



## Interest Rate Risk

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### I. Overview & Industry Trends

# IRR Management Process



# Overview of Presentations

Industry Trends

Types of IRR

Measurement  
Systems

Rate Changes &  
Prepayment  
Assumptions

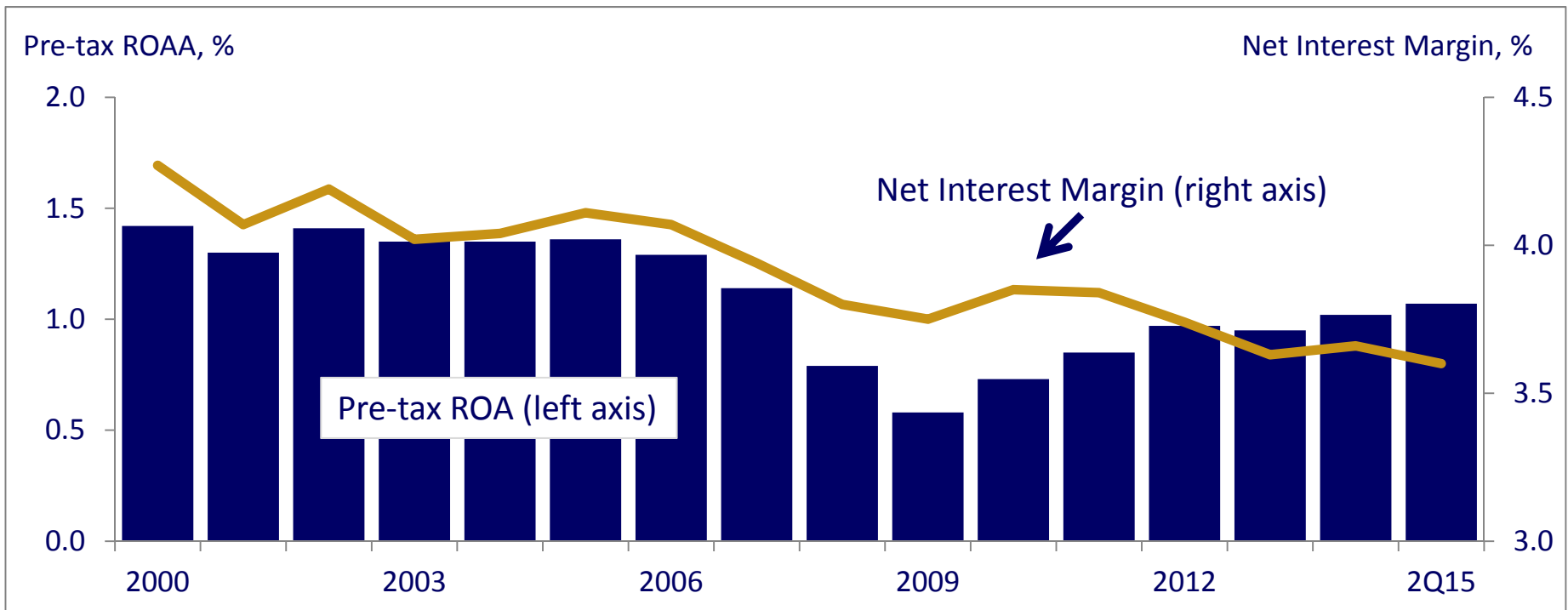
Deposit  
Assumptions

Risk Limits &  
Mitigation

Internal Control  
& Review

Summary &  
Additional  
Resources

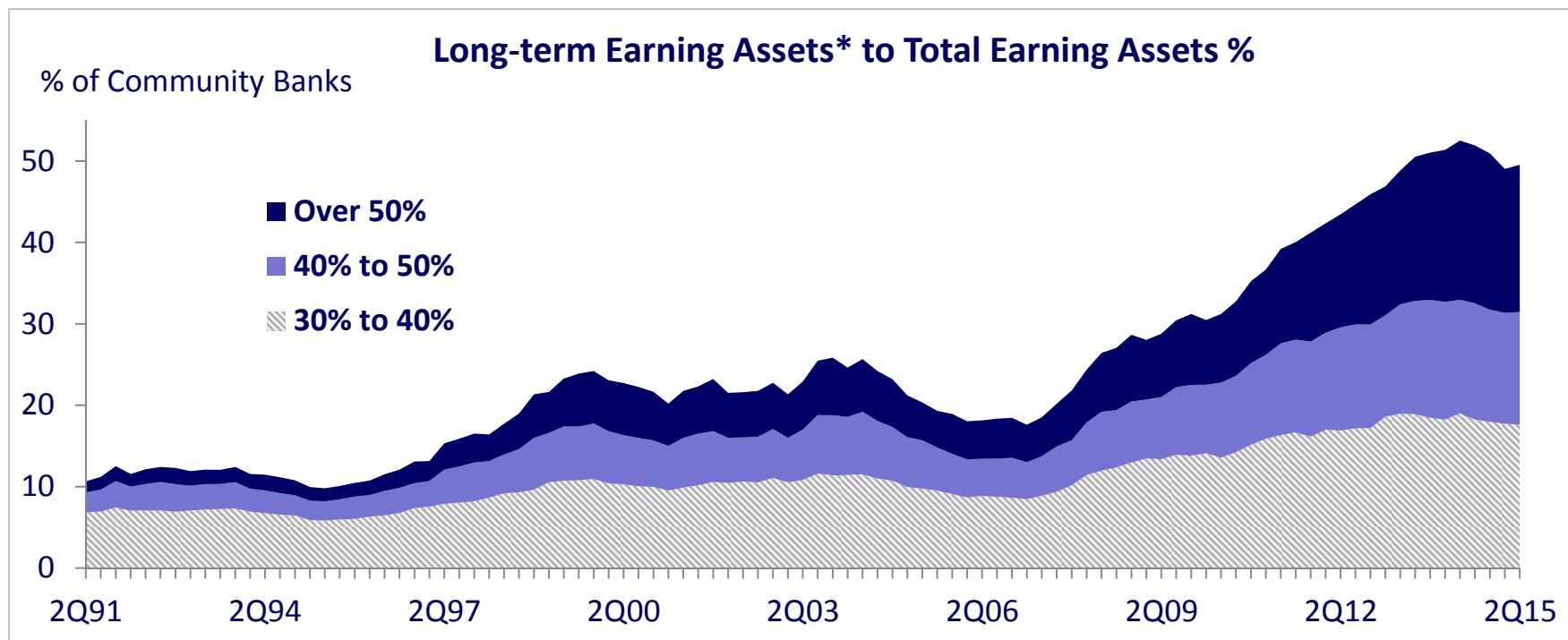
# Earnings Have Begun to Recover, but Lower Margins Continue to Hamper Performance



Source: Call / TFR Reports. Insured institutions under \$1B in total assets only. Unless otherwise noted, figures illustrated represent year-end figures.

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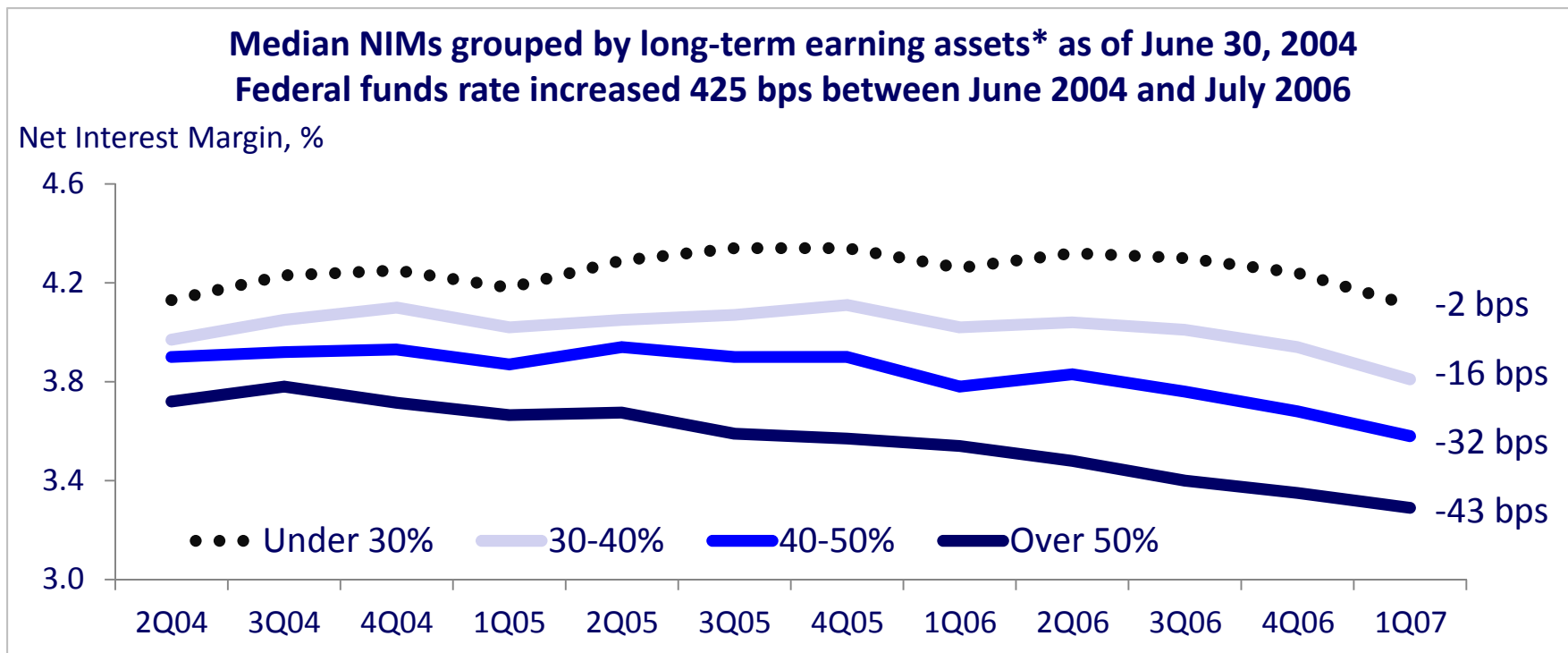
# Long-Term Asset Exposures Have Risen



Source: Call Reports. Quarterly data. Banks with assets <\$1B, excludes former TFR filers.  
\*Assets maturing / repricing > 5 years.

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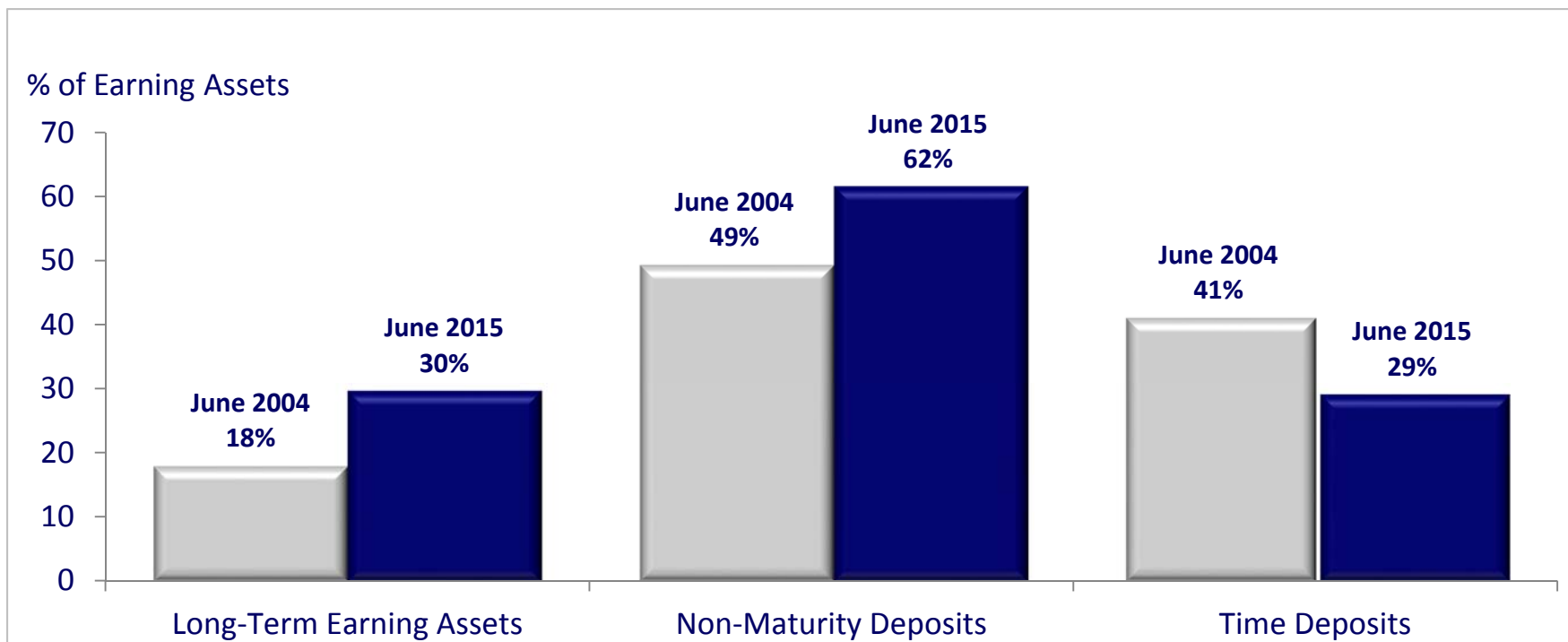
# Long-term Concentrations Led to Lower Margins During the Last Rate Cycle



Source: Call Reports \*Assets maturing / repricing > 5 years.  
 Consistent sample of Call Report filers under \$1B in assets as of 2Q04 only.

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# The Current Structure of Bank Balance Sheets Suggests Greater Sensitivity to Higher Rates

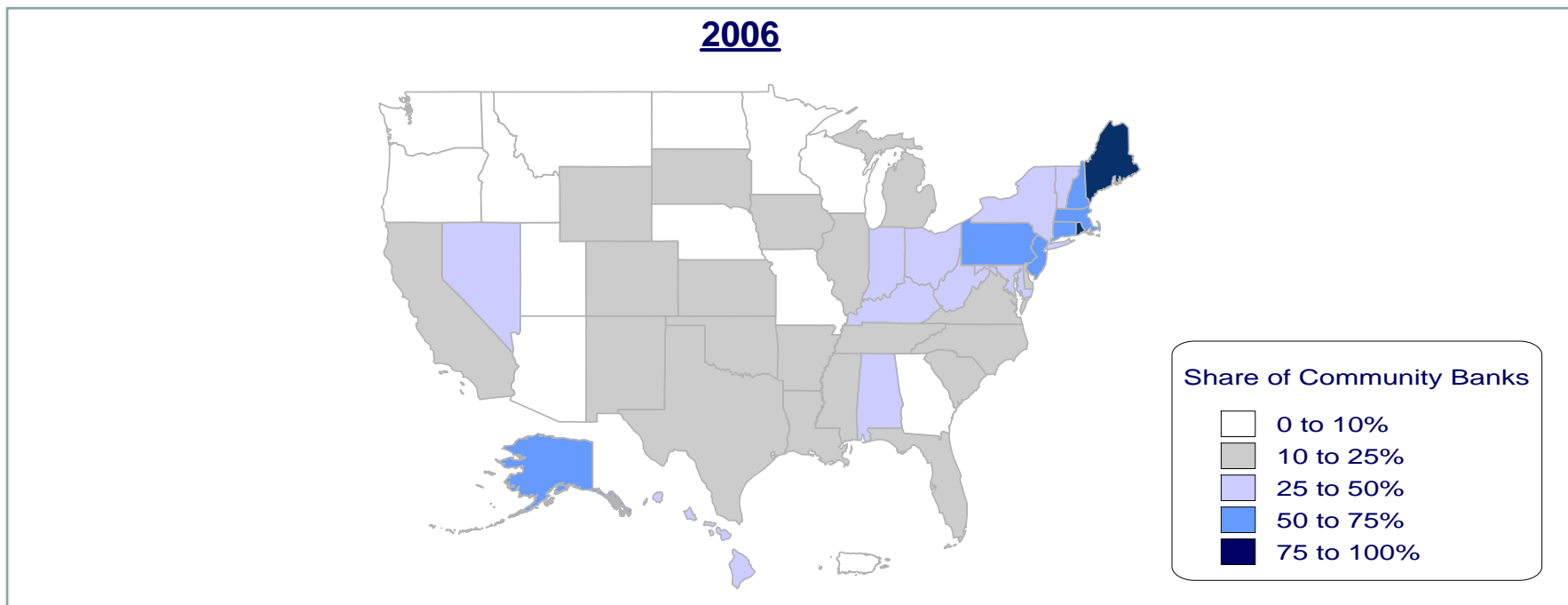


Source: Call Reports. Constant sample of active insured institutions < \$1B in assets only. Excludes former TFR filers. Based on median figures.

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# Increased Exposure to Long-term Assets

## Share of Banks with Long-term Assets Representing 30% or More of Earning Assets



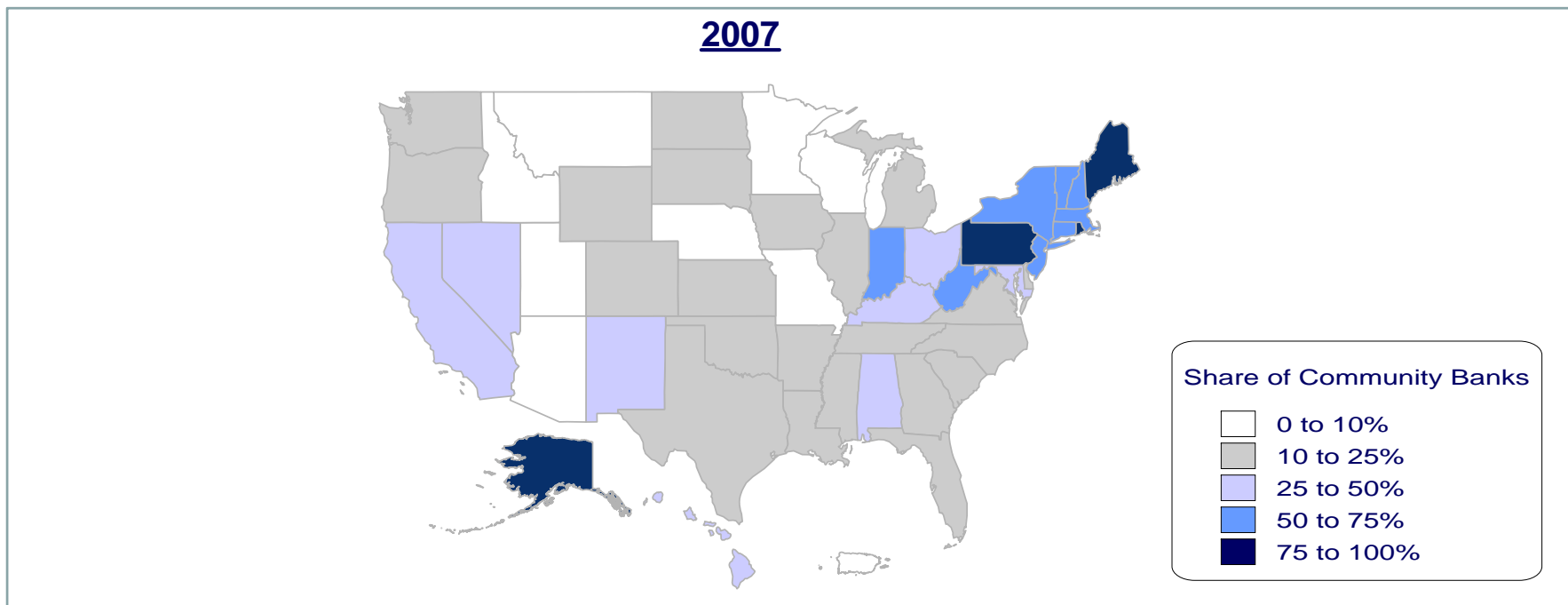
Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
Excludes any former TFR filers.

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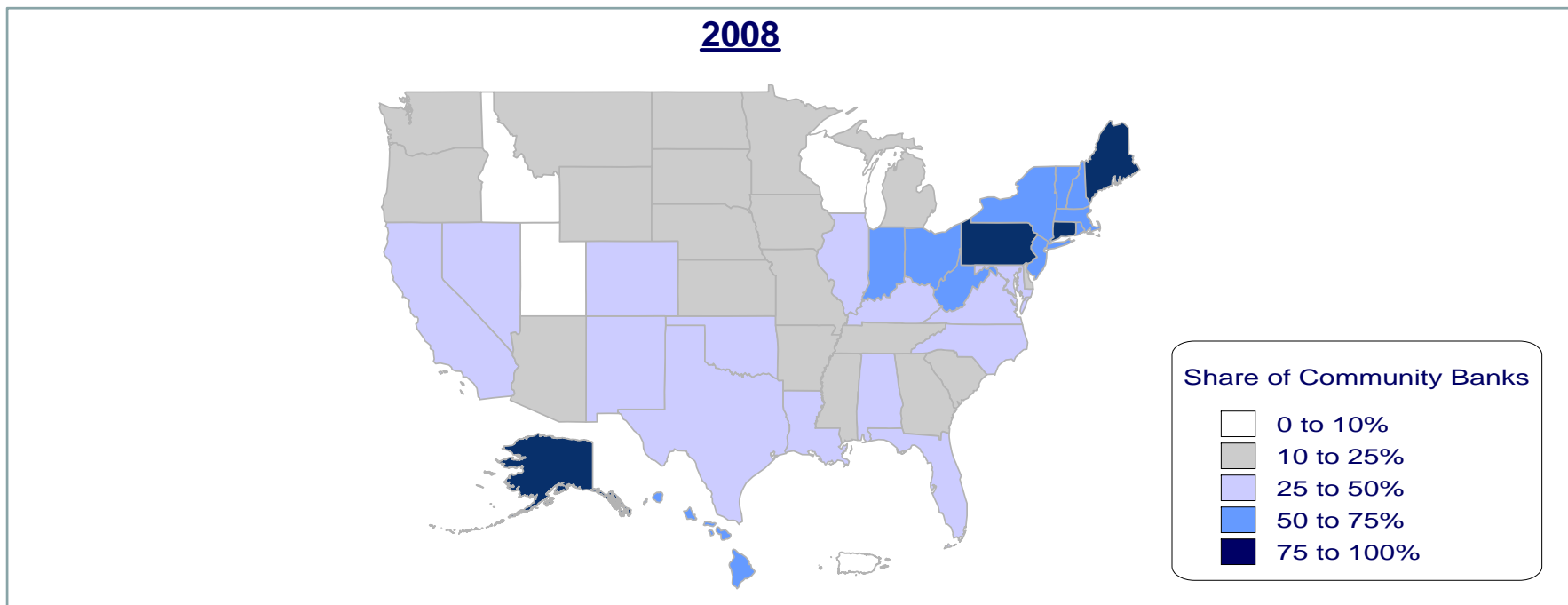


Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
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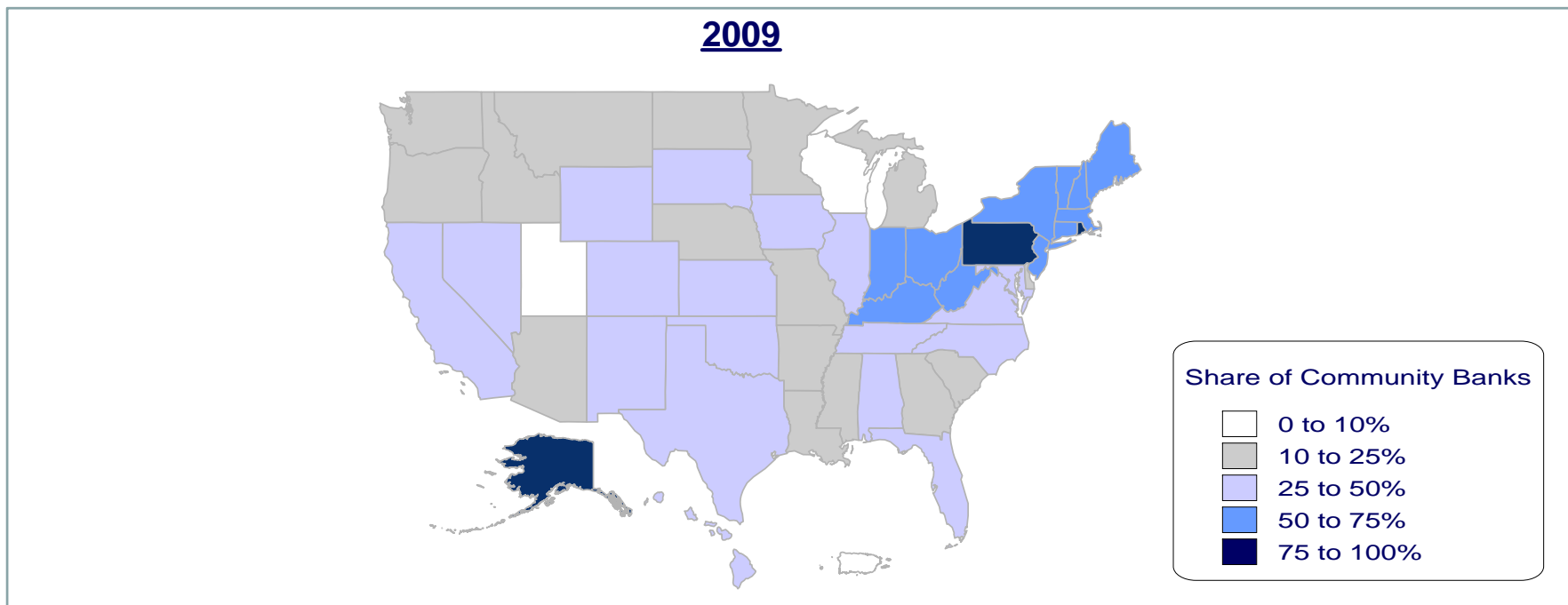


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Excludes any former TFR filers.

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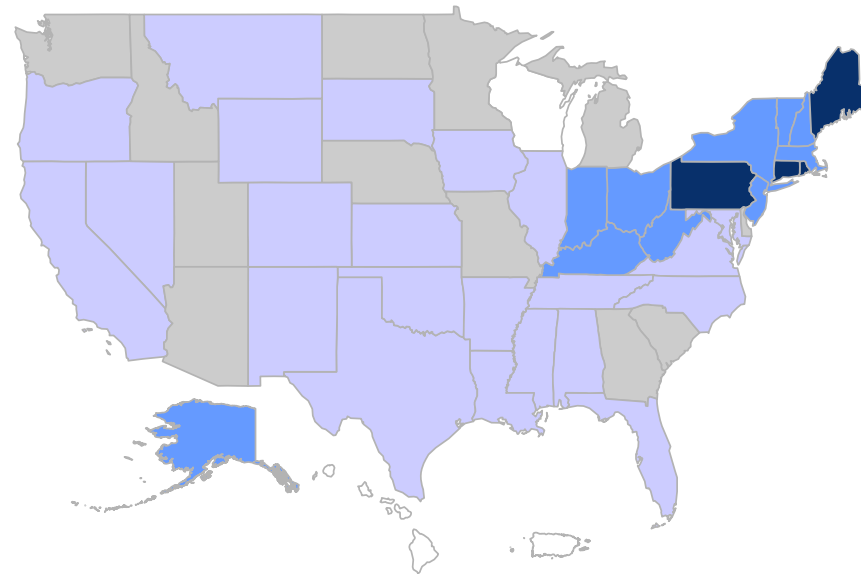


Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
Excludes any former TFR filers.

# Increased Exposure to Long-term Assets

## Share of Banks with Long-term Assets Representing 30% or More of Earning Assets

2010



Share of Community Banks

- 0 to 10%
- 10 to 25%
- 25 to 50%
- 50 to 75%
- 75 to 100%

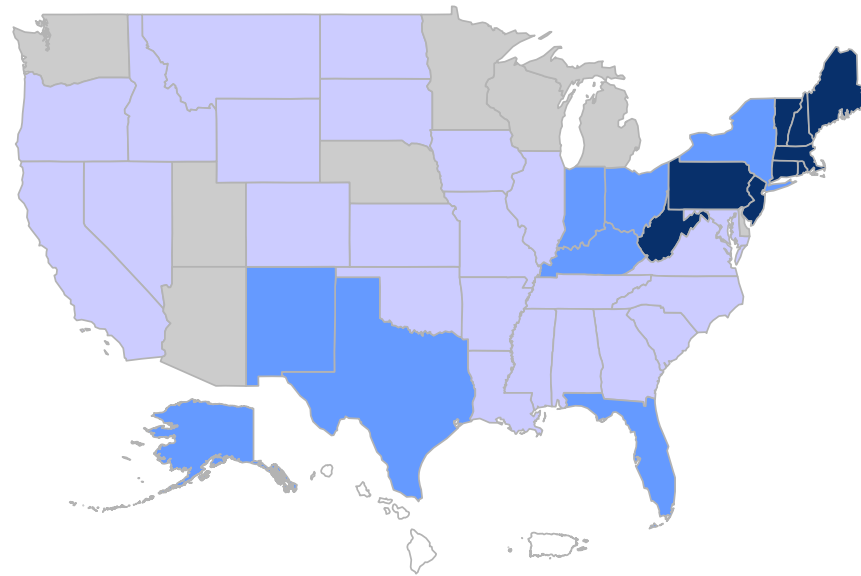
Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
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2011



Share of Community Banks

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- 75 to 100%

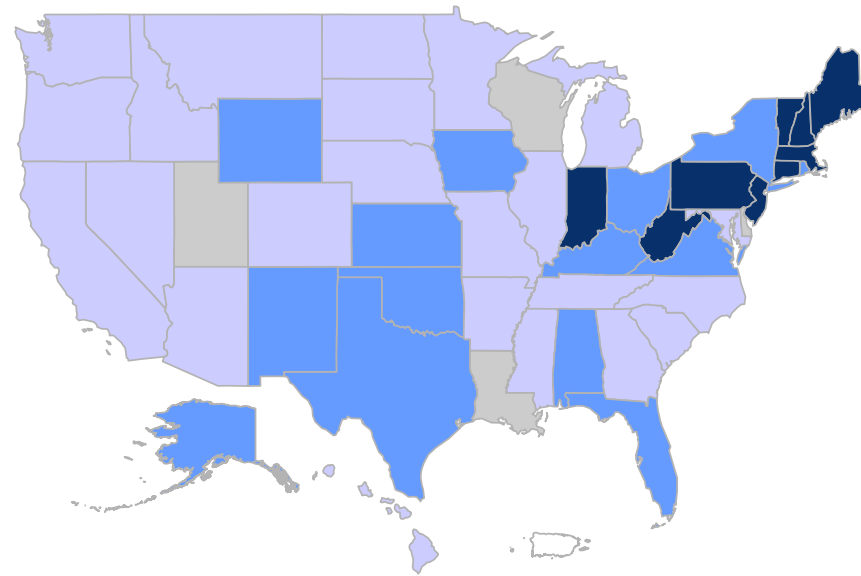
Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
Excludes any former TFR filers.

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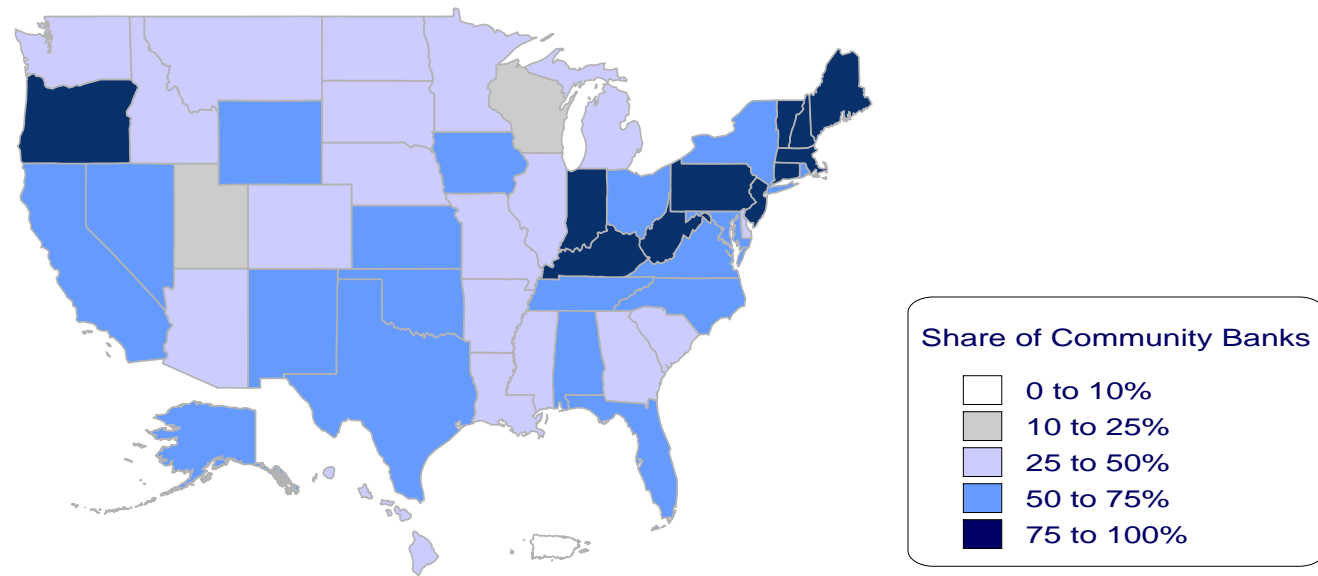
Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
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**2013**



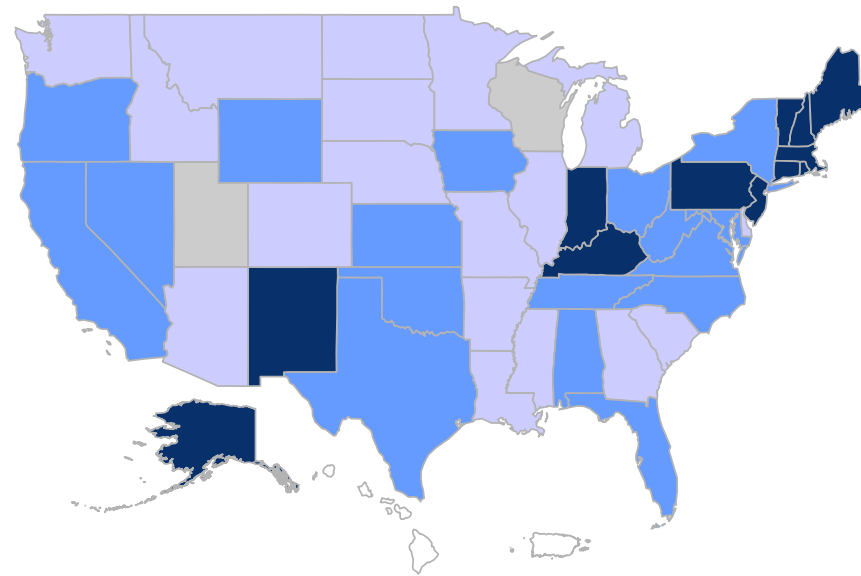
Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
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# Increased Exposure to Long-term Assets

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2014



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- 25 to 50%
- 50 to 75%
- 75 to 100%

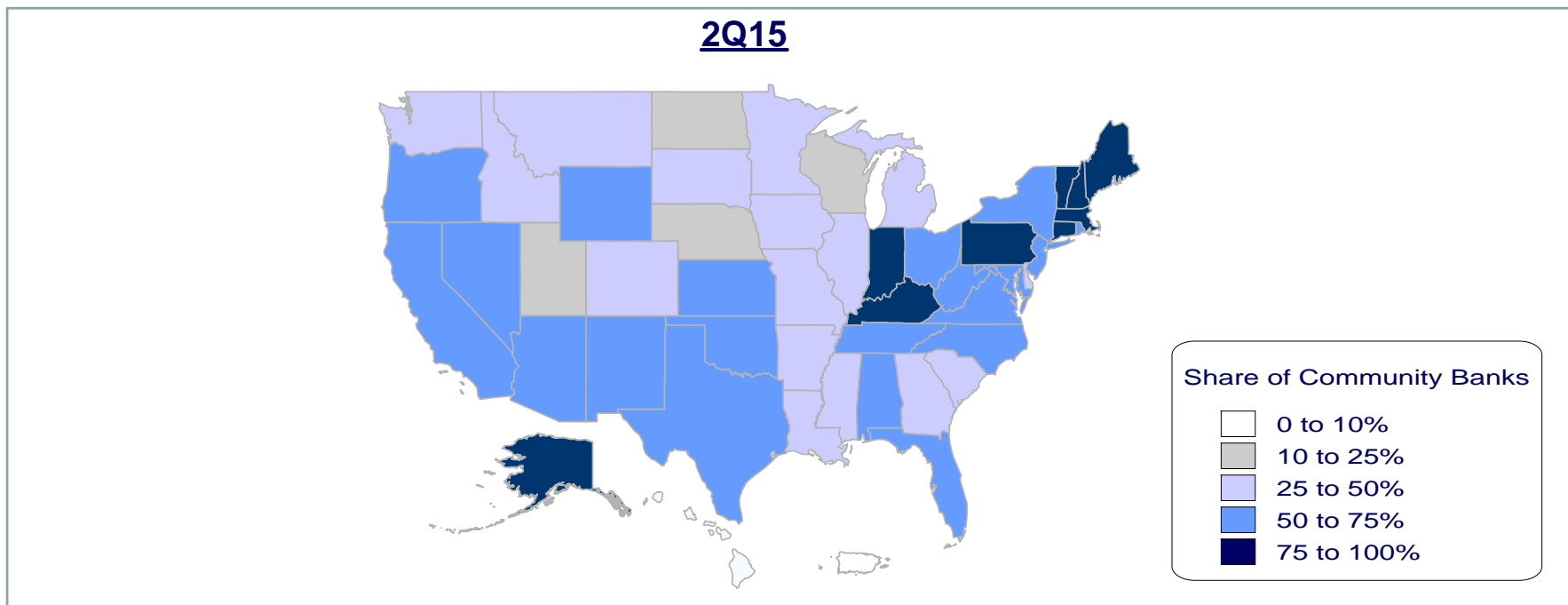
Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.  
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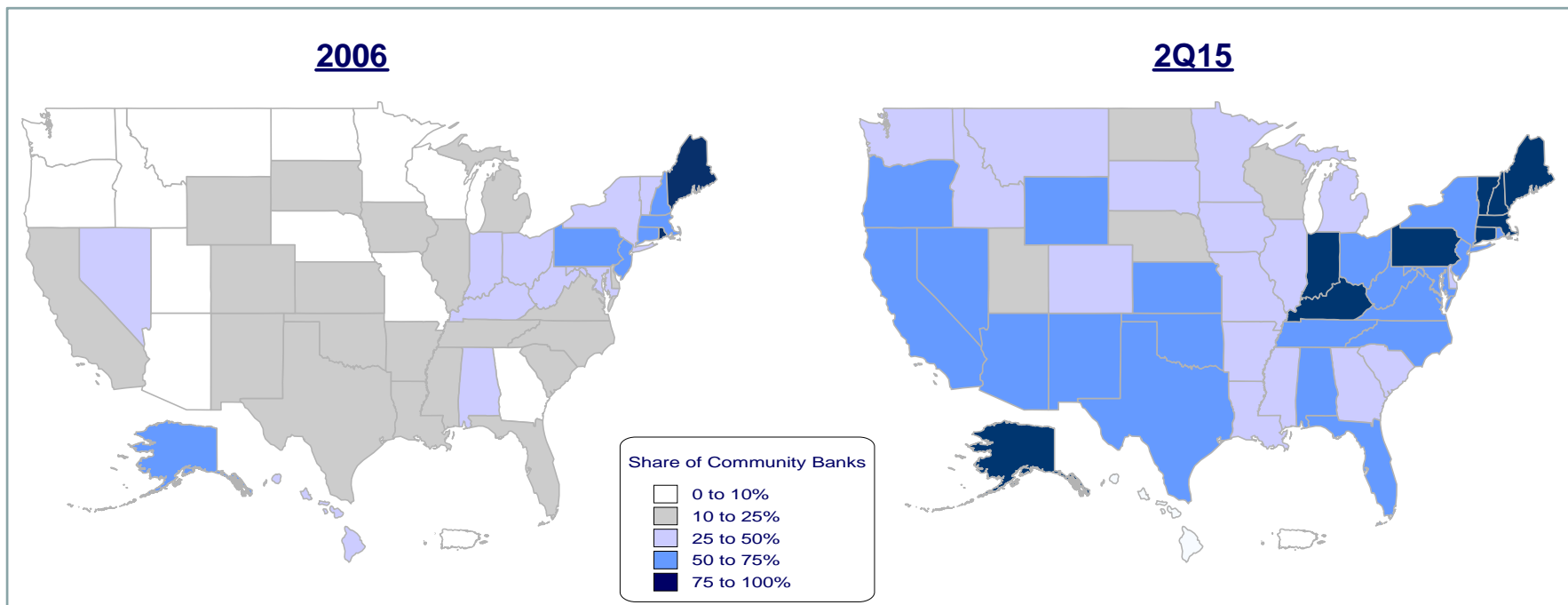


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# Summary

- **Community bank NIMs remain under pressure due to the challenging interest rate environment**
- **An increasing number of community banks responded to NIM compression with increased holdings of longer-term assets**
- **There has not been a commensurate extension of liabilities combined with an increase in non-maturity deposits**