

FDIC Advisory Committee on Community Banking

October 26, 2022

Discussion of Banking Conditions

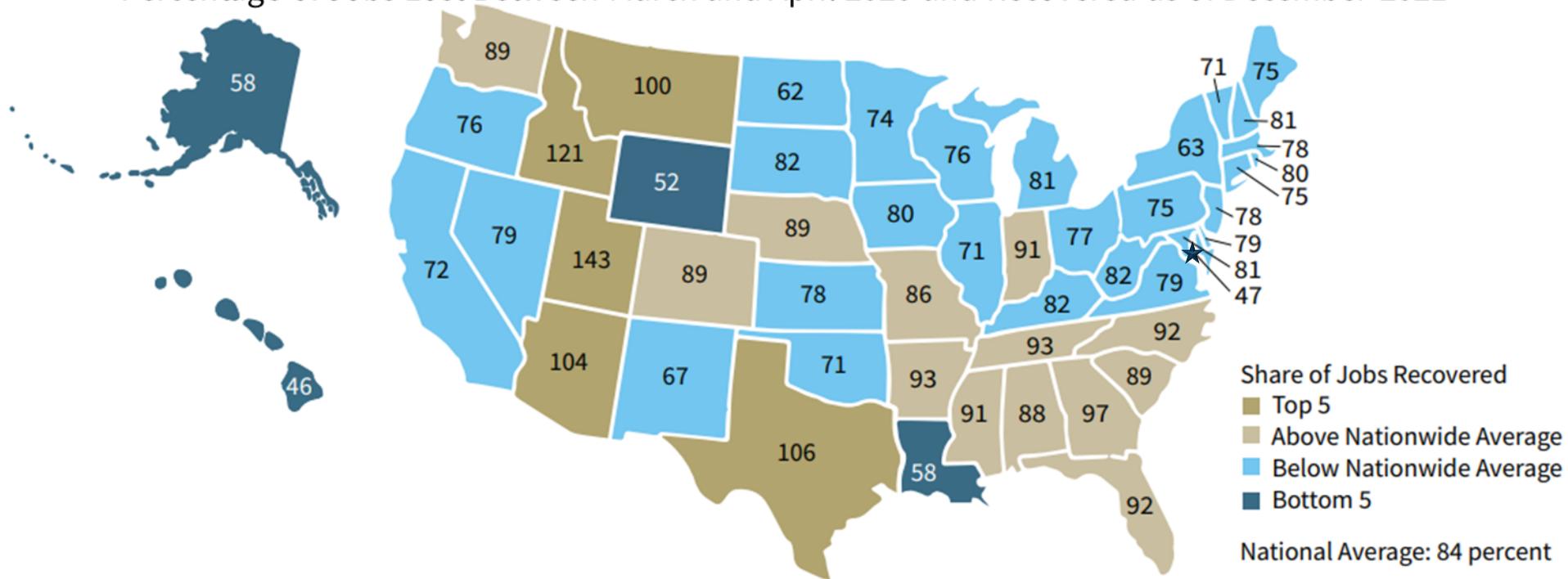


Outline

- Economic Overview
- Market and Liquidity Risk
 - Deposit Trends
 - Increased Net Unrealized Losses on Debt Securities
- Credit Risk
 - Commercial Real Estate
 - Residential Real Estate
 - Consumer Lending

ECONOMIC OVERVIEW: The Recovery in Jobs Lost Has Been Uneven Across States and Washington, DC

Percentage of Jobs Lost Between March and April 2020 and Recovered as of December 2021

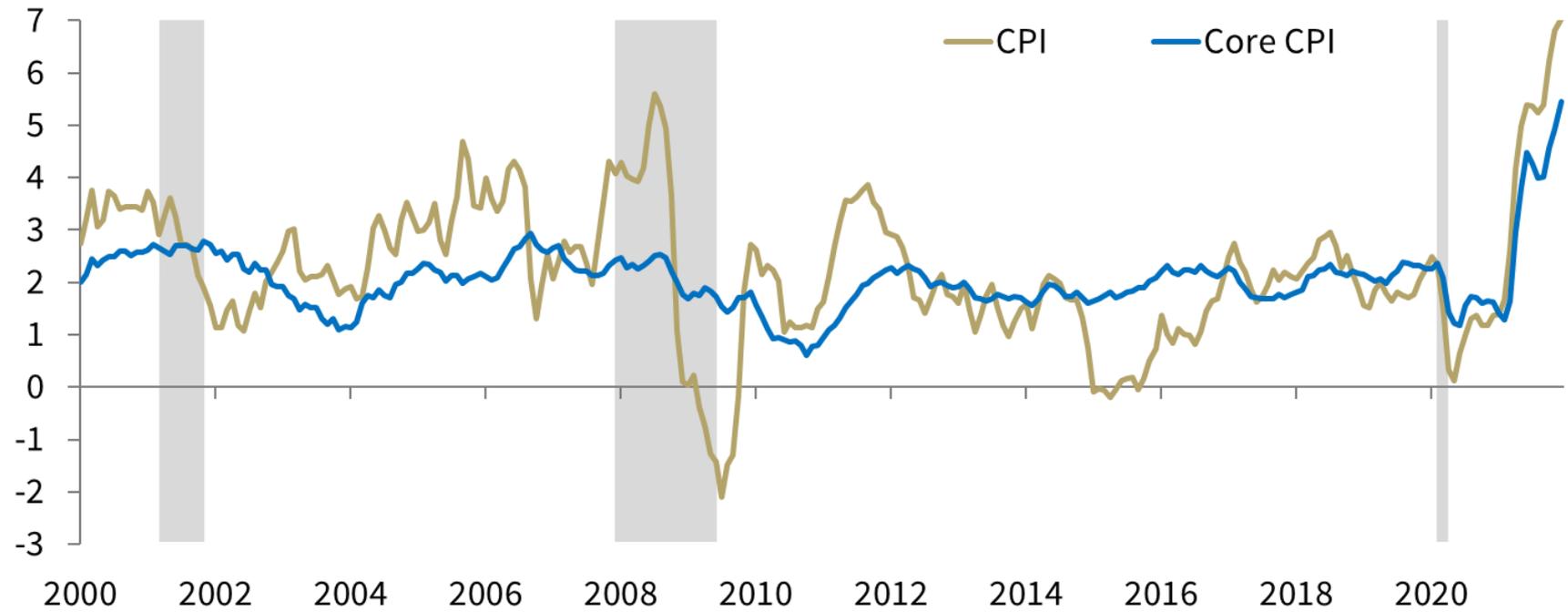


Source: Bureau of Labor Statistics (Haver Analytics).

Note: Among the Bottom 5 is Washington, D.C., which has recovered 47 percent of jobs lost.

ECONOMIC OVERVIEW: Both the Headline and Core Consumer Price Index Reached Multi-Decade Highs

Year-Over-Year Percent Change



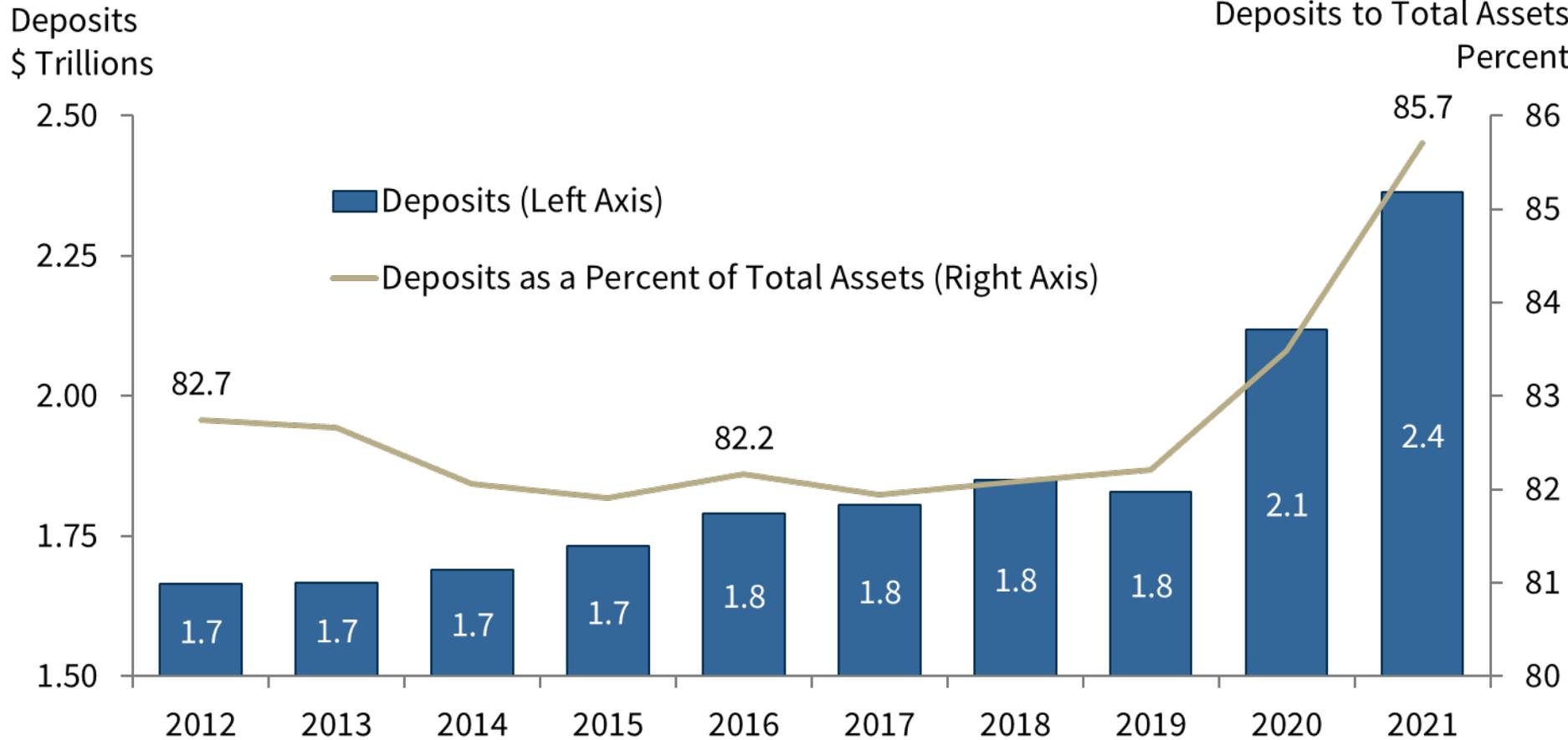
Source: Bureau of Labor Statistics (Haver Analytics).

Note: Shaded areas indicate recession. CPI measures average change over time in prices consumers pay for a basket of goods and services. Core CPI excludes more volatile components, including food and energy.

Economic Conditions Discussion

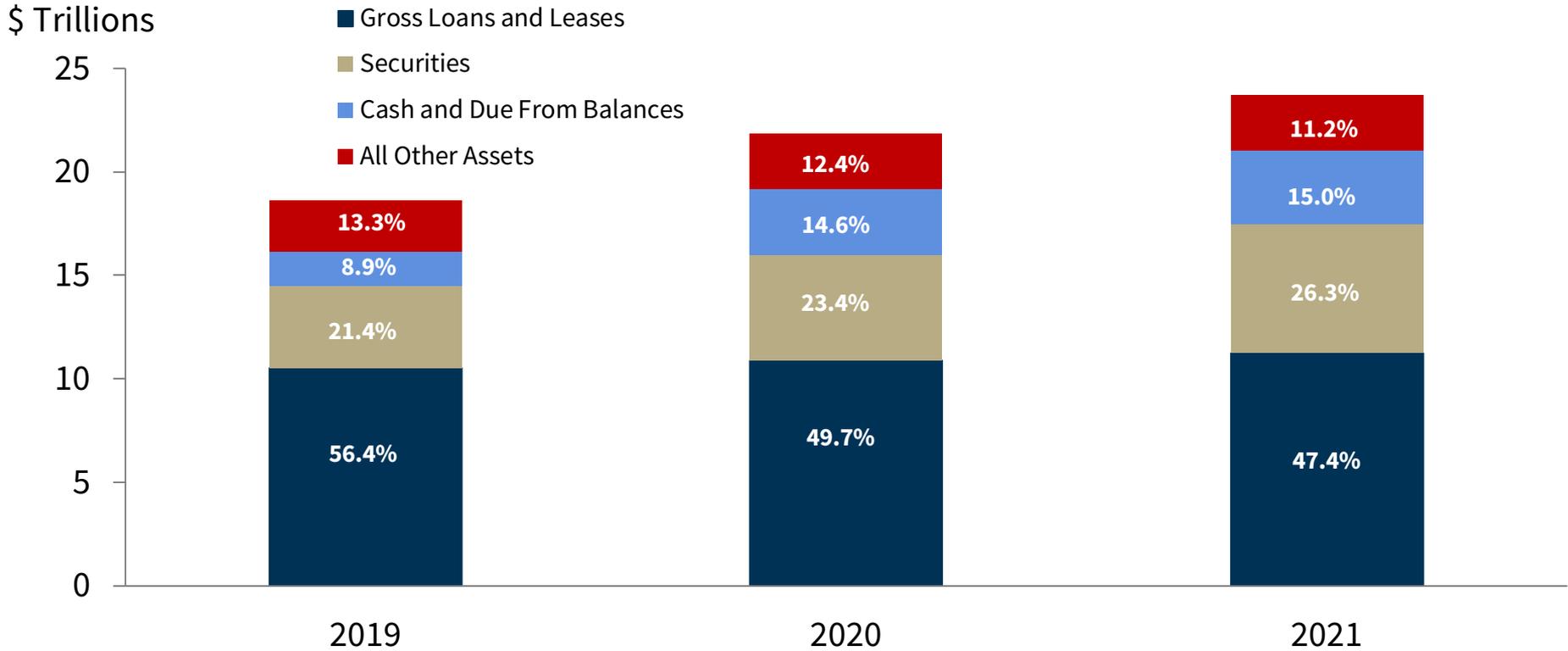
- How is your bank being affected by inflation, rising interest rates, and growing concerns of a recession?

MARKET RISK: Community Bank Deposits Continue to Reach Record Levels



Source: FDIC.

MARKET RISK: Since the Pandemic Began, Most Bank Asset Growth Has Been in Securities and Cash Accounts



Source: FDIC.

Note: Bars show total gross loans, securities, cash and due from balances, and all other assets amounts from bottom to top. Percent of total assets is represented on the bars. 2020 and 2021 do not sum to 100 percent due to rounding.

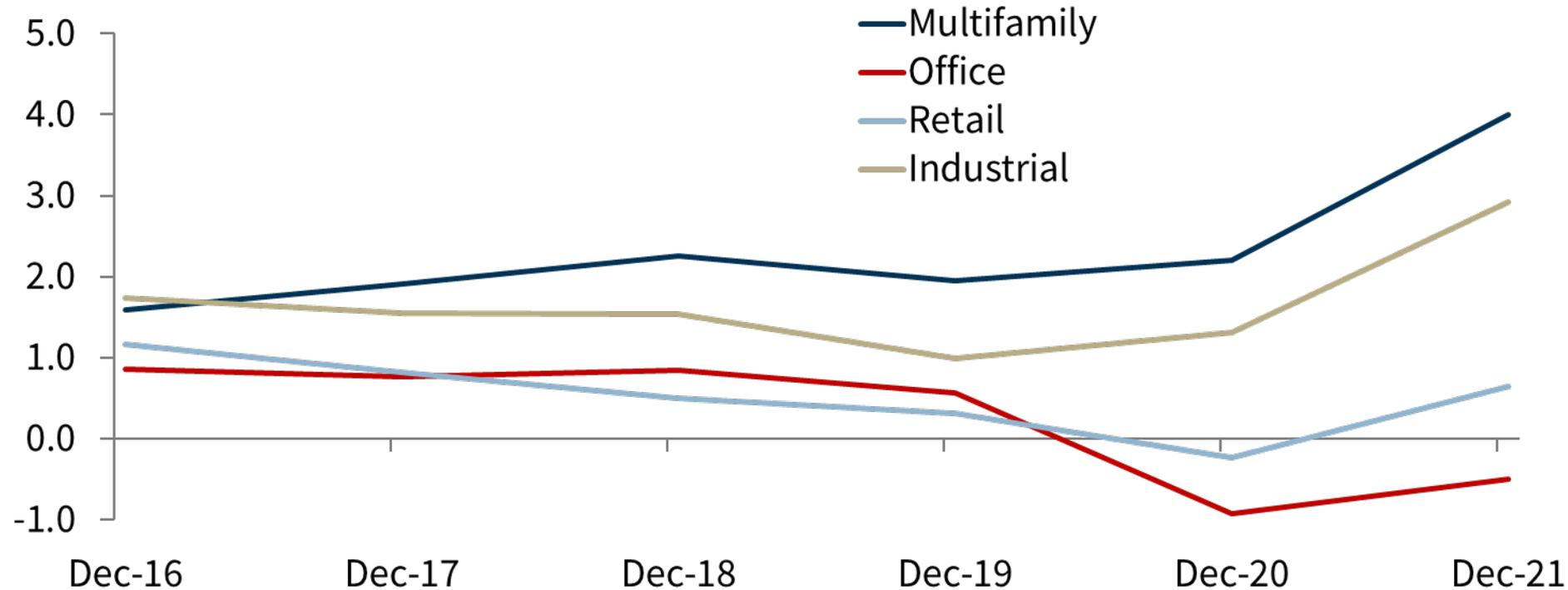
Market Risk Discussion

- What deposit trend is your bank experiencing?
- How are you managing your securities portfolio in light of rising interest rates?

CREDIT RISK-CRE: Demand For Most CRE Property Types Has Improved From Pandemic Lows

Net Absorption as a Share of Inventory

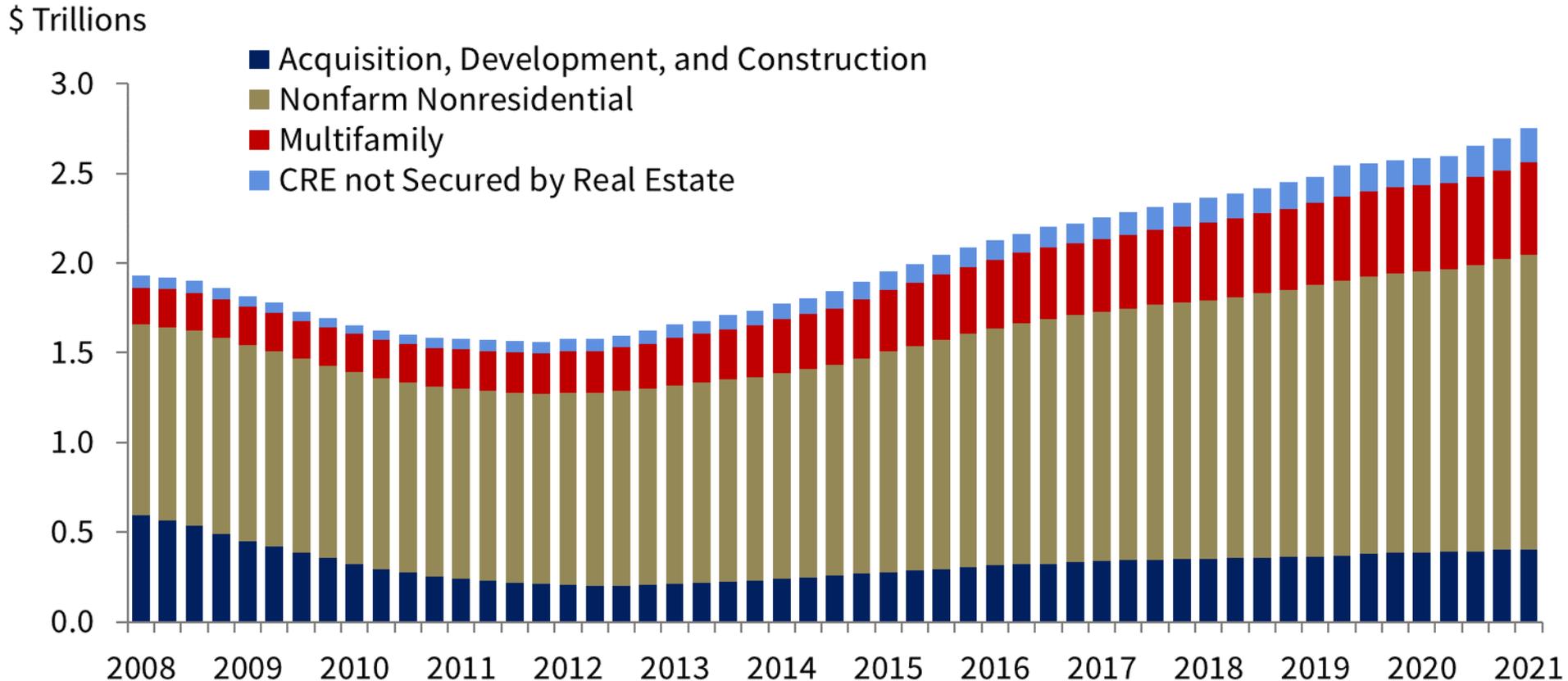
Percent



Source: CoStar.

Note: Data are annual through December 2021.

CREDIT RISK-CRE: CRE Loans at Banks Are Growing



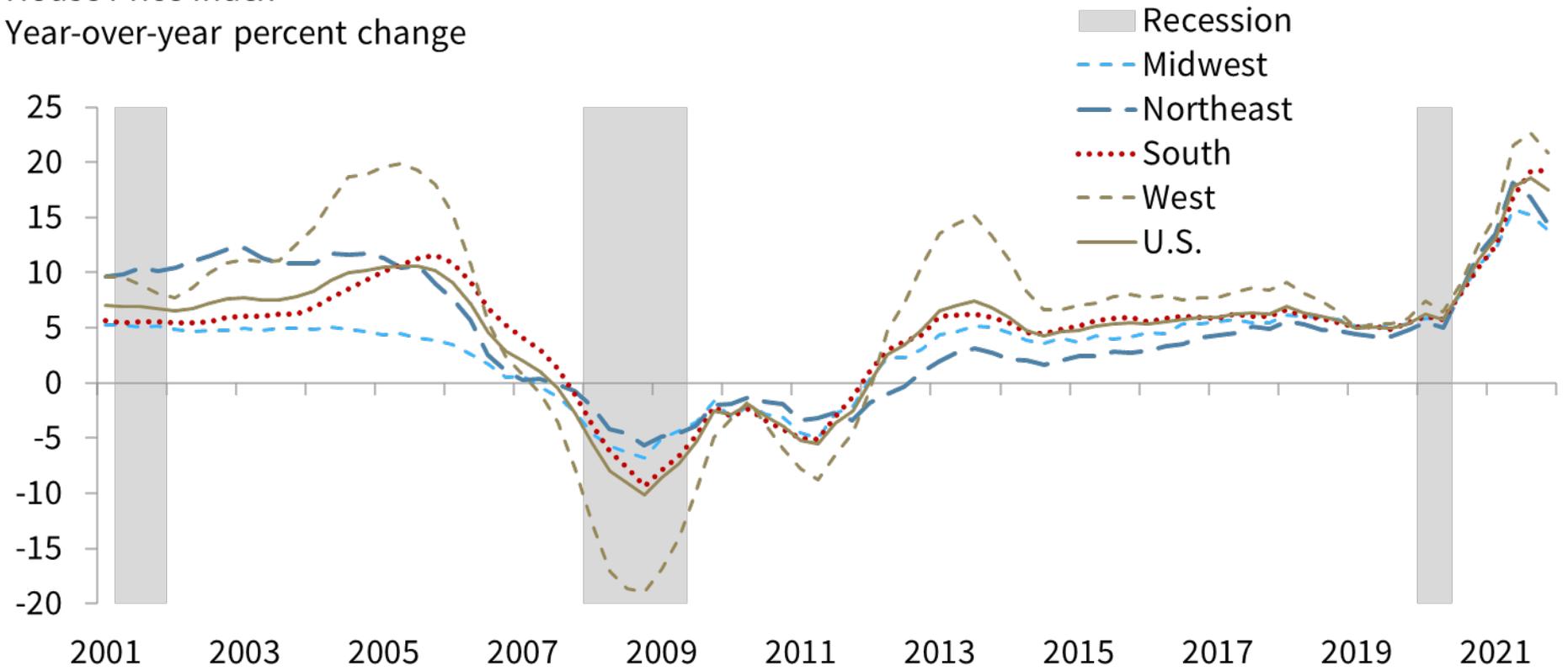
Source: FDIC.

Note: Data are quarterly from fourth quarter 2008 through fourth quarter 2021.

CREDIT RISK-RESIDENTIAL: Home Price Growth Reached a New Peak in 2021

House Price Index

Year-over-year percent change

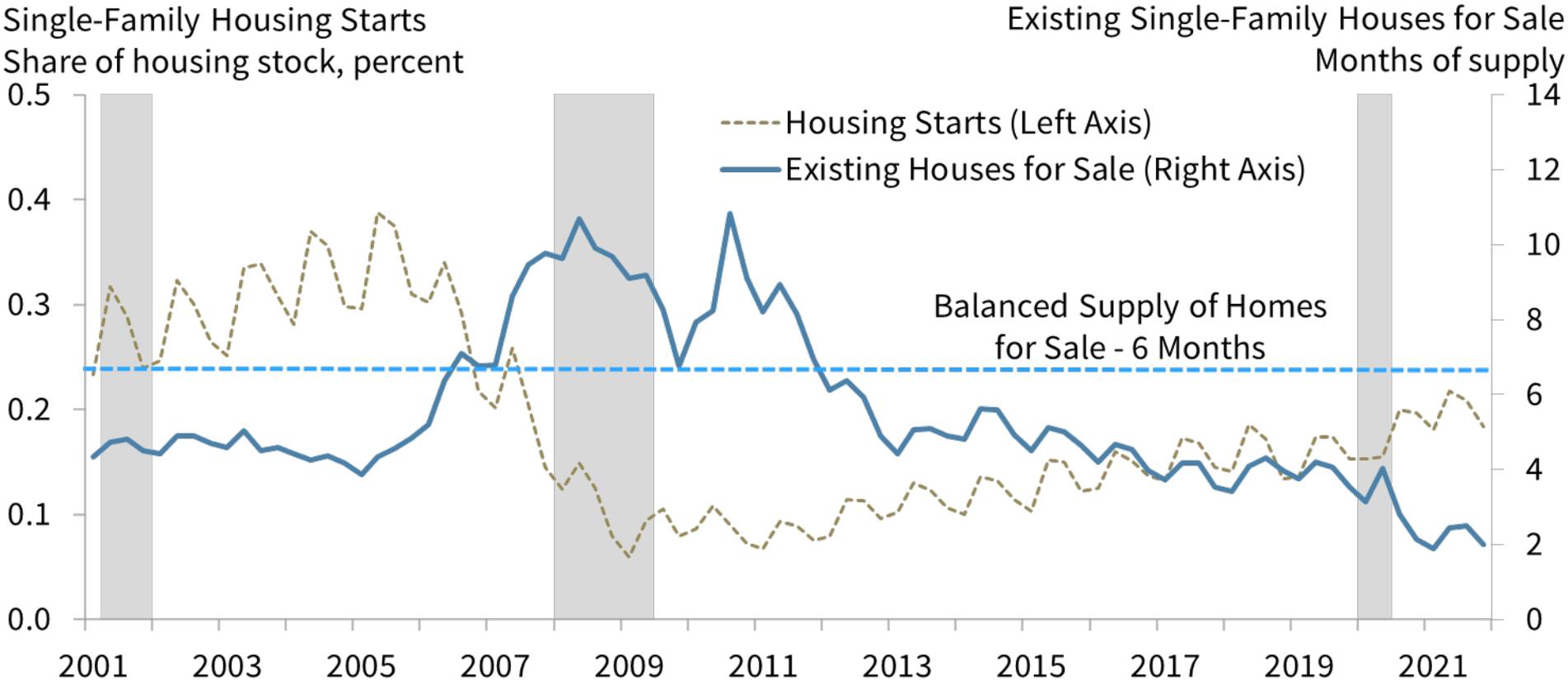


Sources: Federal Housing Finance Agency, Moody's, National Bureau of Economic Research (Haver Analytics).

Note: Data are quarterly seasonally adjusted purchase-only house price index figures through fourth quarter

2021.

CREDIT RISK-RESIDENTIAL: Inventory of Existing Homes Remains Low Despite Construction Growth



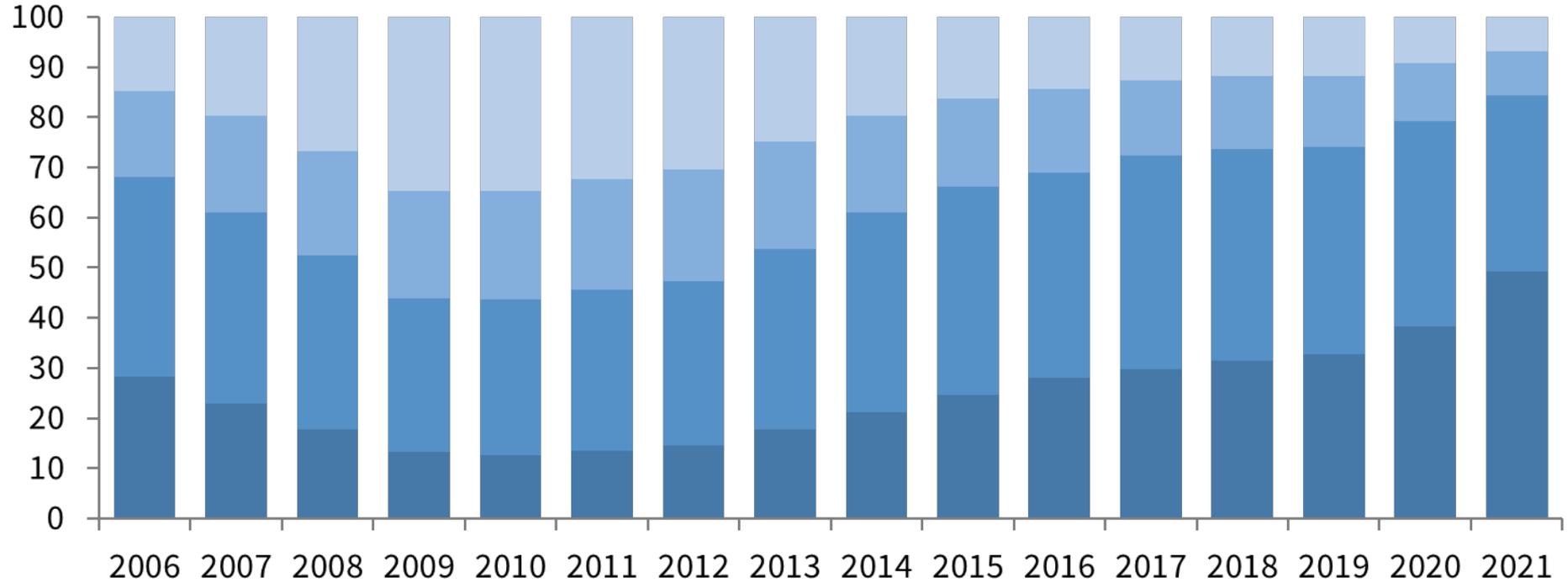
Sources: National Association of Realtors, Census Bureau, National Bureau of Economic Research (Haver Analytics).

Note: Shaded areas indicate recession. Data are quarterly figures through fourth quarter 2021.

CREDIT RISK-RESIDENTIAL: Mortgage Credit Quality Has Improved Among Insured Institutions Across the Nation

Share of Banks Within Each 1-4 Family Residential Past-Due Rate Bucket
Percent

0 to 1 Percent 1 to 3 Percent 3 to 5 Percent > 5 Percent



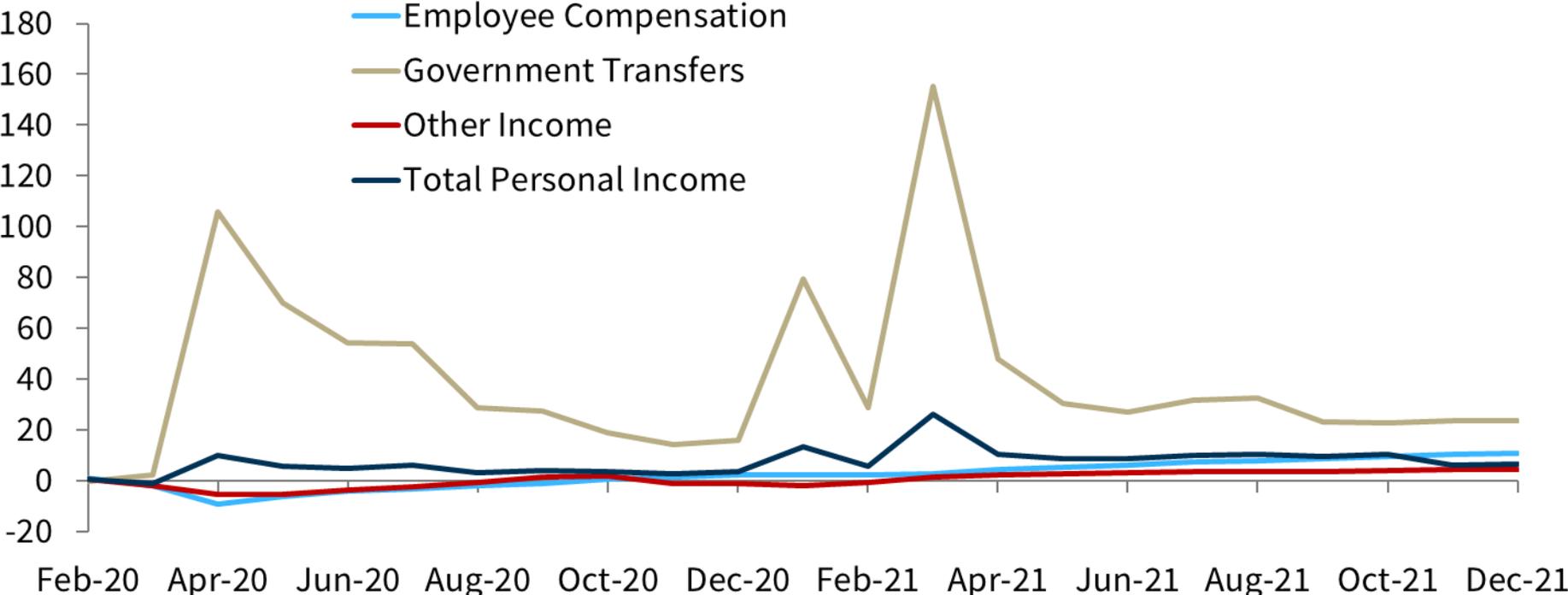
Source: FDIC.

Note: Data as of fourth quarter each year.

CREDIT RISK-CONSUMER: Government Fiscal Programs Continued to Boost Personal Income in 2021

Change From January 2020

Percent

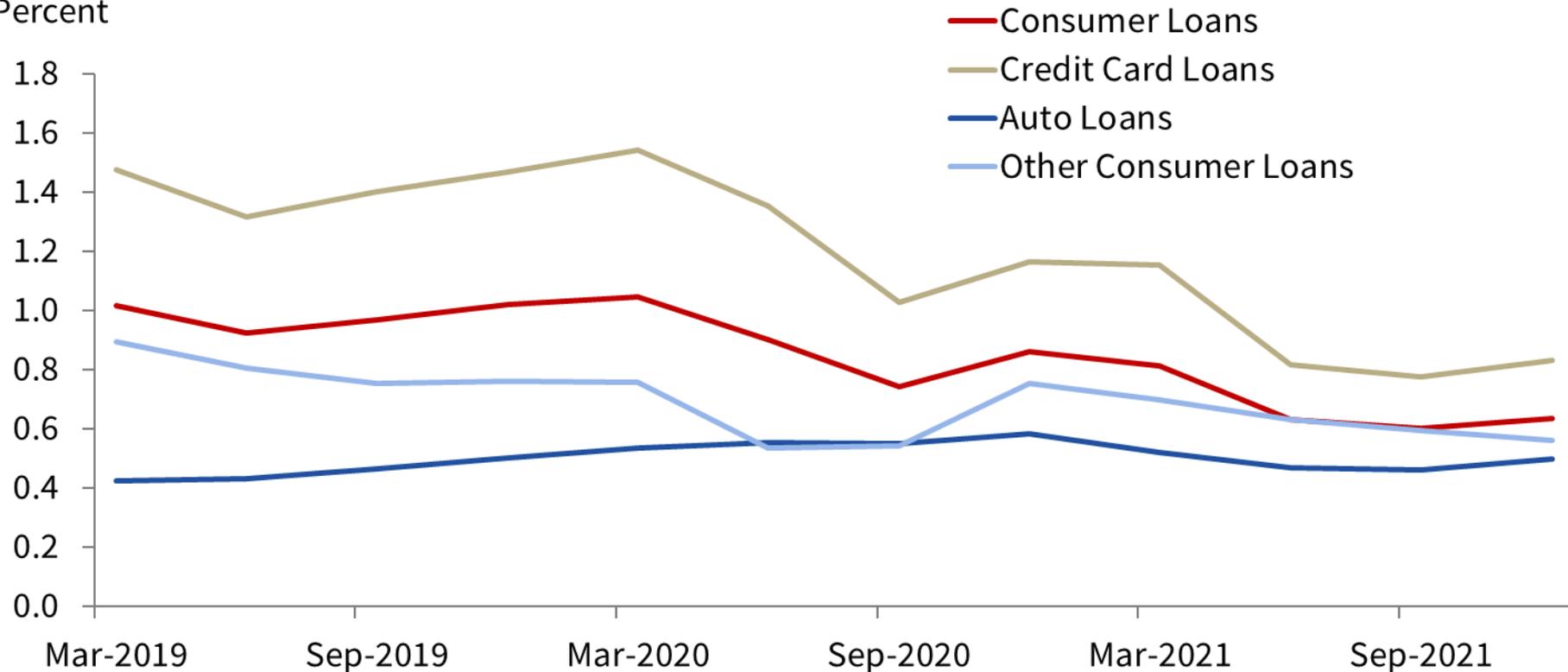


Source: Bureau of Economic Analysis (Haver Analytics).

Note: Data are monthly through December 2021.

CREDIT RISK-CONSUMER: Noncurrent Rates on Consumer Loans Fell in 2021

Share of Loans Noncurrent
Percent



Source: FDIC.

Note: Data are quarterly through fourth quarter 2021.

Credit Risk Discussion

- What is your outlook for loan growth and credit quality?
- Has your bank changed its underwriting standards in light of market trends?
- What trends are of most concern to you?

General Discussion

- What other risks or concerns would you like to highlight?