

# FDIC Advisory Committee on Community Banking

*May 2, 2024*

Discussion of Banking Sector Risks  
Featured in the 2024 Risk Review



# 2024 Risk Review

- Economic and Financial Market Conditions
- Banking Overview
- Market Risks
- Credit Risks
- Other Risks

## Risk Review

2024

**FDIC** FEDERAL DEPOSIT  
INSURANCE CORPORATION

# Economic conditions remained resilient but forecasts expect a slowdown in 2024.

Contribution to Change in GDP

Percent

6  
5  
4  
3  
2  
1  
0  
-1  
-2  
-3

2023 Q1

2023 Q2

2023 Q3

2023 Q4

2024 Q1

2024 Q2

2024 Q3

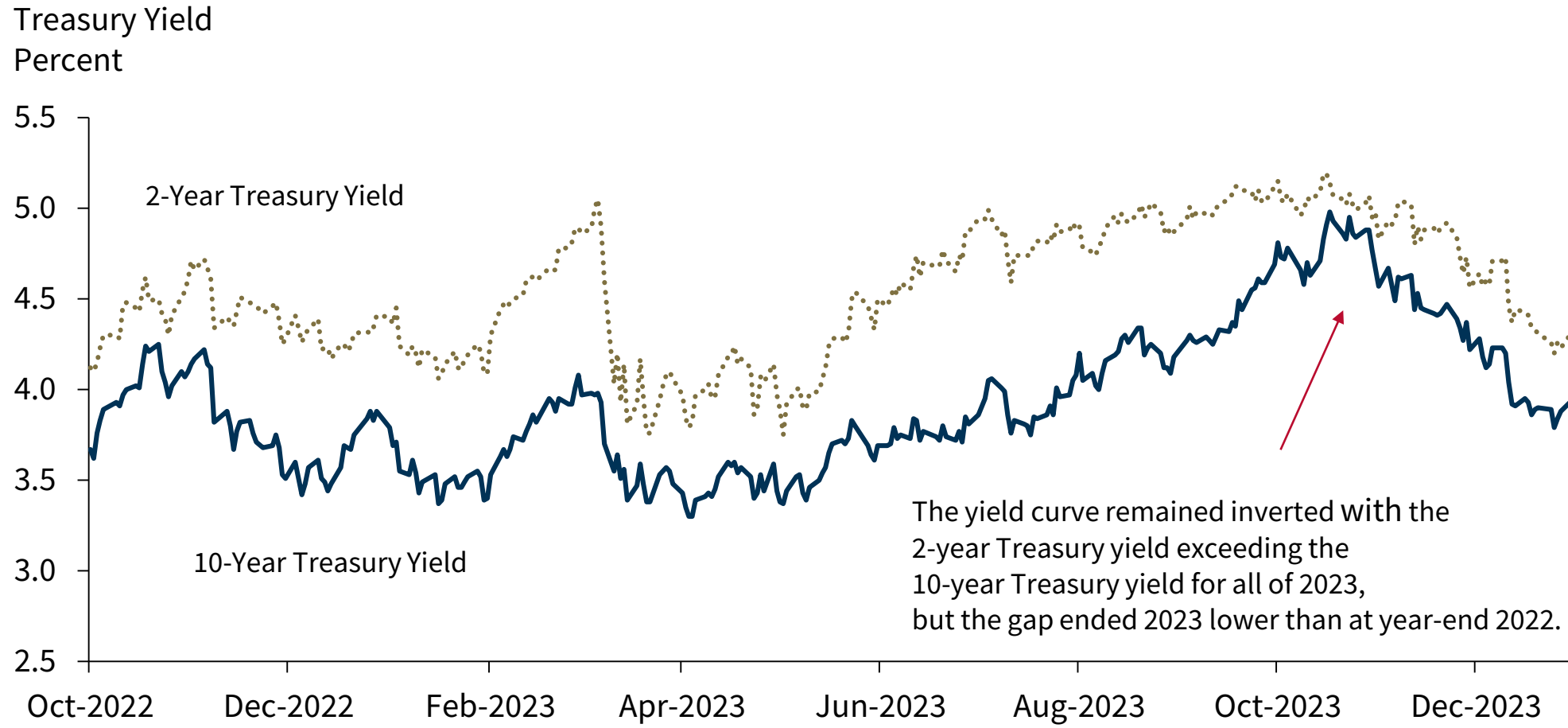
2024 Q4

- Consumption
- Government
- Imports
- Blue Chip Consensus
- Blue Chip Top 10
- Business Investment
- Exports
- Real Change in GDP
- Blue Chip Bottom 10

Sources: Bureau of Economic Analysis and February Blue Chip Indicators (Haver Analytics).

Note: Blue Chip Economic Forecast as of March 2024.

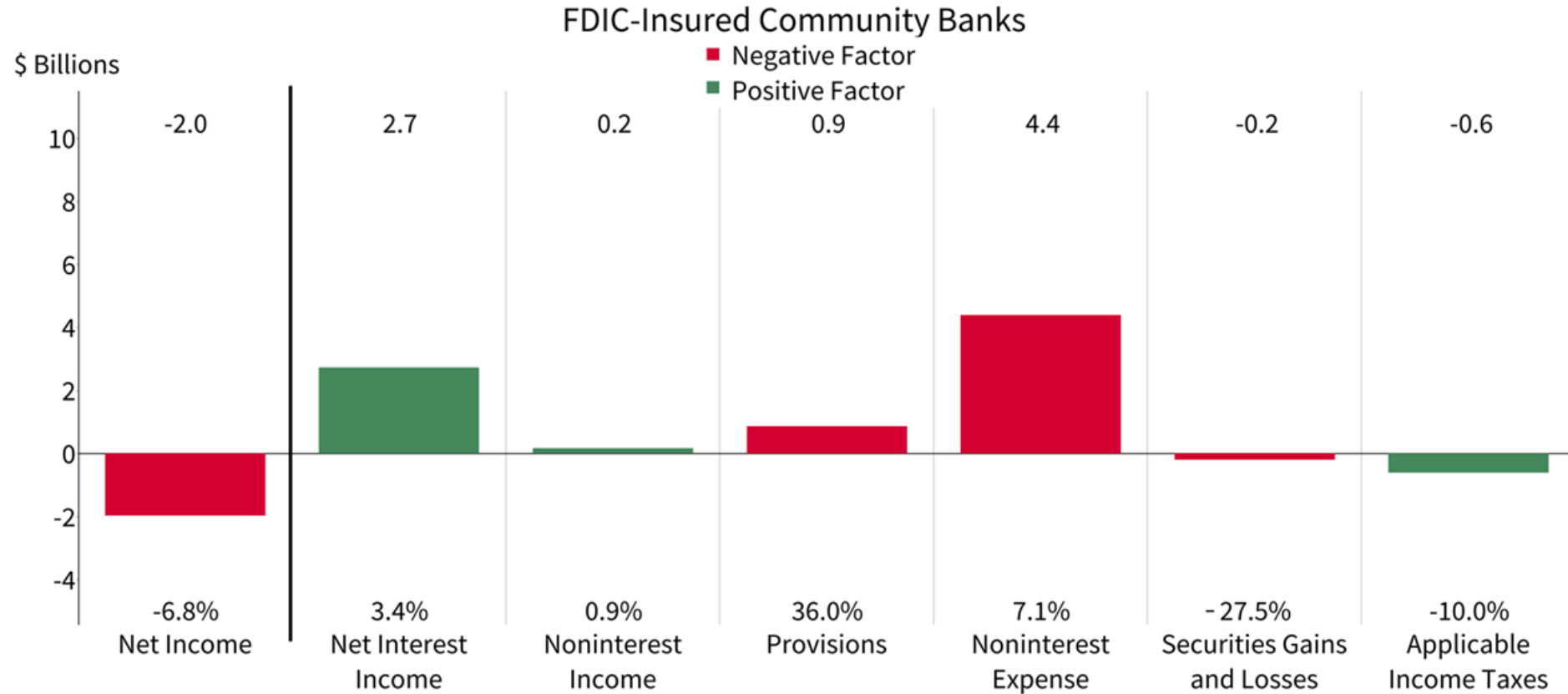
# Treasury bond yields rose in mid-2024 before falling in fourth quarter. The yield curve remained inverted.



Source: Federal Reserve Board (Federal Reserve Economic Data). Data as of January 2, 2024

# Higher noninterest expense offset higher net interest income in 2023.

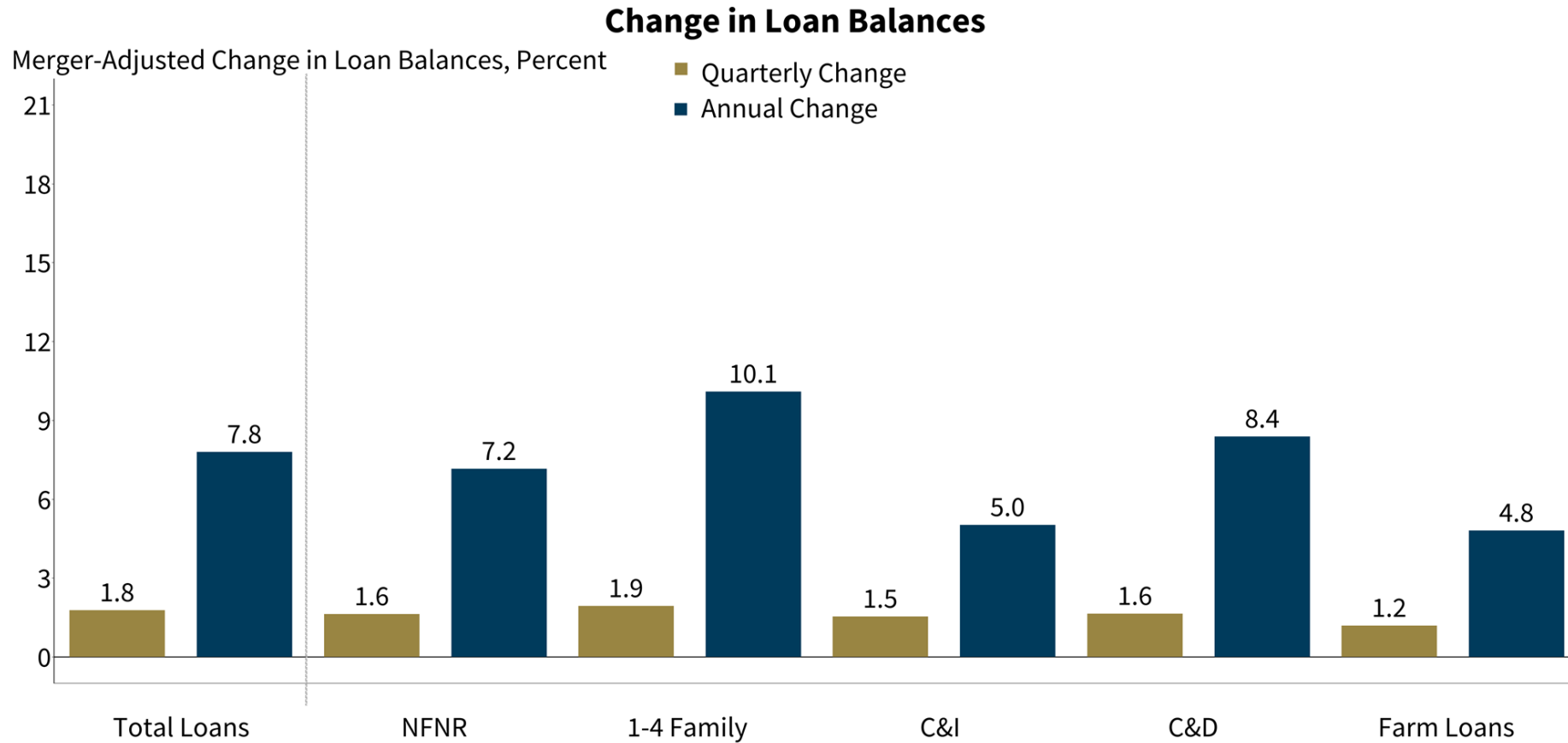
## Full-Year Changes in Major Income Statement Components 2023 vs. 2022



Source: FDIC.

Note: Red depicts a negative effect on net income; green depicts a positive effect on net income.

# Community bank loan growth was robust in 2023.

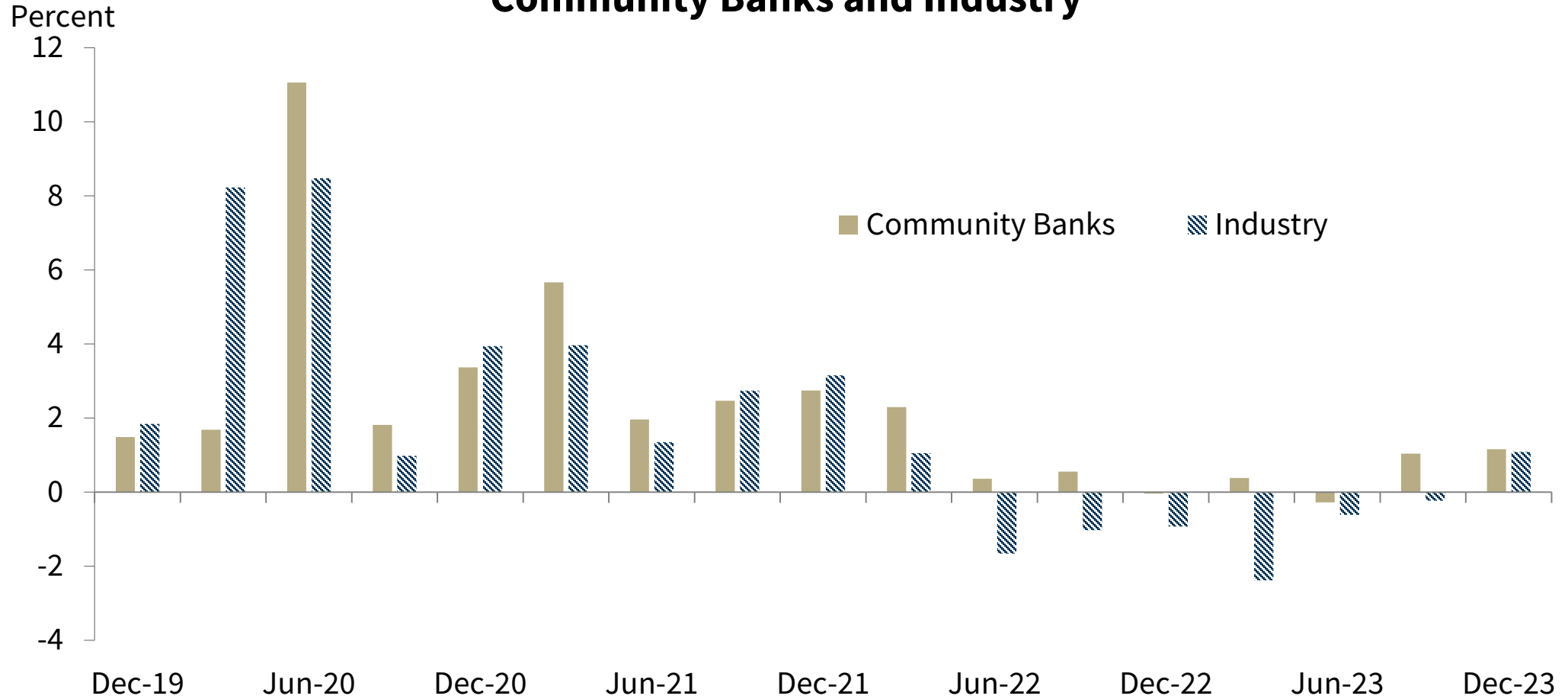


Source: FDIC.

Note: Loan portfolios are sorted from left to right in descending order of quarter-over-quarter dollar growth. NFNR = nonfarm nonresidential loans and includes loans secured by office properties.

# Community banks maintained deposit growth in 2023.

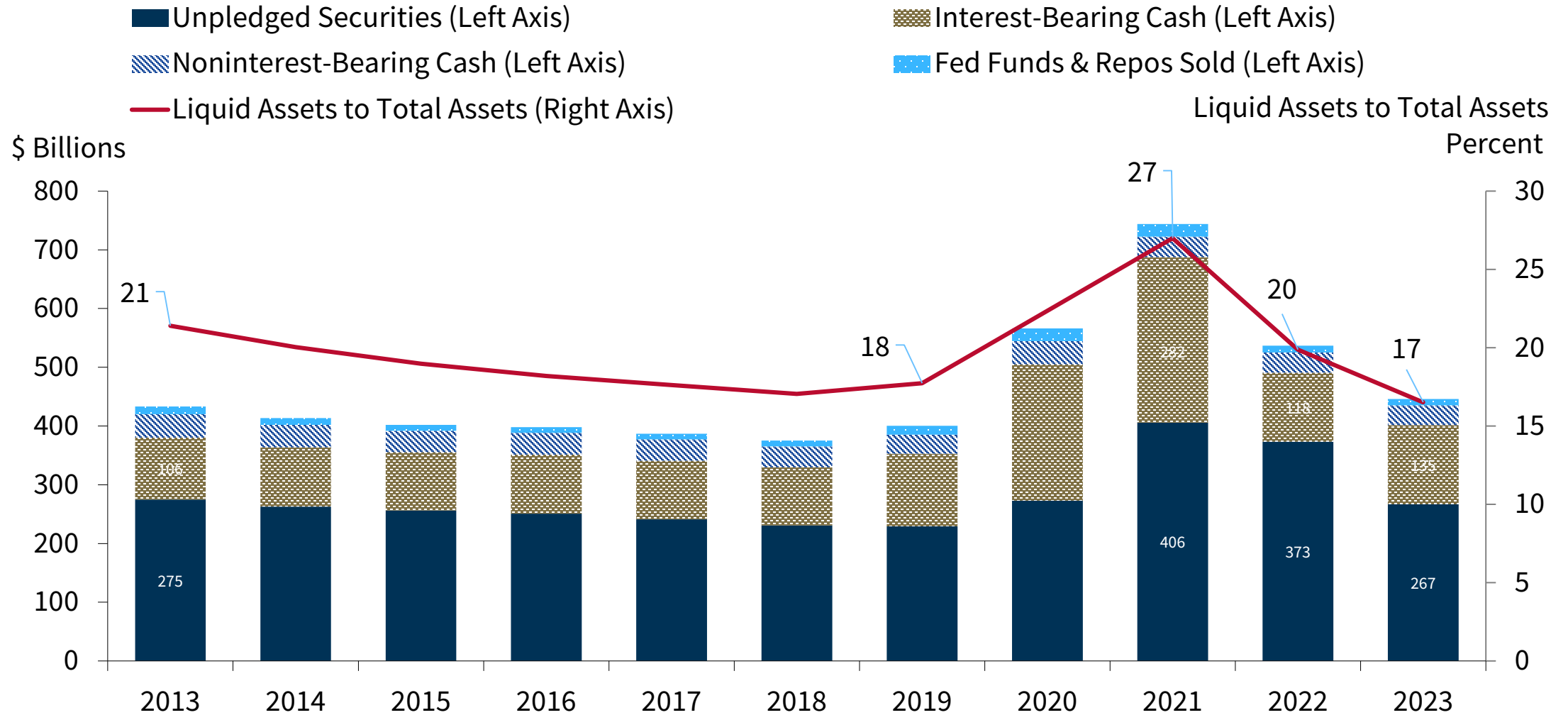
## Quarterly Change in Deposits for Community Banks and Industry



Source: FDIC.

Note: Community bank figures are merger-adjusted.

# Community bank liquid assets decreased with less cash reported.

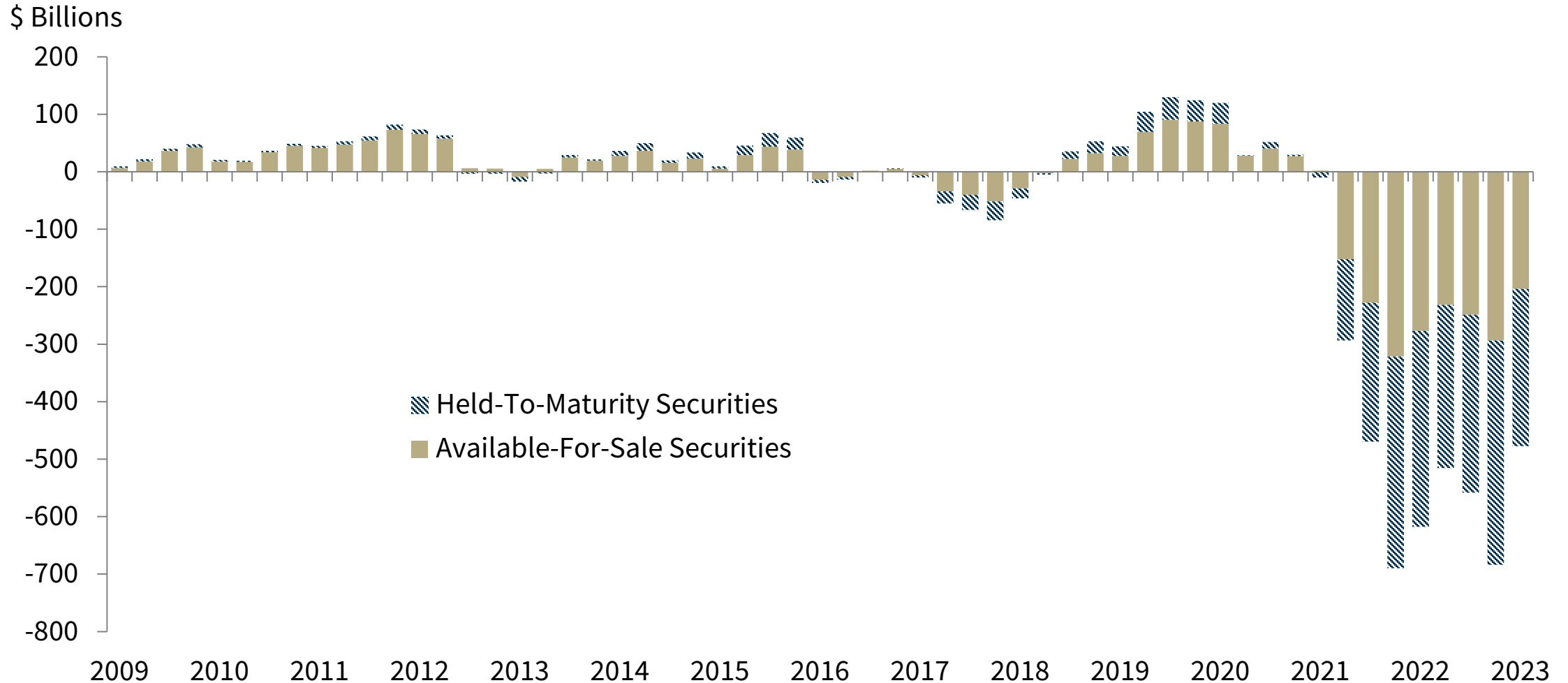


Source: FDIC.





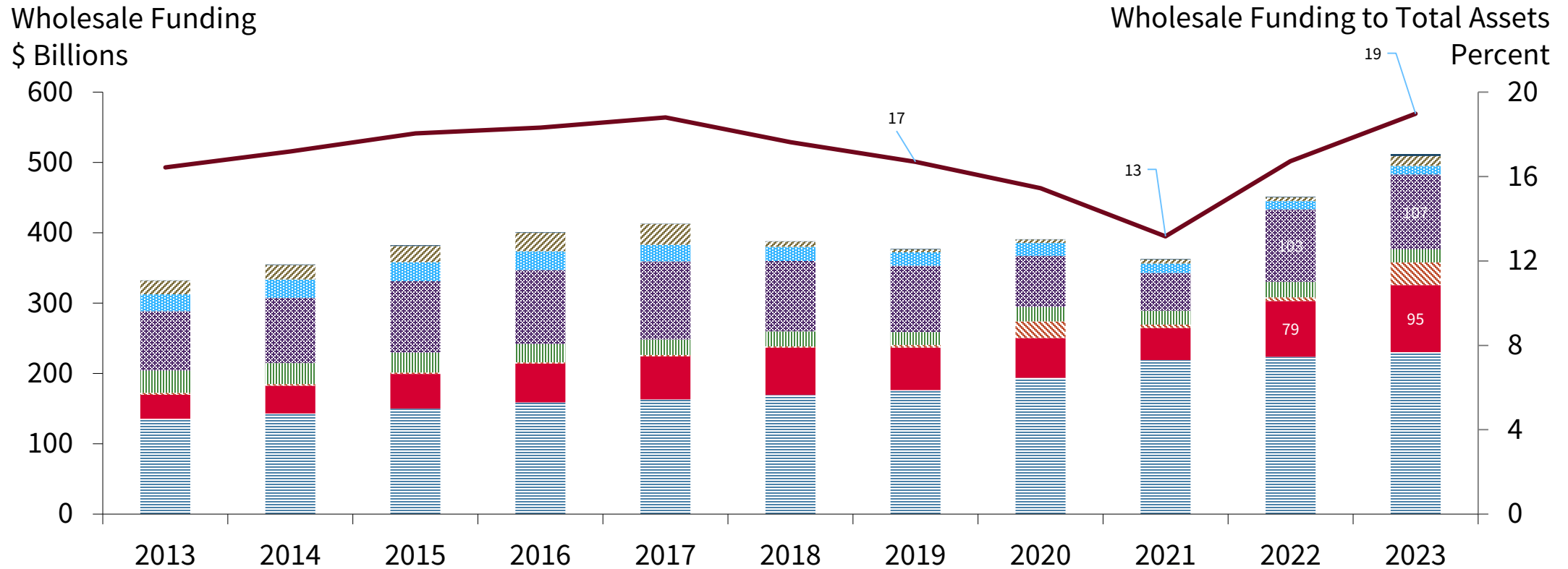
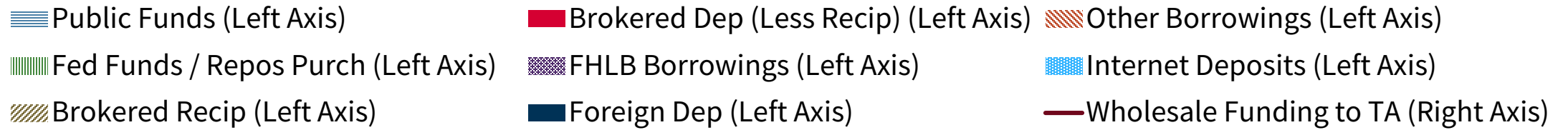
# Unrealized losses on bonds improved in 2023.



Source: FDIC.

Note: Quarterly data through fourth quarter 2023. Insured Call Report filers only. Unrealized losses on securities solely reflect the difference between the market value and book value of non-equity securities as of quarter end.

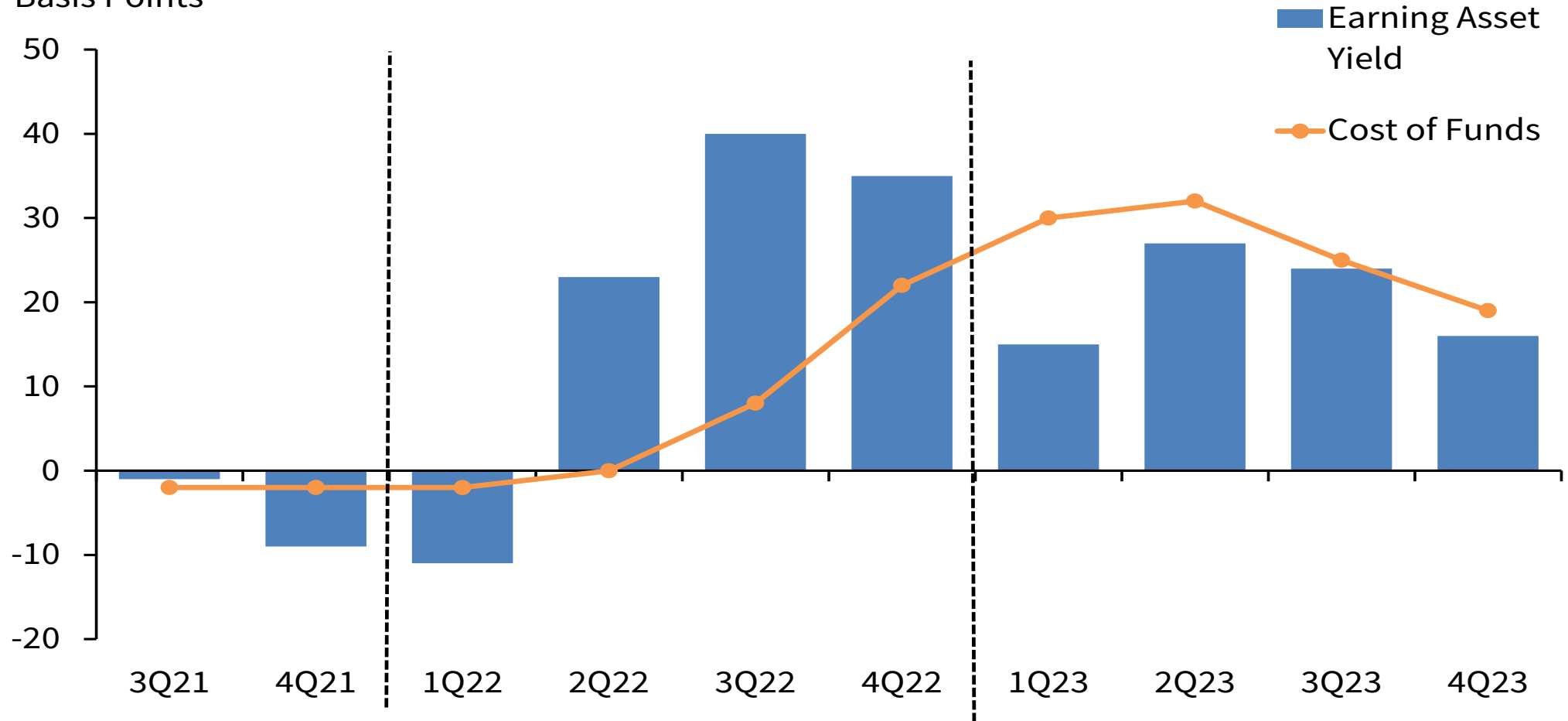
# Community banks wholesale funding rose past pre-pandemic levels.



Source: FDIC.

# In 2023, the increase in the cost of funds generally outpaced the rise in earning asset yields.

Median Quarter-Over-Quarter Change  
Basis Points



Source: FDIC.

# Market Risk Discussion

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Describe deposit competition in your bank's market. What sort of pricing pressures is your bank experiencing, if any?

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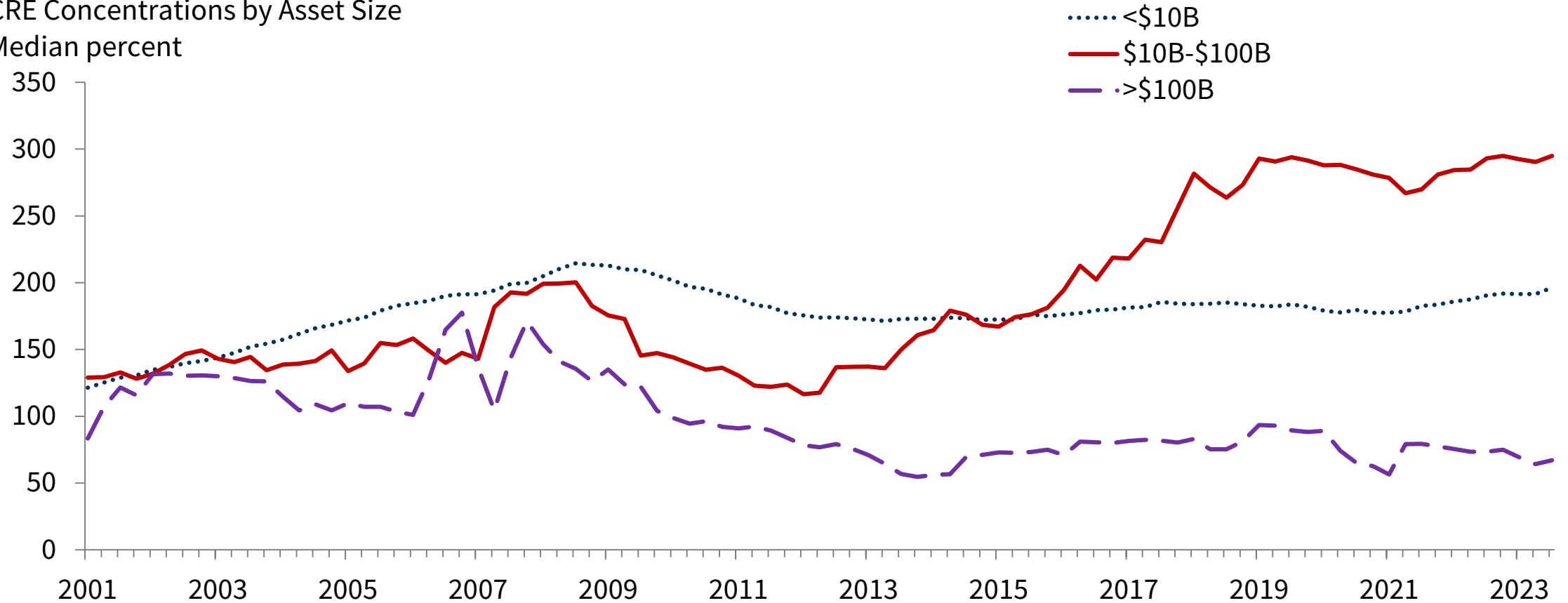
How is your bank managing its securities portfolio given the current market environment?

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How does your bank monitor its contingency funding sources, including testing?

# CRE loan concentrations have risen more among mid-sized banks than other asset-size bank groups.

CRE Concentrations by Asset Size  
Median percent



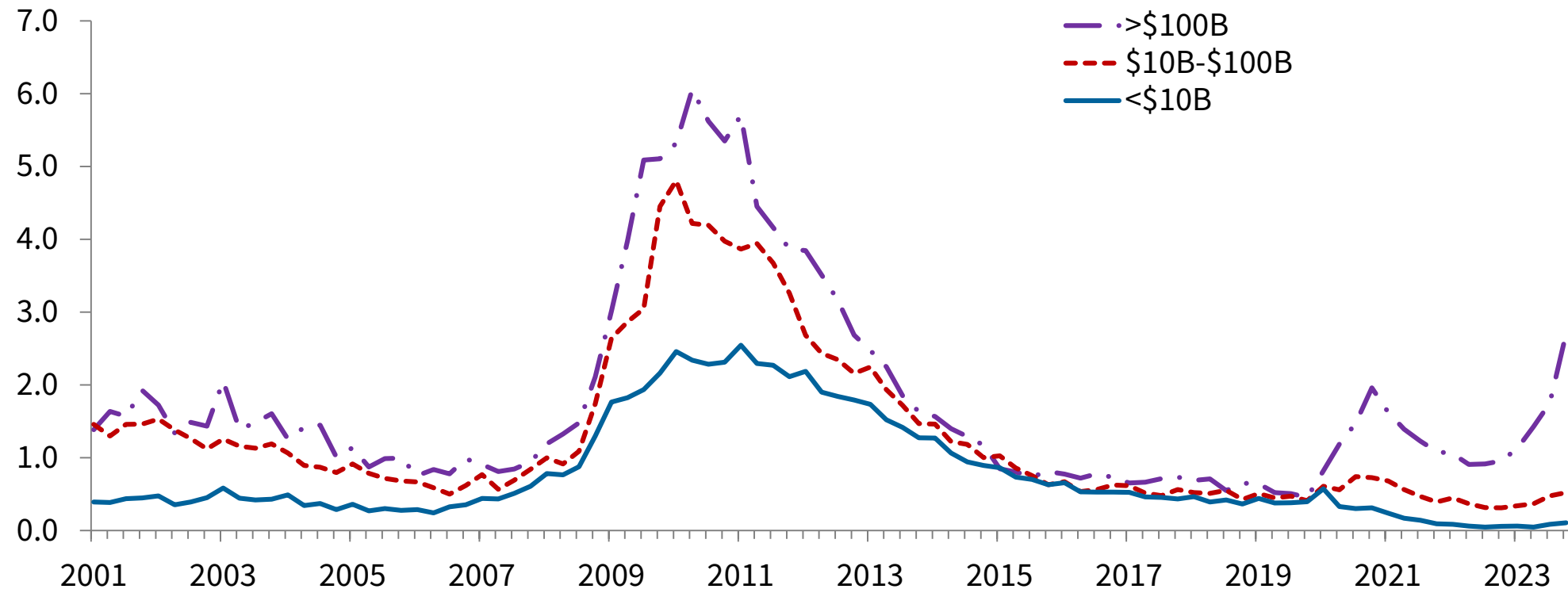
Source: FDIC.

Note: Data are quarterly figures through fourth quarter 2023.

# CRE loan delinquency rates have risen more at the largest institutions and remained relatively stable across other asset-size bank groups.

Bank Nonfarm Nonresidential Loan Delinquency Rate by Asset Size

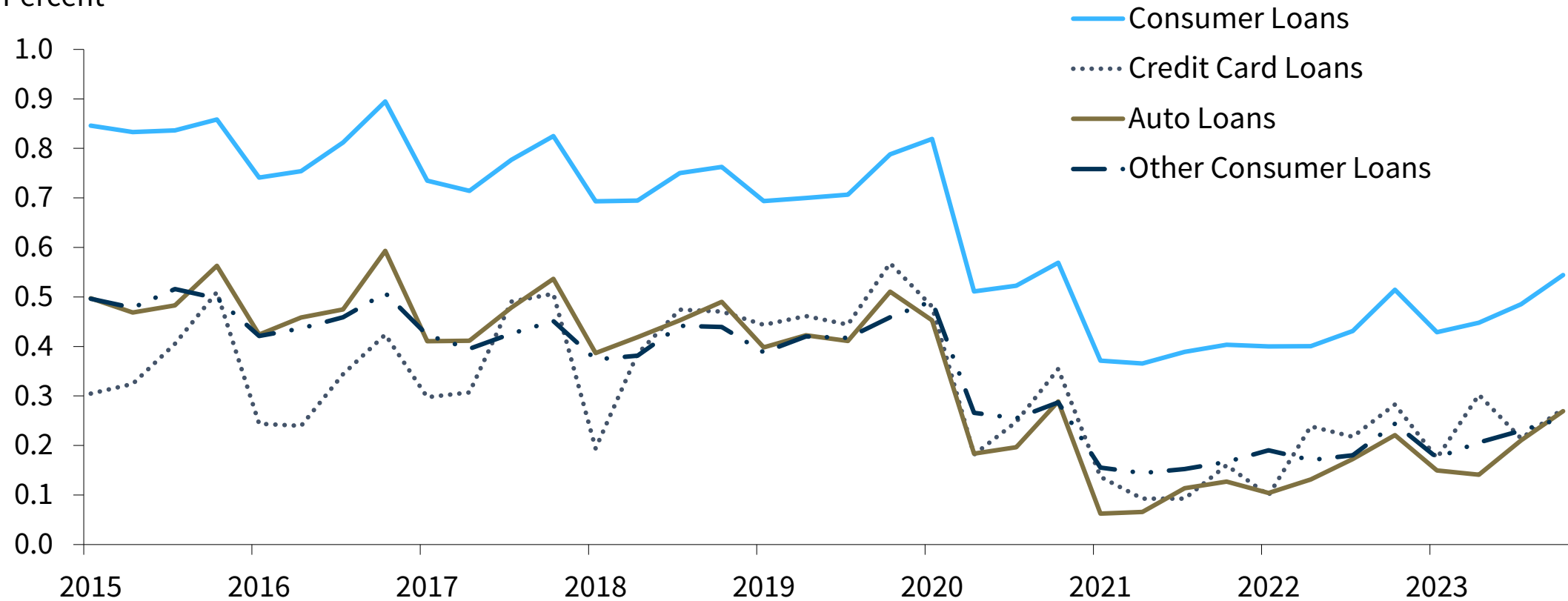
Median percent



Source: FDIC.

# Consumer loan quality at the median community bank remained better in 2023 than in 2019.

Median Past-Due and Nonaccrual Rate for Community Banks  
Percent



Source: FDIC.

Note: Quarterly data through fourth quarter 2024.

# Credit Risks Discussion

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Are you concerned about deterioration in any of your loan portfolios or a need to adjust your loan loss provisions?

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Have commercial real estate conditions weakened in your markets?

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Have lending conditions changed in your community?



# Discussion of Other Risks

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Are economic conditions generally supportive?

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How has climate risk impacted your bank and communities such as trends in insurance coverage?

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How has cyber risk impacted your bank and the way you conduct business?

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What other market trends or risks are you concerned about?