

FDIC Advisory Committee of State Regulators

October 24, 2022

Discussion of Banking Conditions

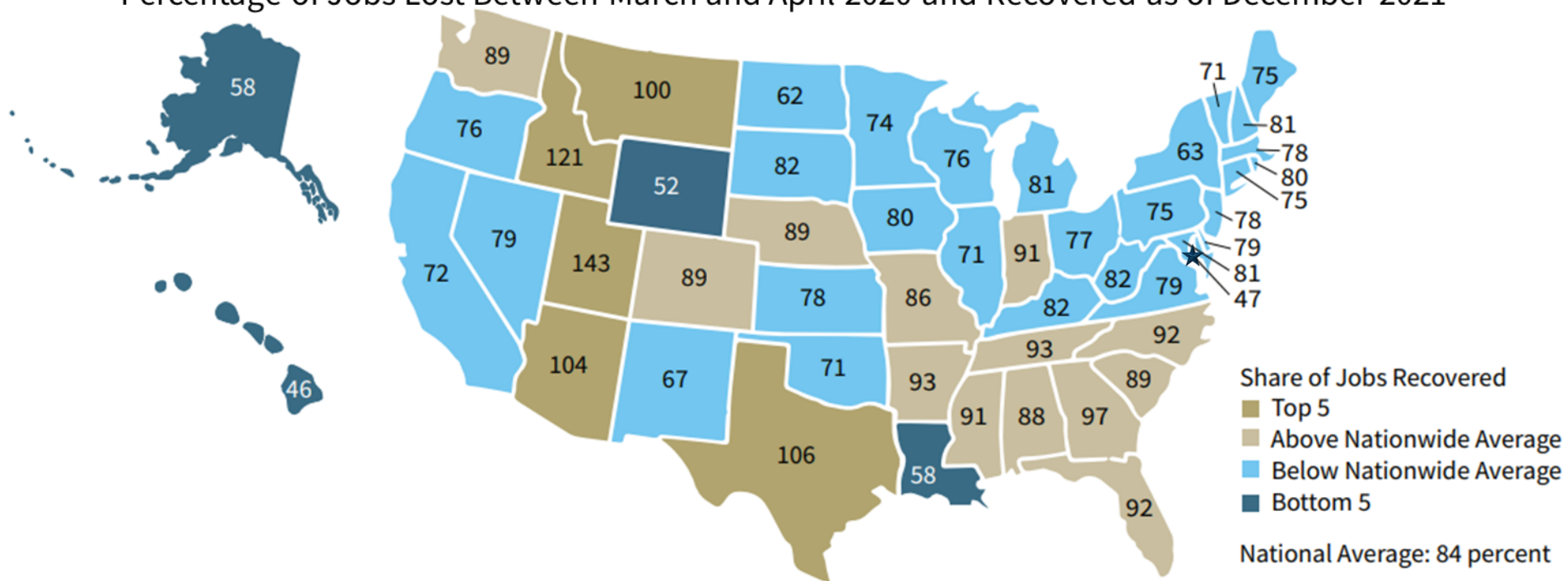


Outline

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

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

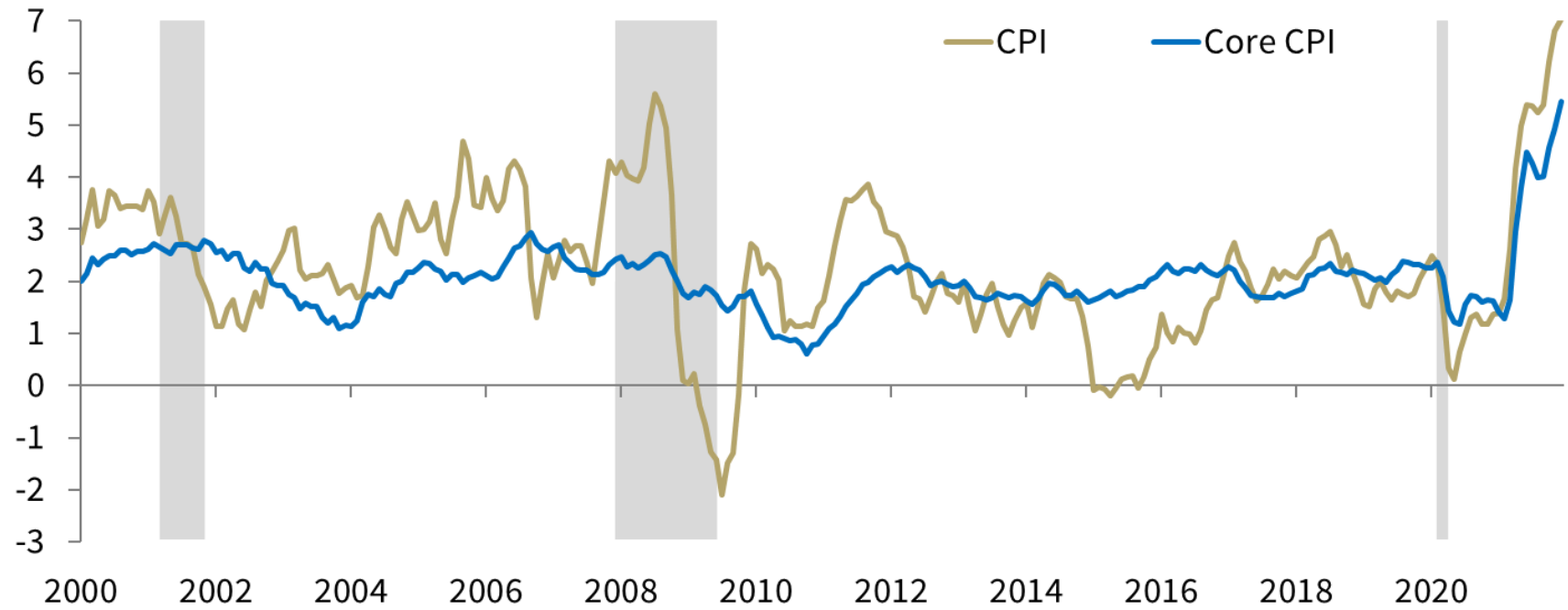


Source: Bureau of Labor Statistics (Haver Analytics).

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

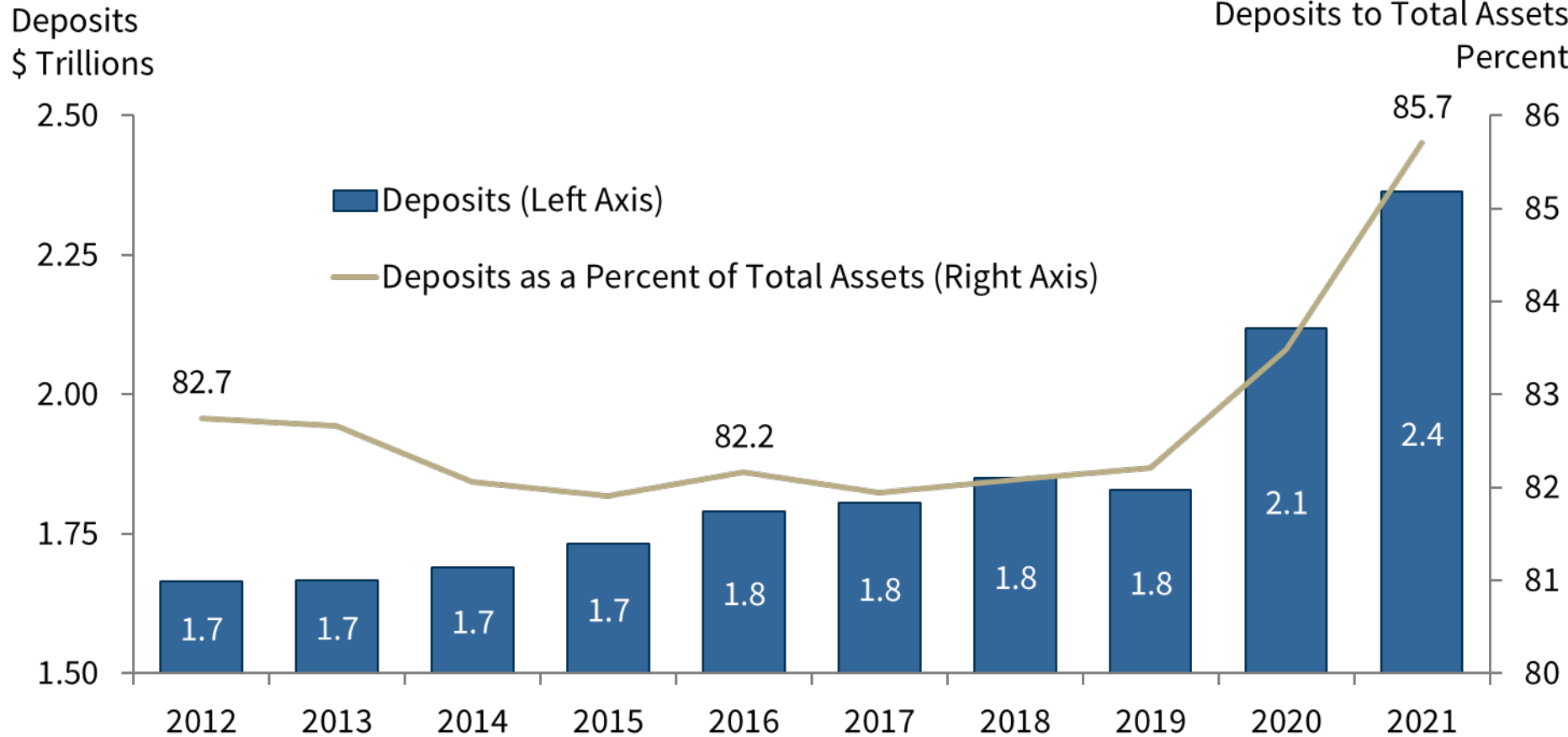
Year-Over-Year Percent Change



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.

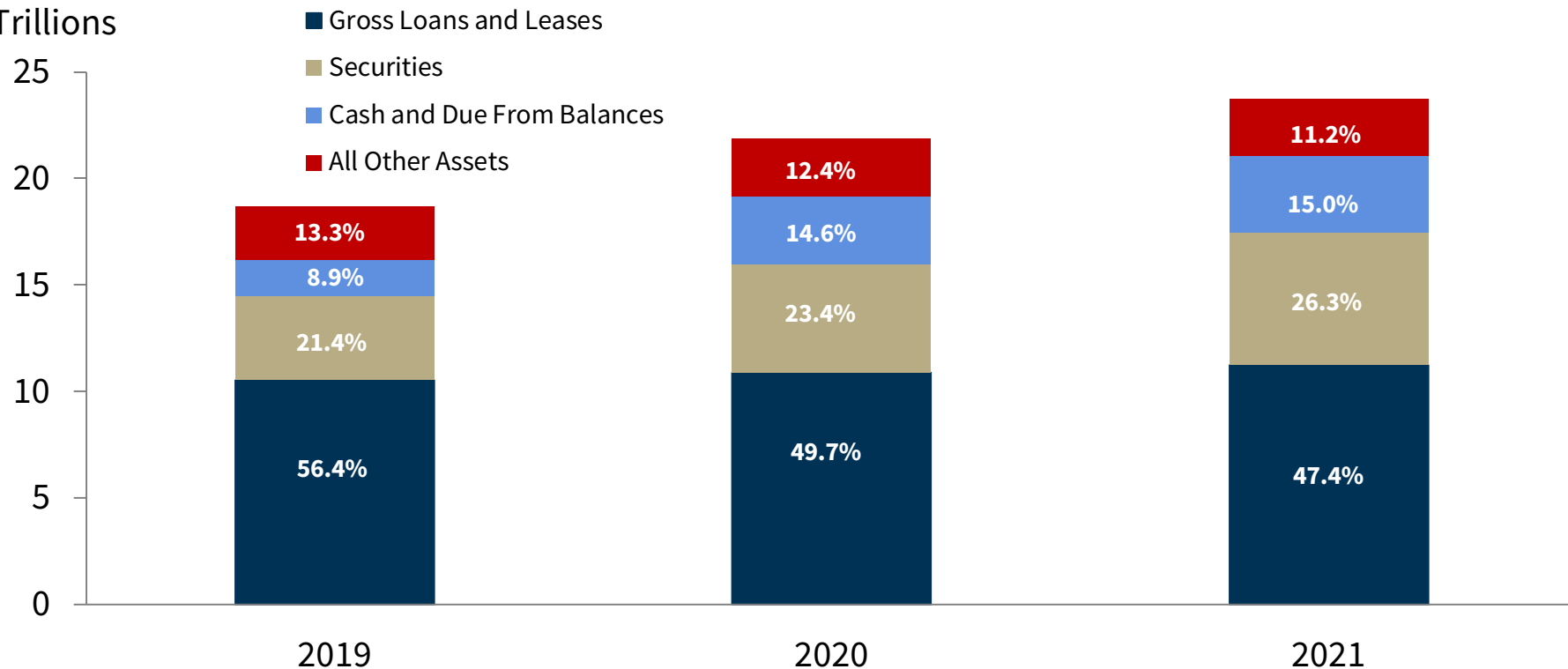
MARKET RISK: Community Bank Deposits Continue to Reach Record Levels



Source: FDIC.

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

\$ Trillions

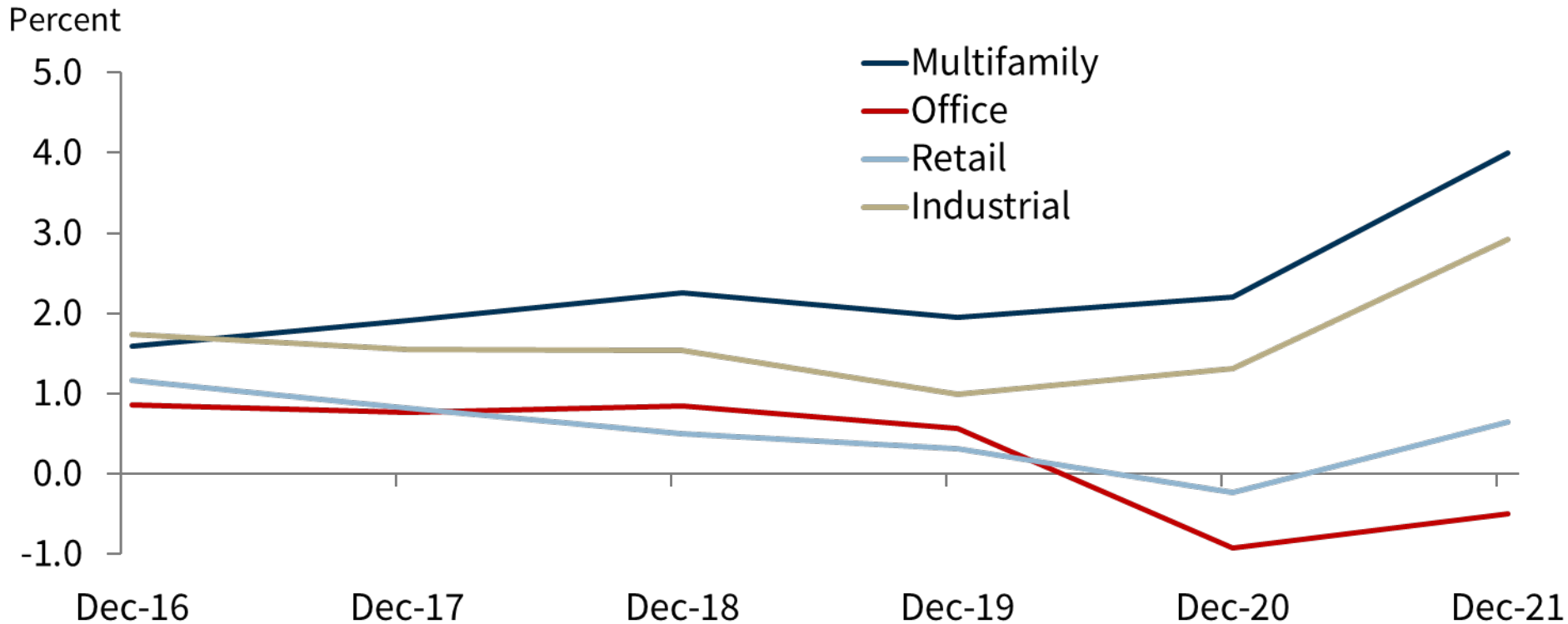


Source: FDIC.

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.

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

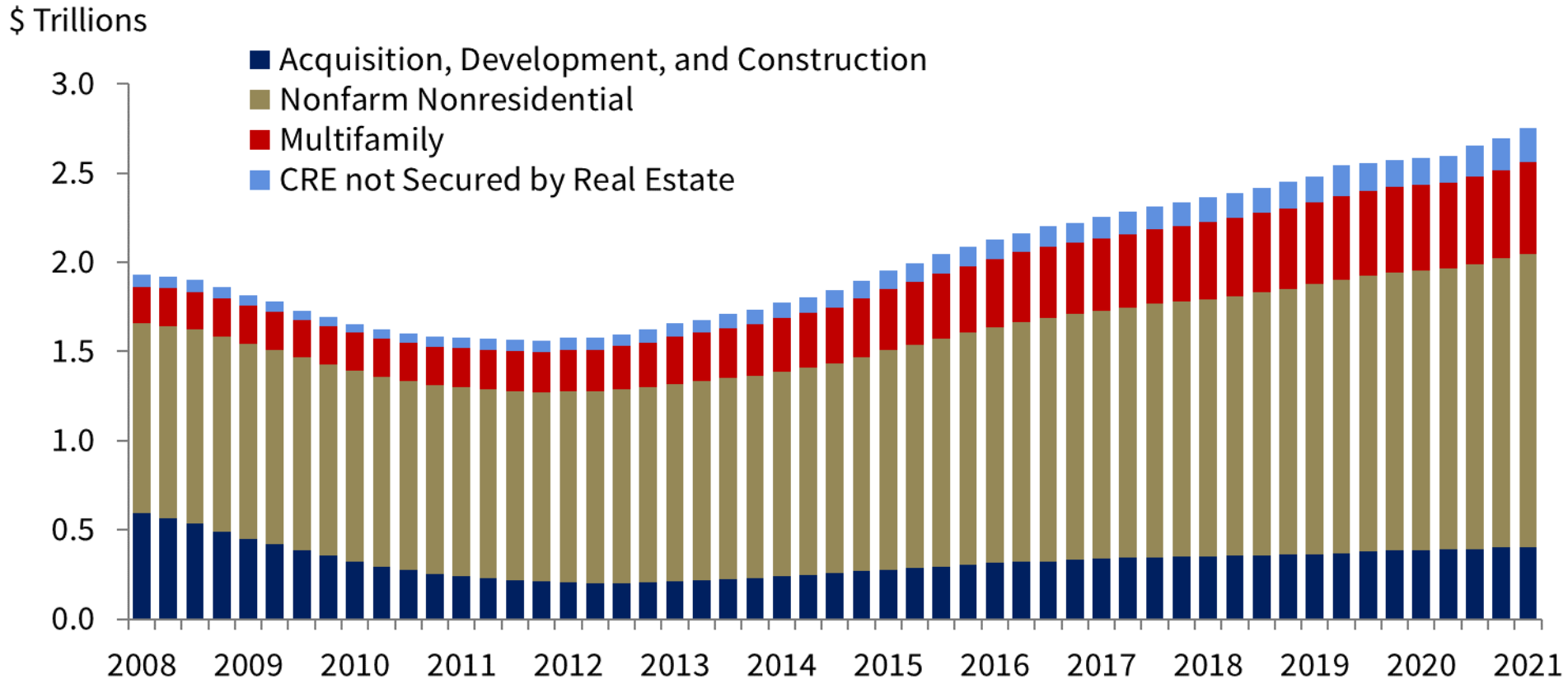
Net Absorption as a Share of Inventory



Source: CoStar.

Note: Data are annual through December 2021.

CREDIT RISK-CRE: CRE Loans at Banks Are Growing



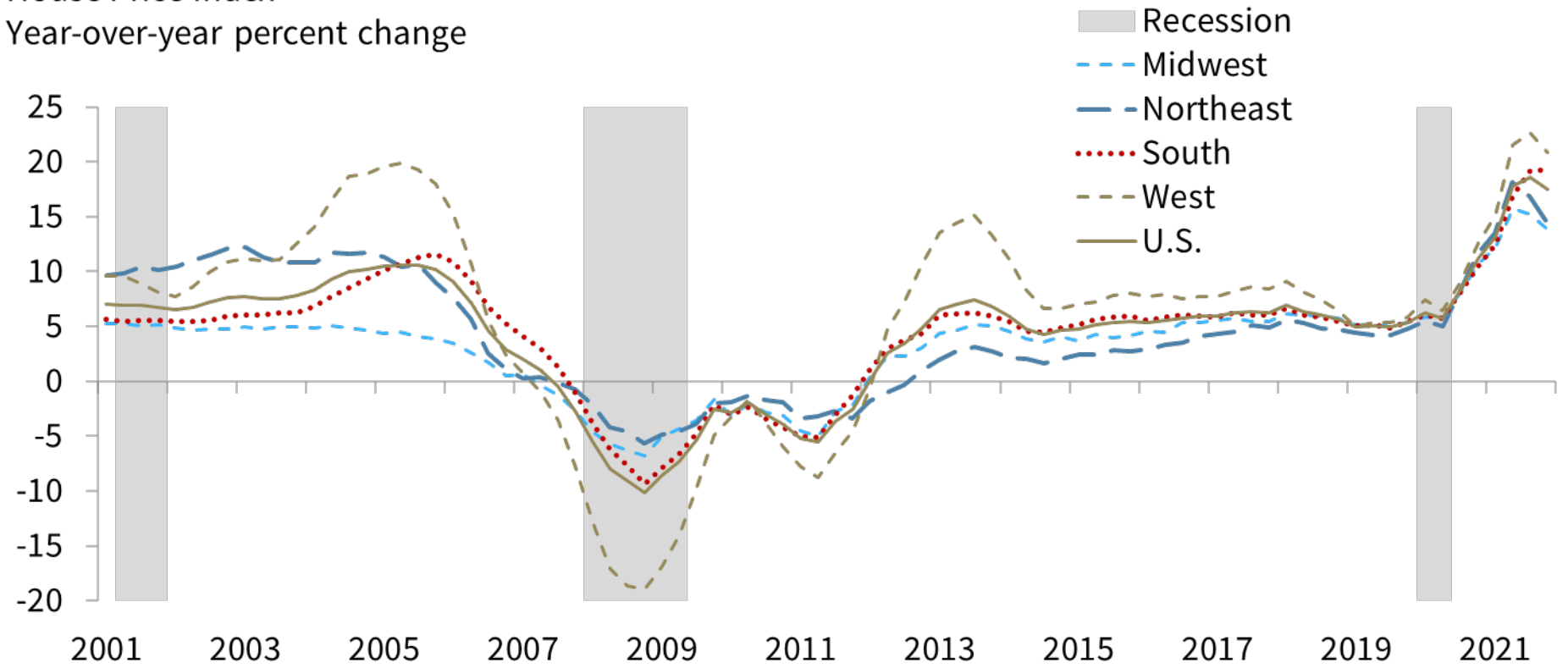
Source: FDIC.

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

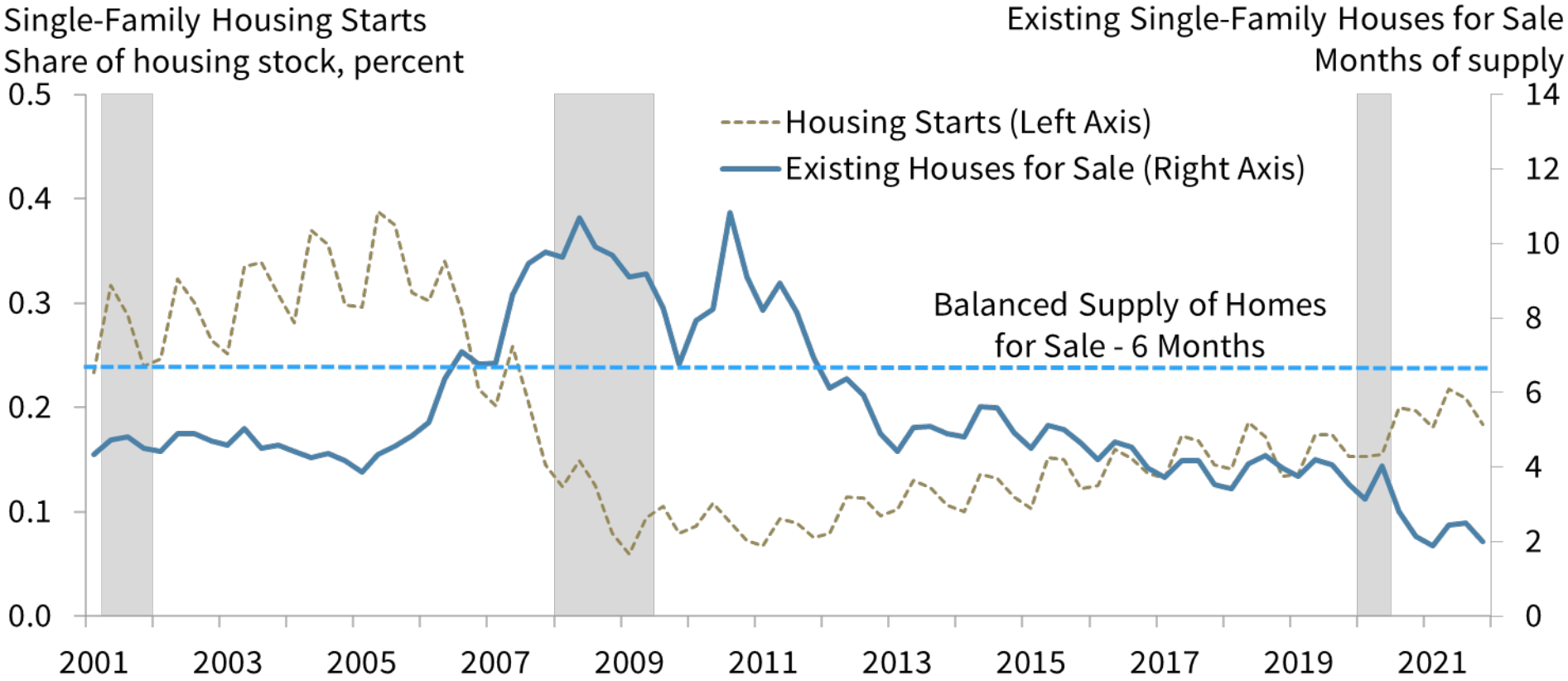
Year-over-year percent change



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

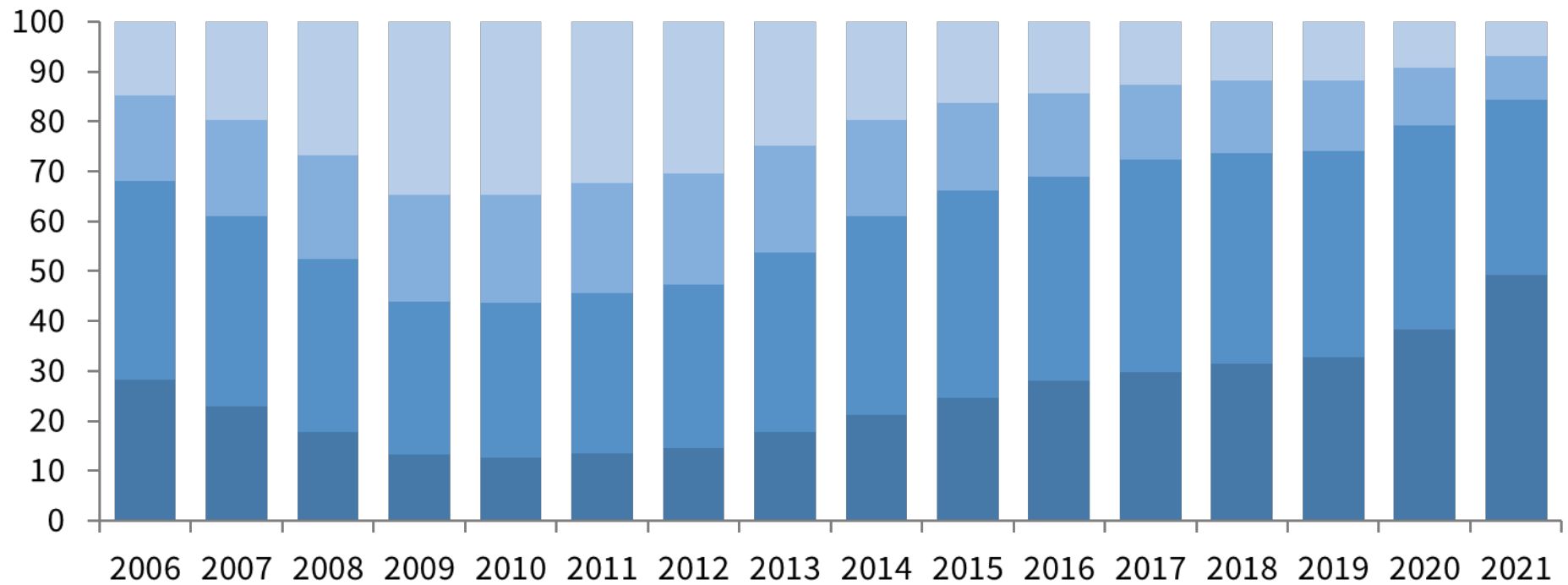


Sources: National Association of Realtors, Census Bureau, National Bureau of Economic Research (Haver Analytics).
 Note: Shaded areas indicate recession. Data are quarterly figures through fourth quarter 2021.

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.

Discussion

- Which of these risks resonates with you most?
- What other risks and concerns regarding the institutions in your state would you like to highlight?