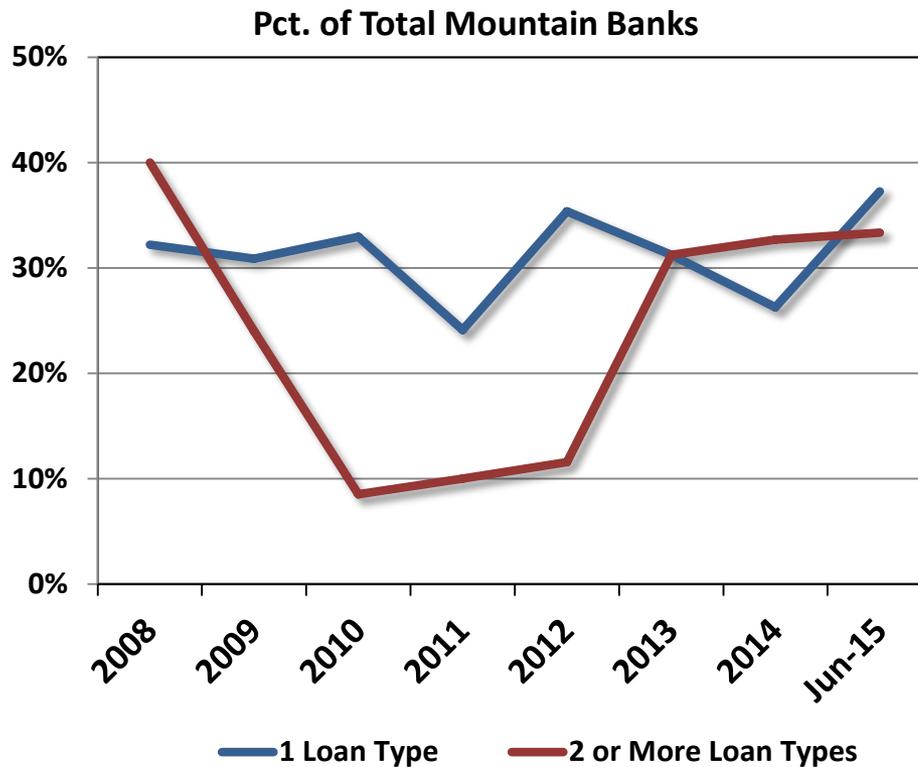
Source: Reports of Condition and Income



Bank Performance Indicators

Loan Growth

High Loan Growth Banks* By Number of Loan Segments with Growth

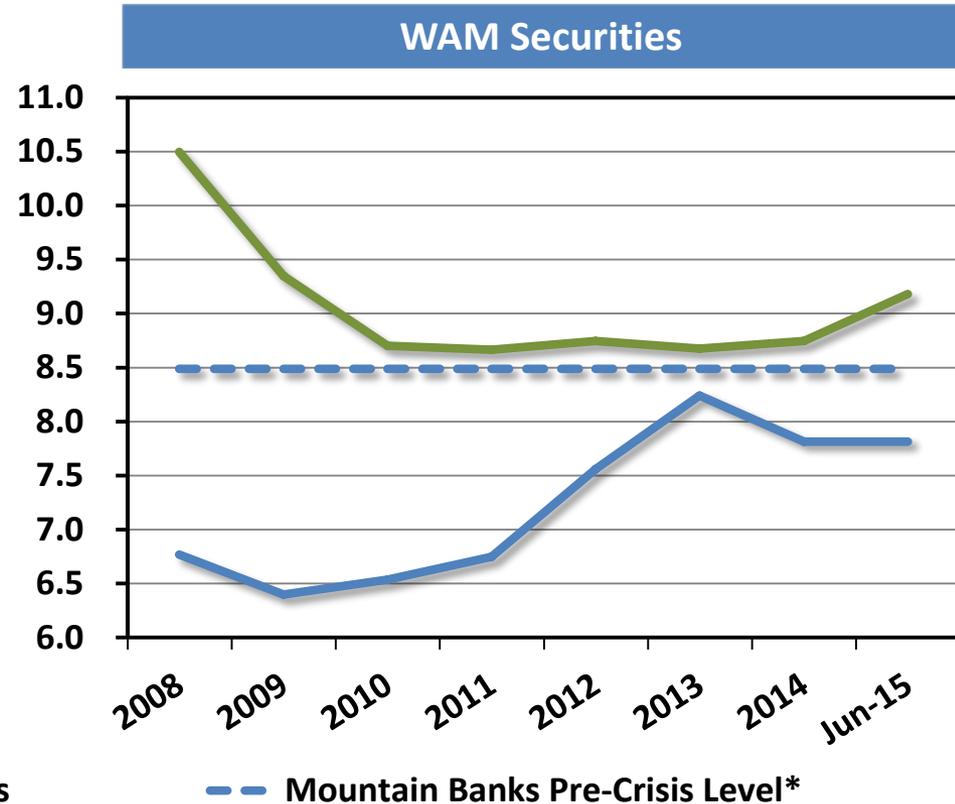
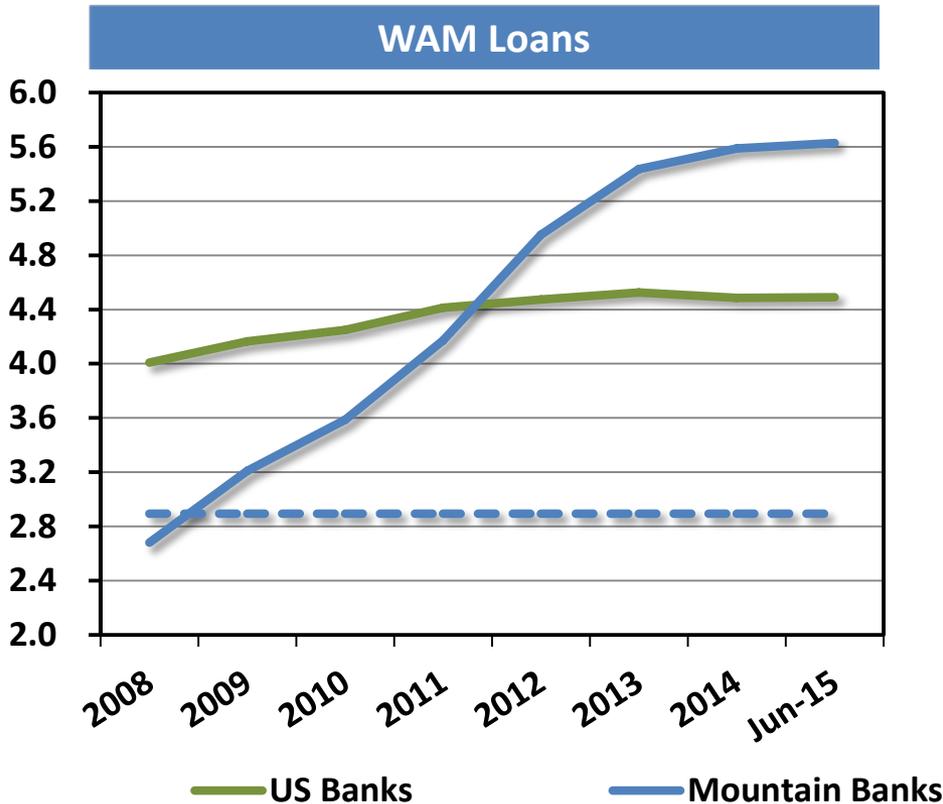


* High Loan Growth Banks are those with a loan category that represents greater than 10% of total loans that also experiences growth greater than 15%
Source: Reports of Condition and Income



Bank Performance Indicators

Weighted Average Maturity of Loans and Securities



* Pre-Crisis Level = Median from 1997 to 2007
 Source: Reports of Condition and Income



Emerging Risks We Are Actively Monitoring

AGRICULTURE



Declining farm incomes have driven increased demand for agricultural loans

COMMERCIAL REAL ESTATE



Persistent growth coupled with increasing competition may lead banks to assume greater credit risk

ENERGY



The prolonged drop in oil prices may increase risks for banks in major energy-producing states

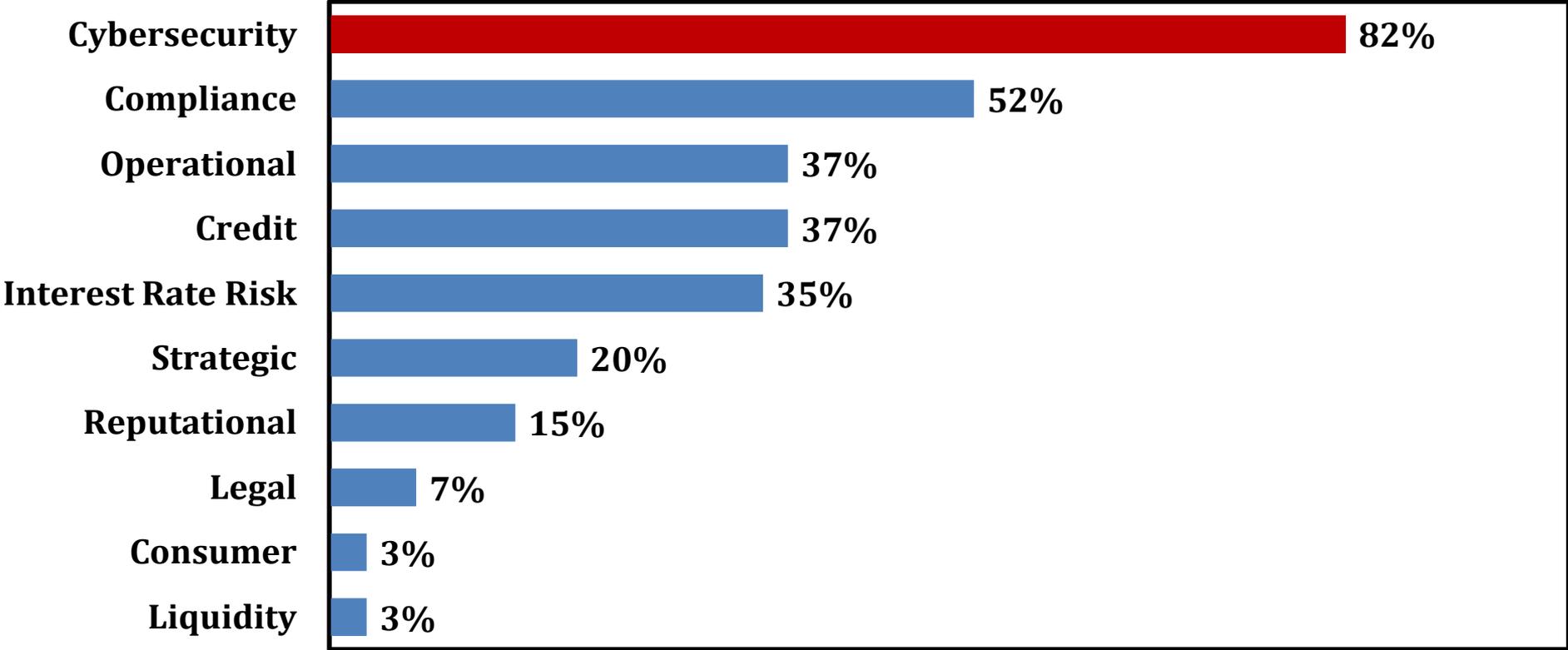
CYBERSECURITY



Recent attacks and credit card breaches have identified cybersecurity vulnerabilities in the financial industry

Cybersecurity a Top Concern for Banks

Percentage of Respondents*



*Respondents were asked to select up to three risk categories they were most concerned about. Survey includes 149 independent directors and senior executives of U.S. banks with more than \$500 million in assets. Eighty percent represent institutions with between \$500 million and \$5 billion in assets.

Source: BankDirector March 2015 Risk Practices Survey



Questions

