Banking and the Economy
A Forum for Women in Banking
Banking Conditions in the Denver Zone

October 8, 2015

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Assistant Vice President
Agenda

• Community Bank Performance

• Emerging Risks we are Actively Monitoring

• Top Concerns of Banks
Trend in Composite Ratings

Pct. of Mountain Banks

* 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

* 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

Pct. of Avg. Assets

<table>
<thead>
<tr>
<th></th>
<th>YTD</th>
<th>Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mountain Banks Pre-Crisis Median</td>
<td>1.07</td>
<td>1.07</td>
</tr>
<tr>
<td>All US Banks</td>
<td>1.04</td>
<td>1.04</td>
</tr>
</tbody>
</table>

* 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

Pct. of Total Mountain Banks

* 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

_Federal Reserve Bank of Kansas City_
Cybersecurity a Top Concern for Banks

Percentage of Respondents*

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cybersecurity</td>
<td>82%</td>
</tr>
<tr>
<td>Compliance</td>
<td>52%</td>
</tr>
<tr>
<td>Operational</td>
<td>37%</td>
</tr>
<tr>
<td>Credit</td>
<td>37%</td>
</tr>
<tr>
<td>Interest Rate Risk</td>
<td>35%</td>
</tr>
<tr>
<td>Strategic</td>
<td>20%</td>
</tr>
<tr>
<td>Reputational</td>
<td>15%</td>
</tr>
<tr>
<td>Legal</td>
<td>7%</td>
</tr>
<tr>
<td>Consumer</td>
<td>3%</td>
</tr>
<tr>
<td>Liquidity</td>
<td>3%</td>
</tr>
</tbody>
</table>

*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