

# FDIC Advisory Committee on Community Banking

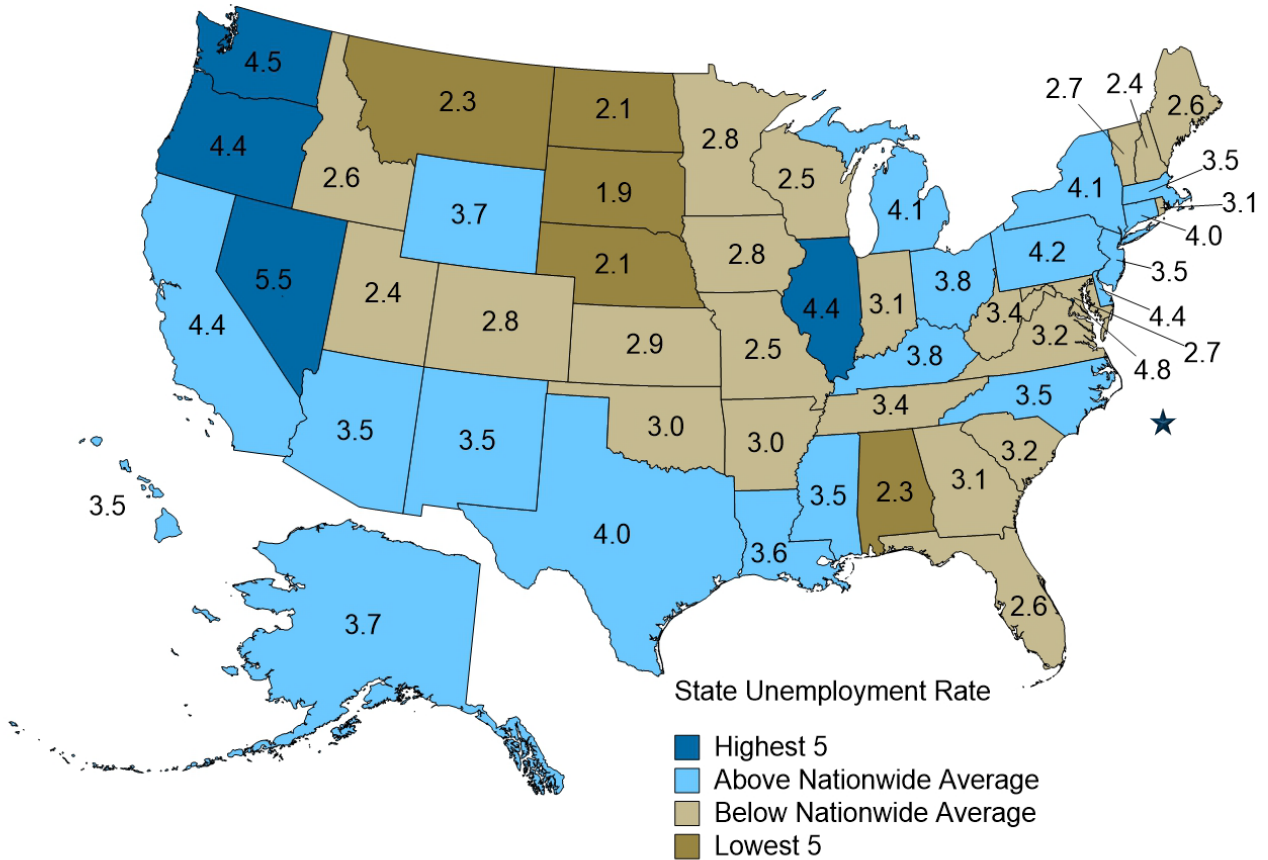
June 1, 2023

Discussion of Banking Conditions

# Outline

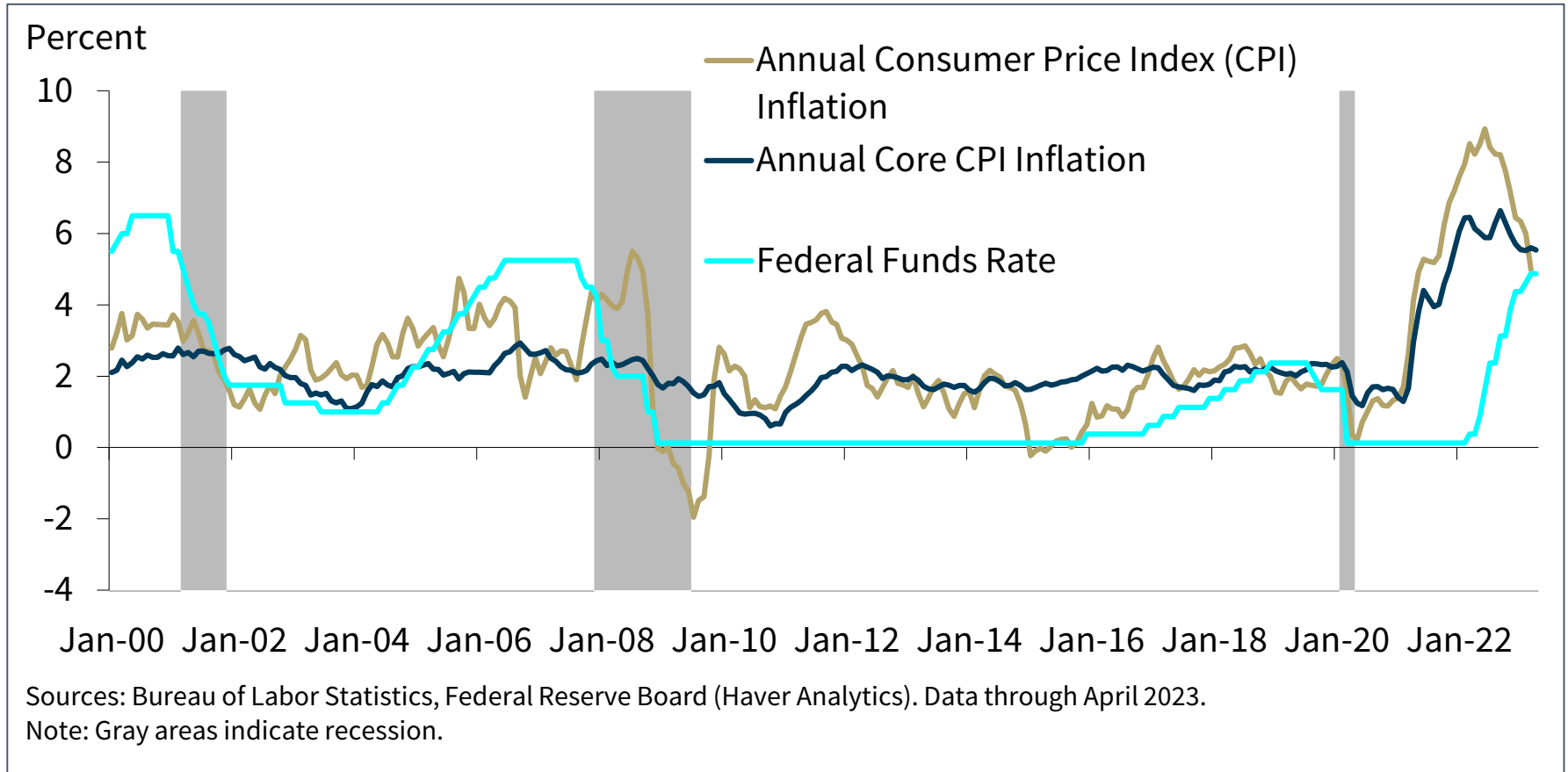
- Economic Overview
  - Tight Labor Markets
  - High Inflation and Rising Interest Rates
- Community Bank Performance
  - Net Interest Margins
- Credit Risk
  - Commercial Real Estate
  - Residential Real Estate
  - Consumer Lending

# Labor market conditions are tight but vary across states.

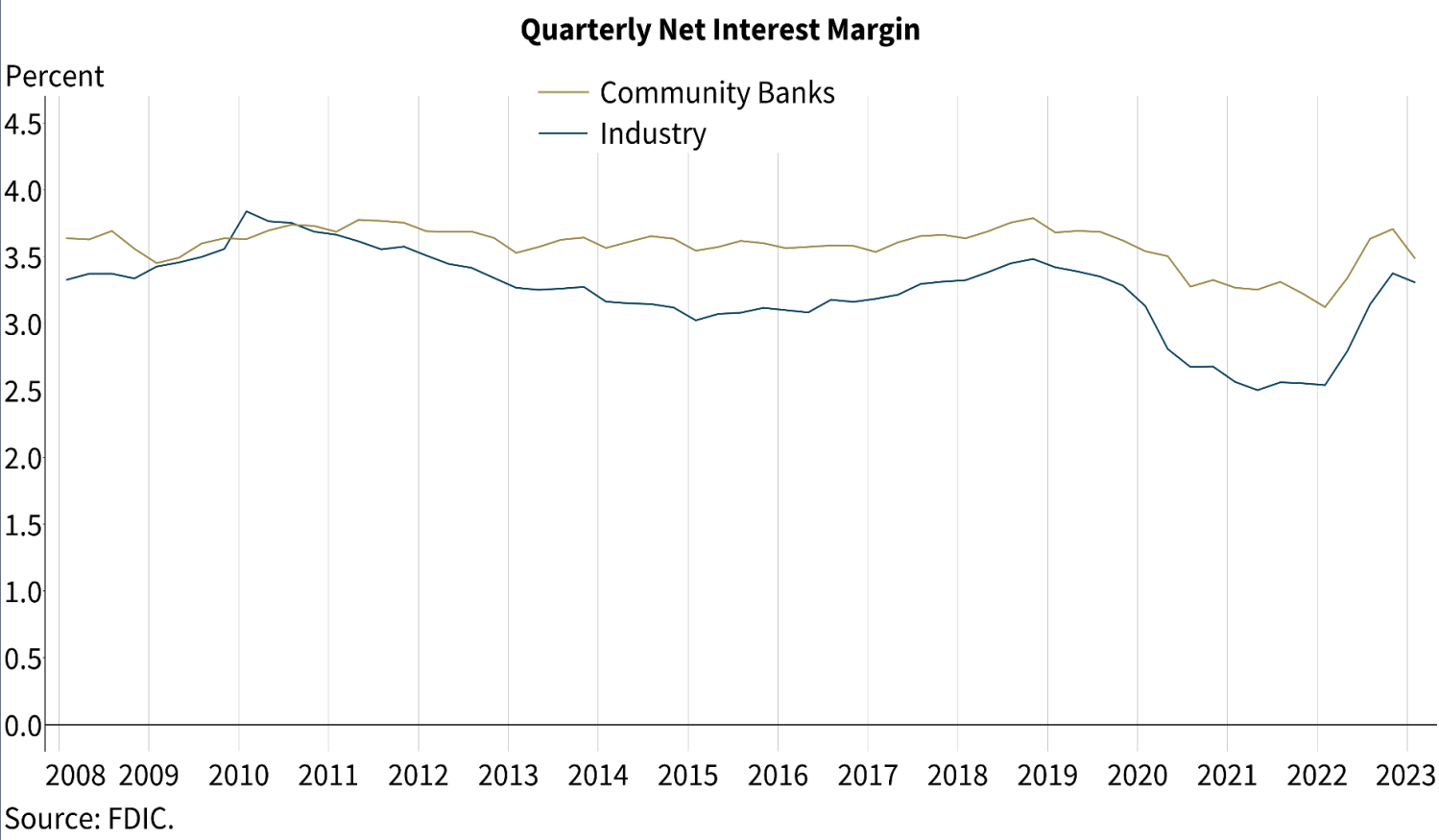


Source: Bureau of Labor Statistics.

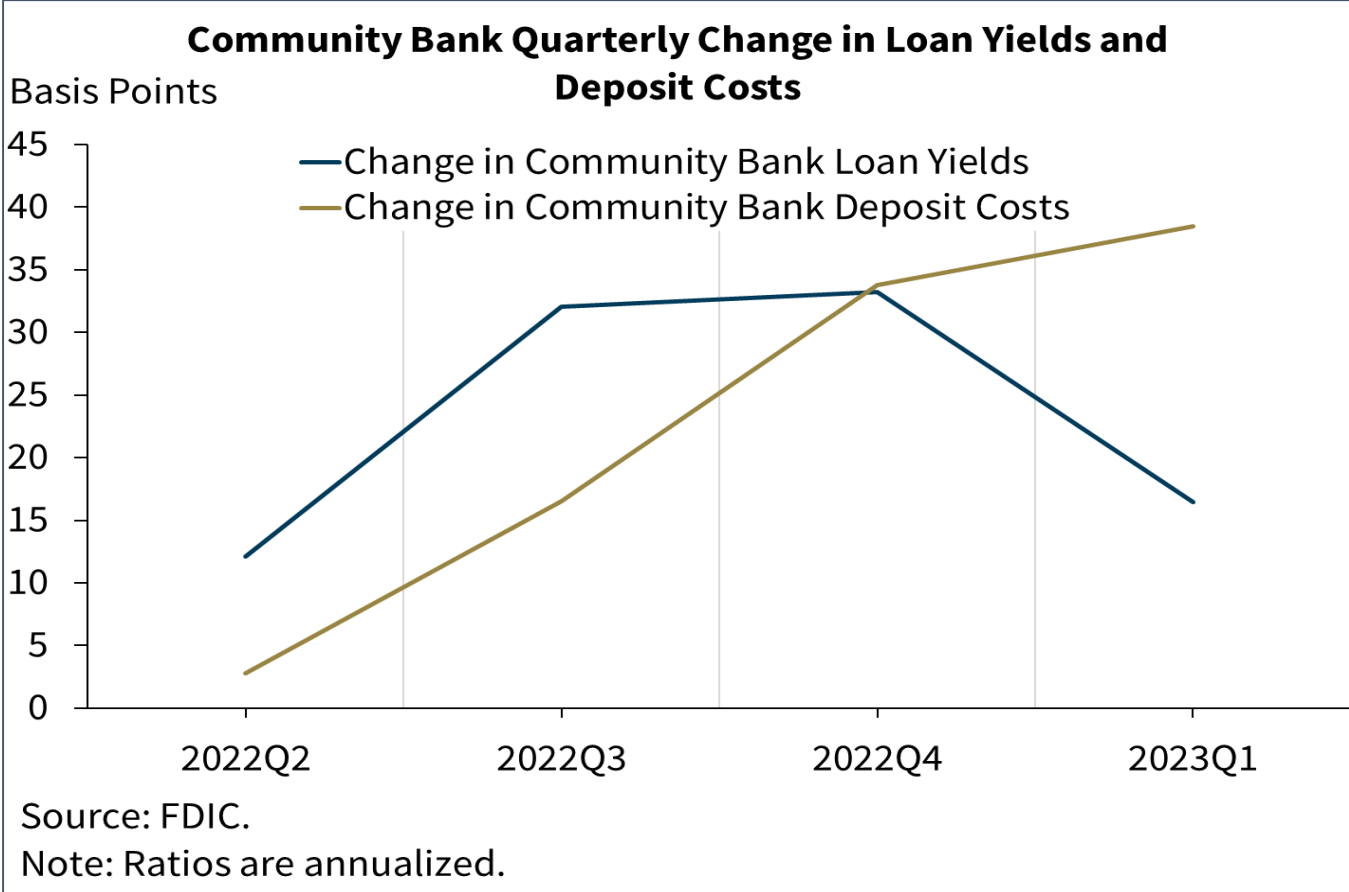
# Inflation is falling from multi-decade highs as interest rates rise.



# Net interest margins decreased from the previous quarter but increased from the year-ago quarter.



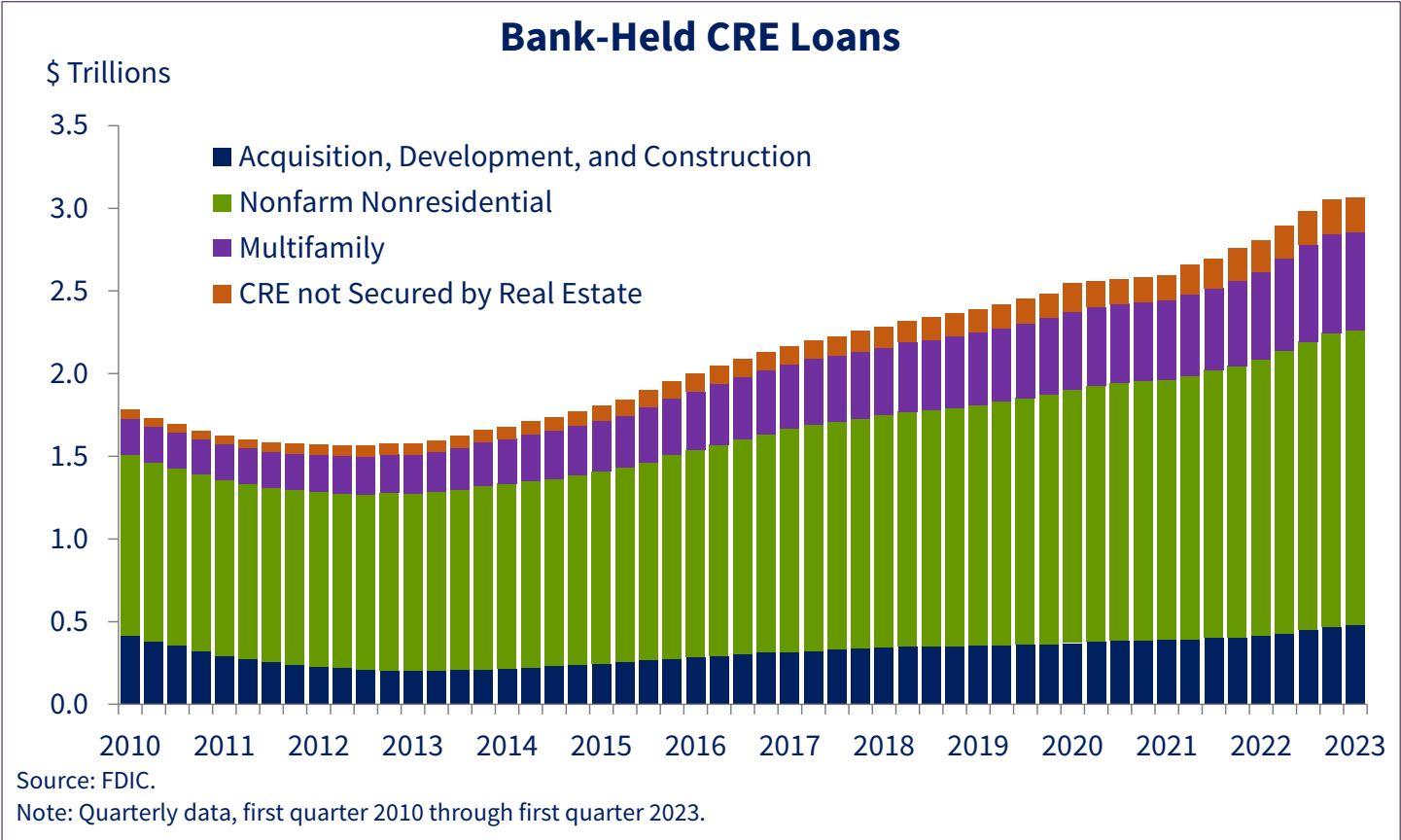
# Community bank deposit costs increased more than loan yields in the first quarter.



# Discussion Questions

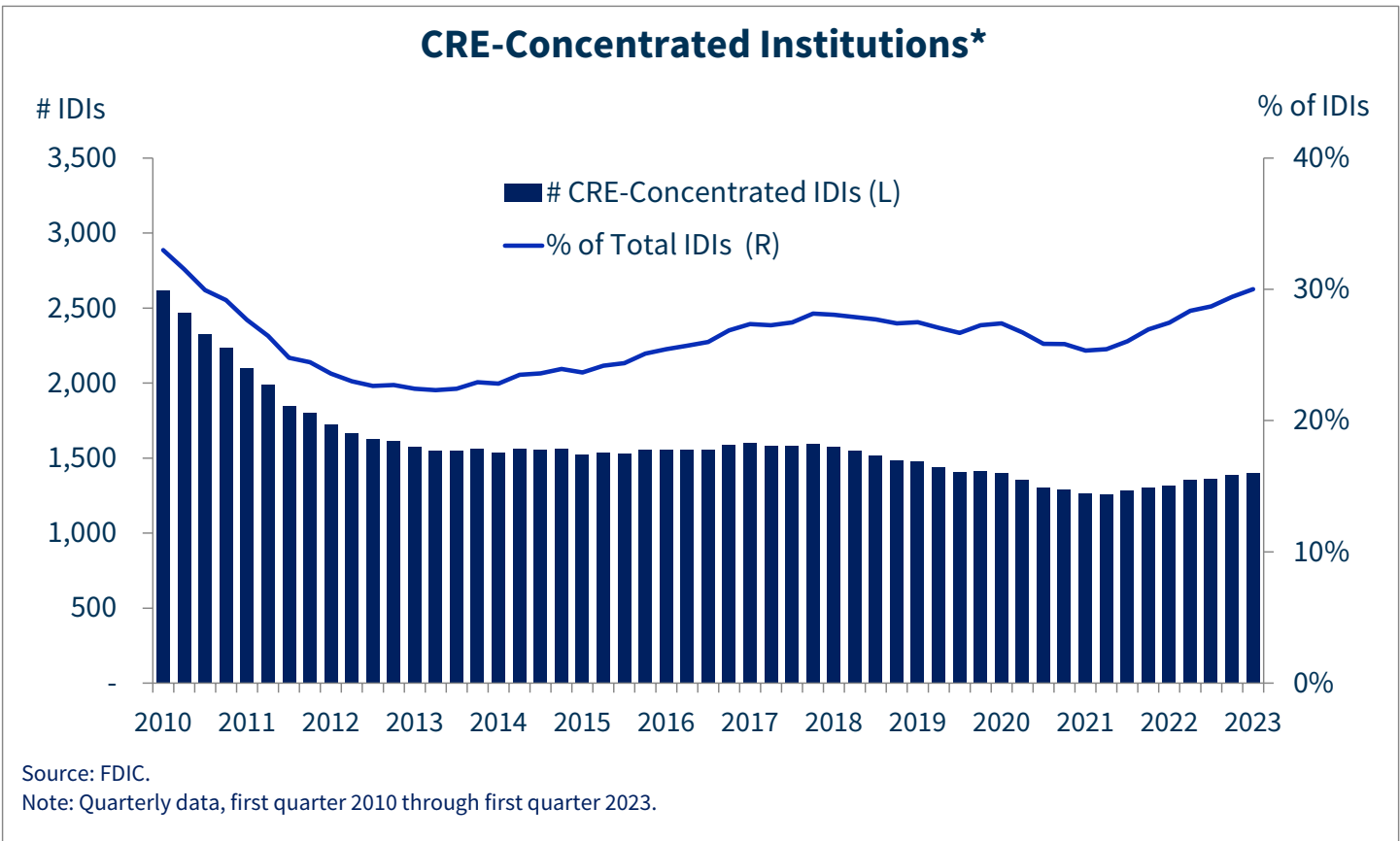
- Have your business customers been affected by tight labor market conditions in your area? Has your bank's hiring been affected?
- How is your bank being affected by inflation and rising interest rates?
- Is your bank experiencing NIM compression? What, if anything, is your bank doing to support NIMs?

# CRE loans at banks have reached a new peak.



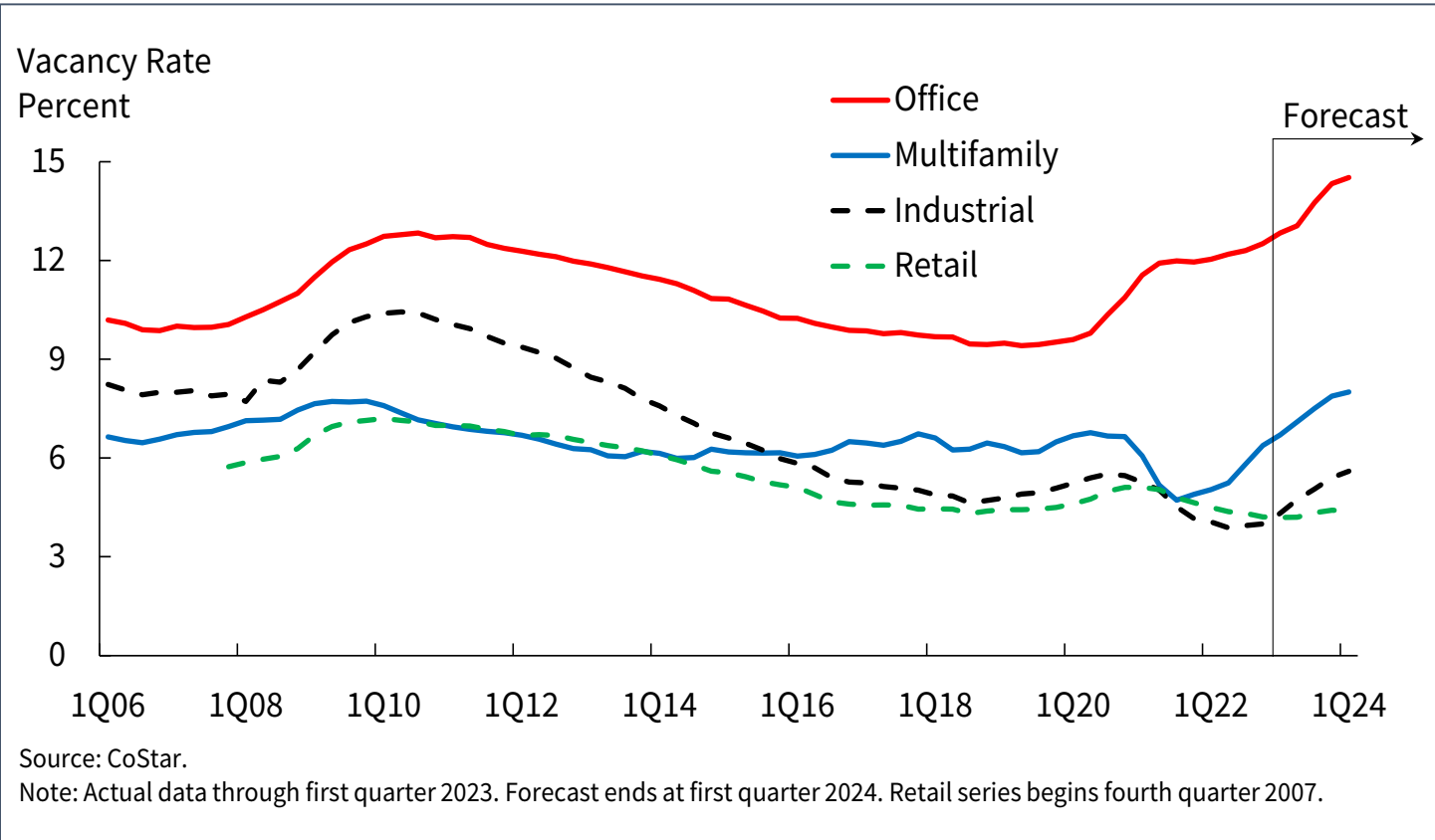


# Banks with CRE concentrations are growing.

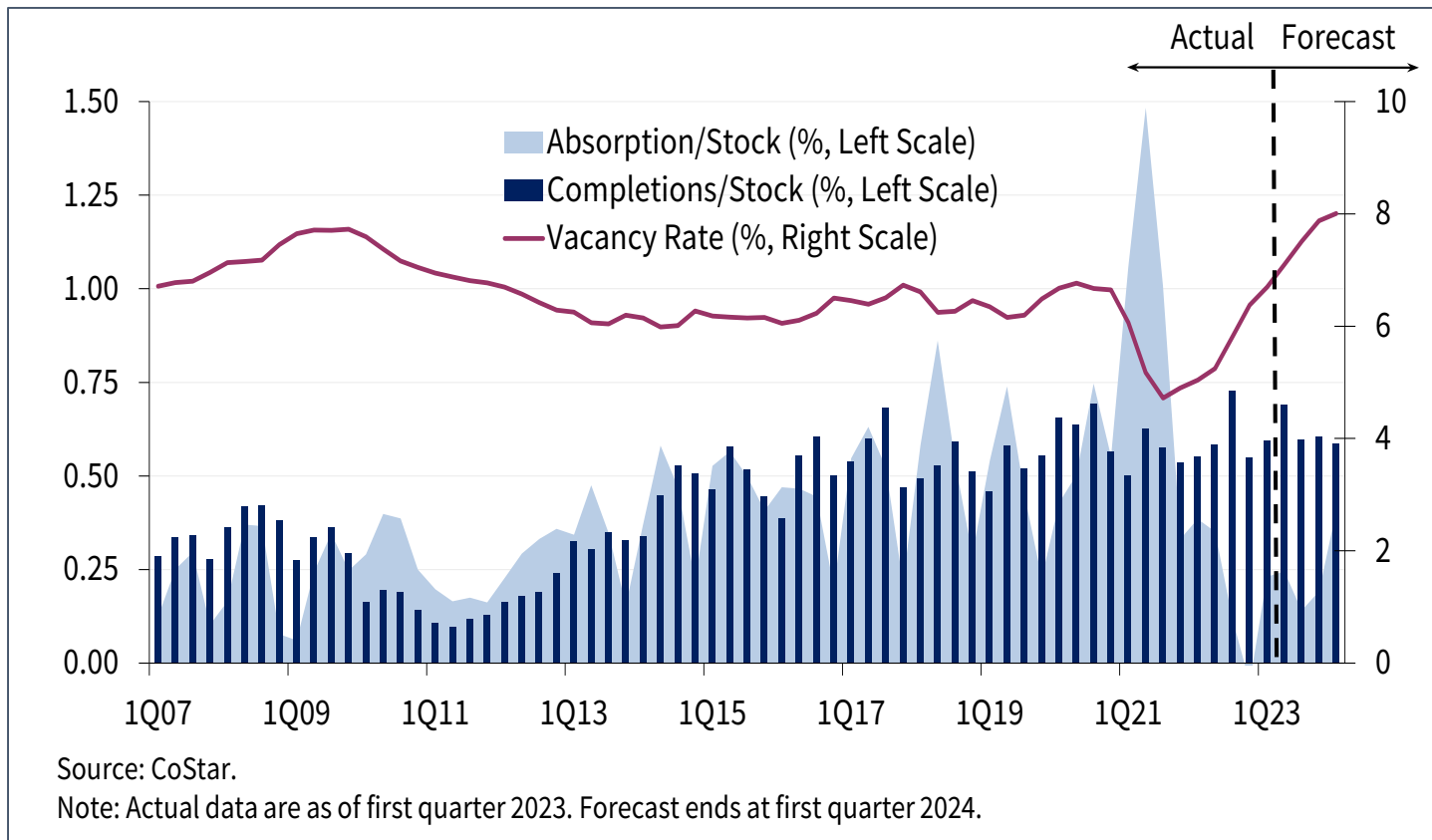


\*CRE-concentrated is defined as ADC loans >100% or Total CRE loans >300% of Tier 1 Cap and ALLL/ACL.

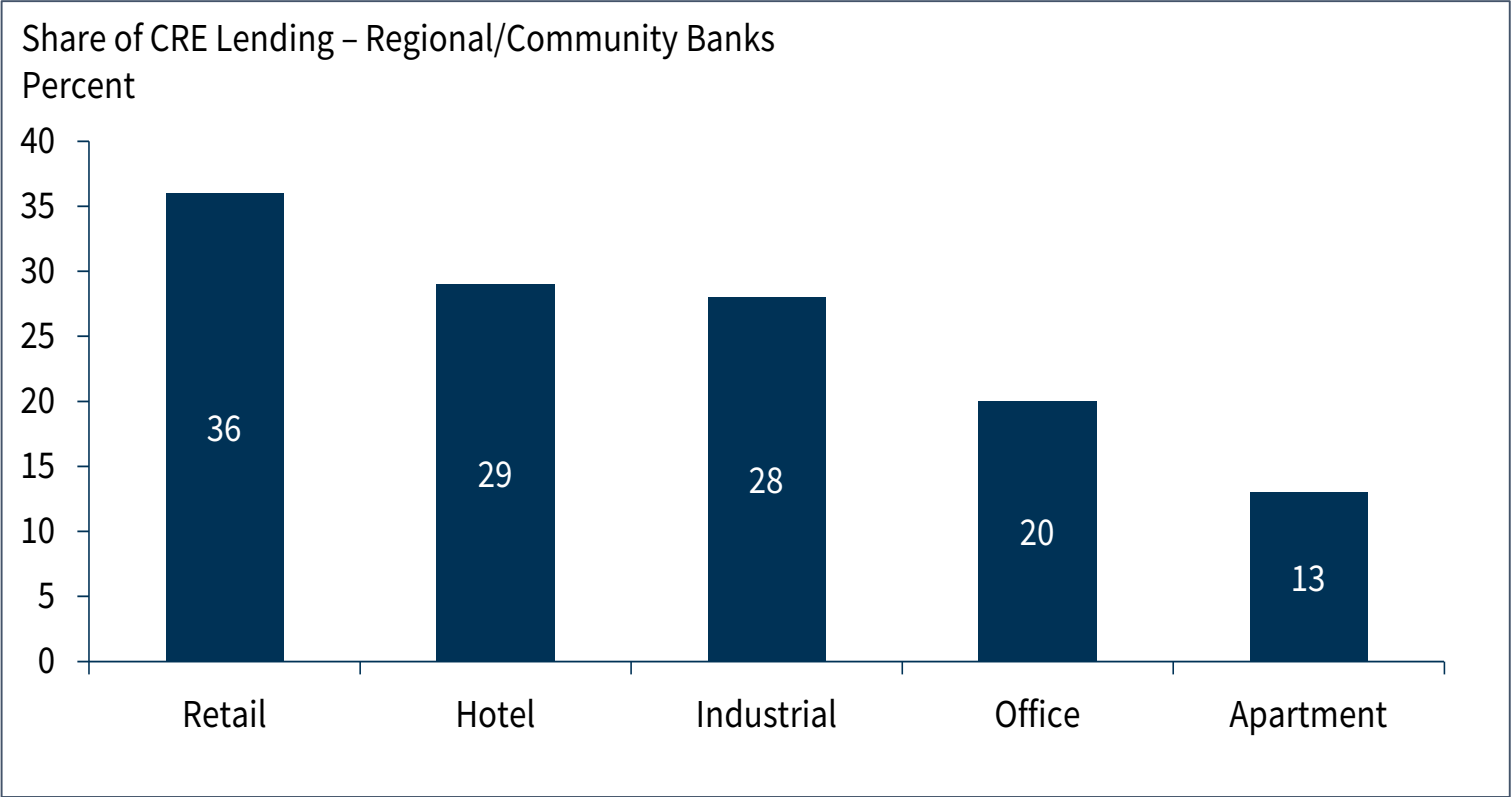
# Vacancy rates are expected to keep rising, except in retail.



# Brisk multi-family construction began to surpass demand in 2022.

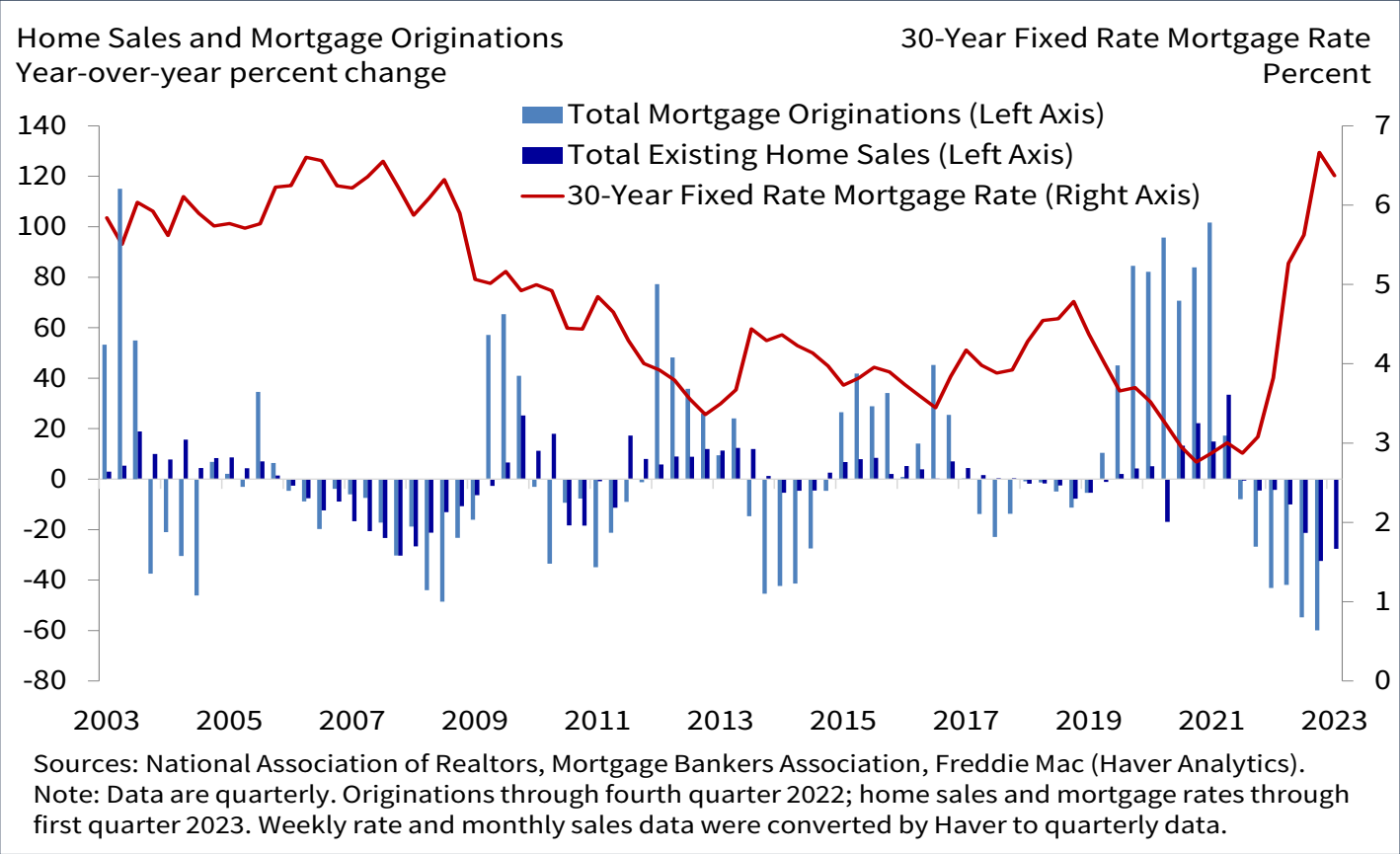


# Regional and community banks have been active lenders across the spectrum of CRE property types over the past five years.

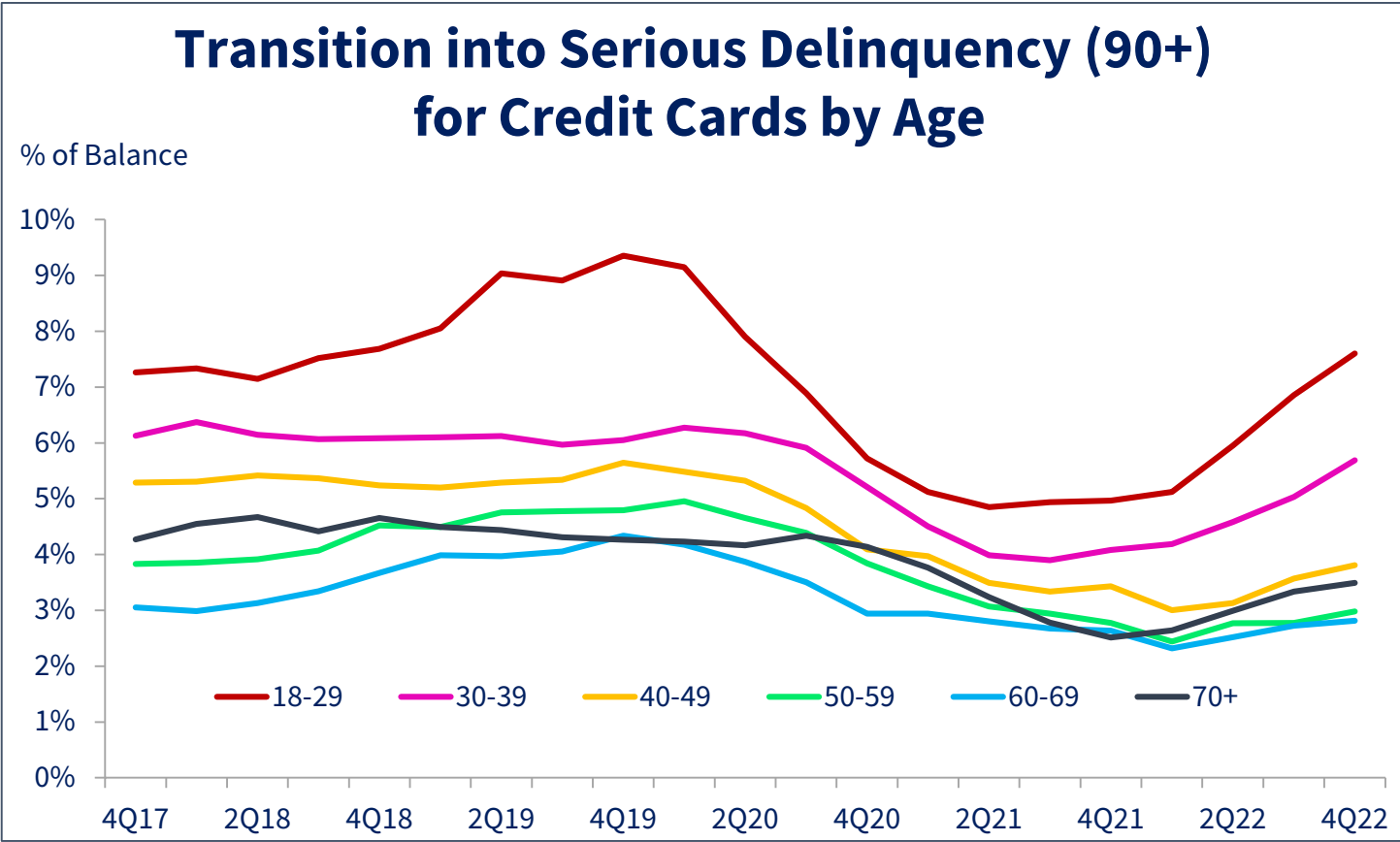


Sources: Real Capital Analytics; CreditSights.  
Note: Data are the average share of financing by property type from 2017 to 2022.

# Mortgage activity has declined sharply as rates have increased.



# Credit card balances and delinquencies are rising.



## Credit Risk Discussion

- What credit risk trends are of most concern to your bank?
- How would you characterize demand for your bank's lending products?
- Has your bank adjusted its lending standards in light of market trends?

## General Discussion

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