



Interest Rate Risk

I. Overview & Industry Trends

IRR Management Process



Overview of Presentations

Industry Trends

Types of IRR

Measurement
Systems

Rate Changes &
Prepayment
Assumptions

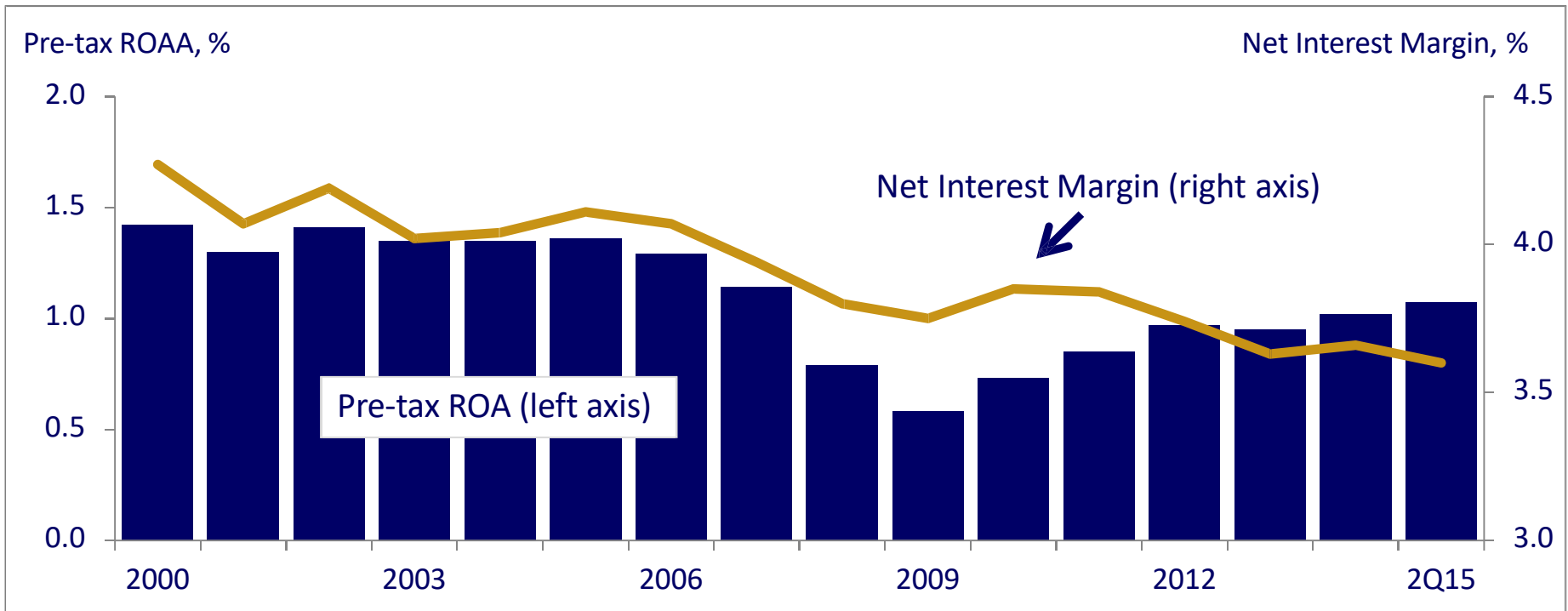
Deposit
Assumptions

Risk Limits &
Mitigation

Internal Control
& Review

Summary &
Additional
Resources

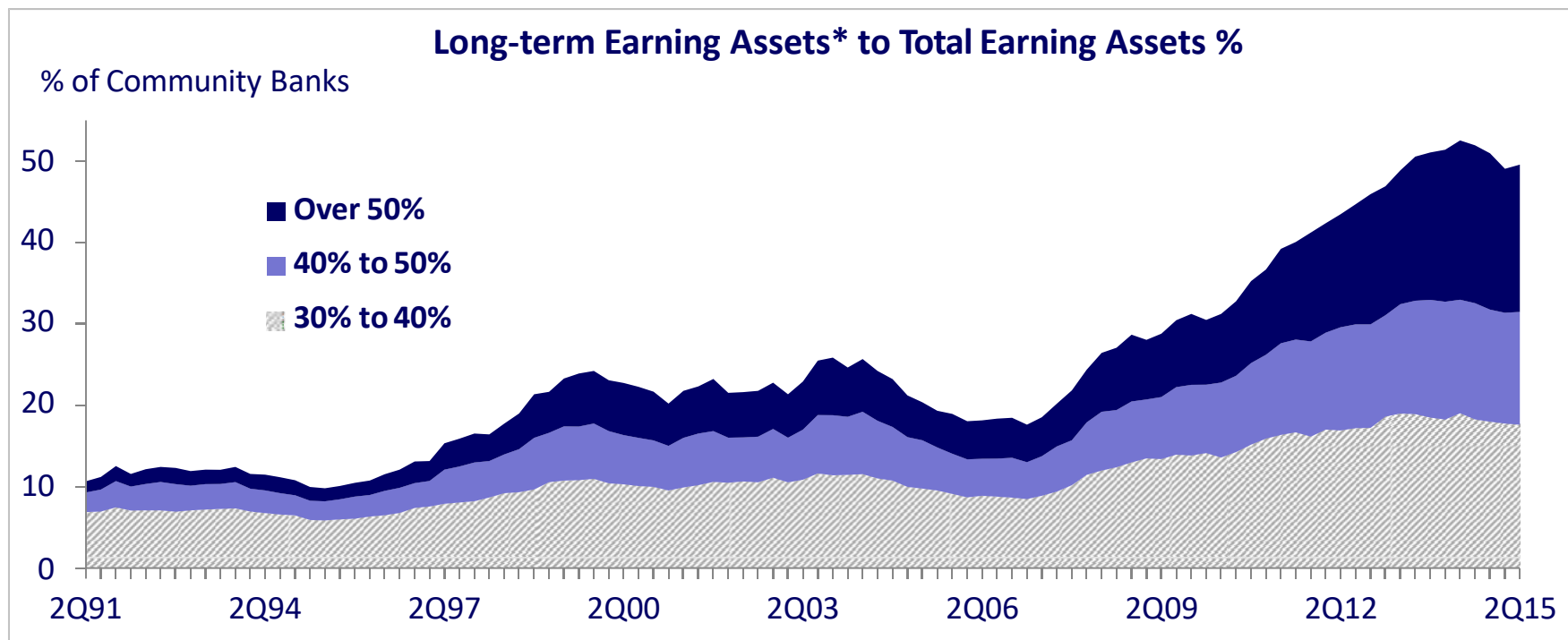
Earnings Have Begun to Recover, but Lower Margins Continue to Hamper Performance



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

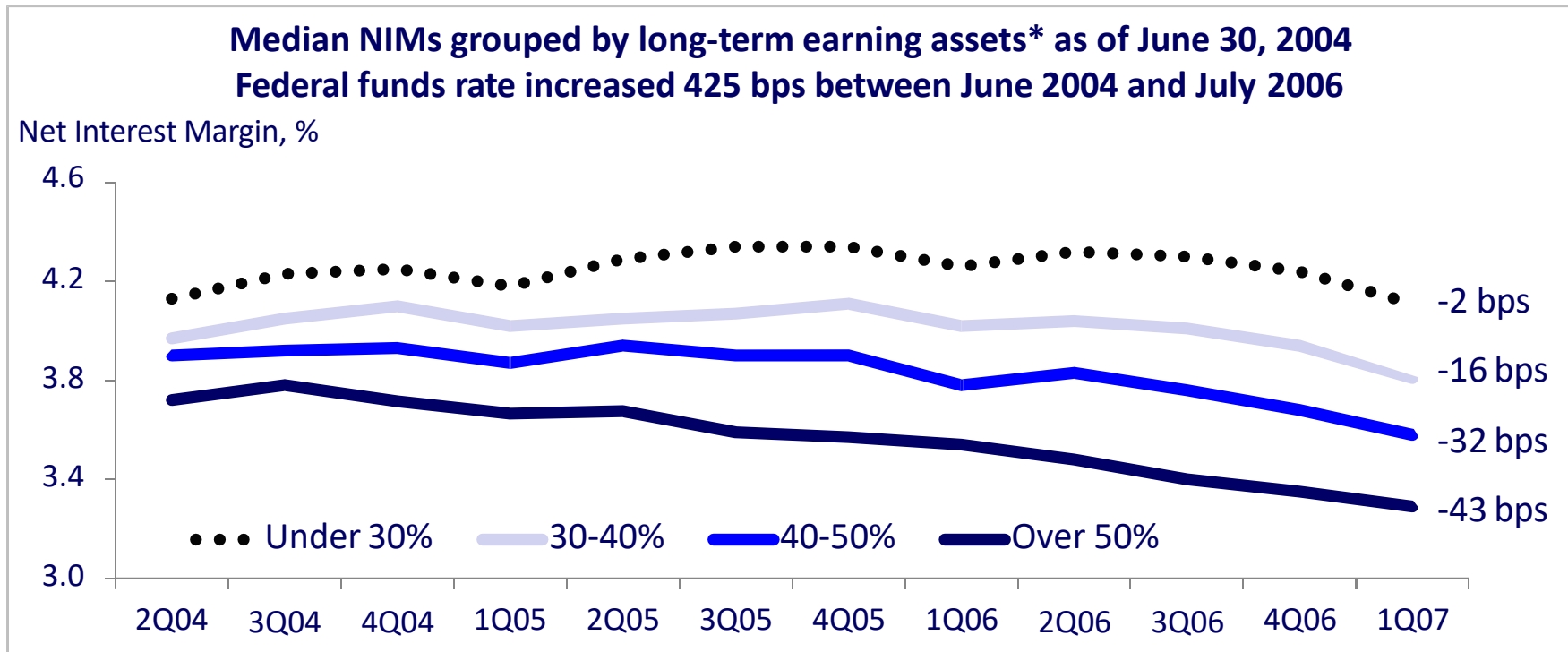


Source: Call Reports. Quarterly data. Banks with assets <\$1B, excludes former TFR filers.

*Assets maturing / repricing > 5 years.

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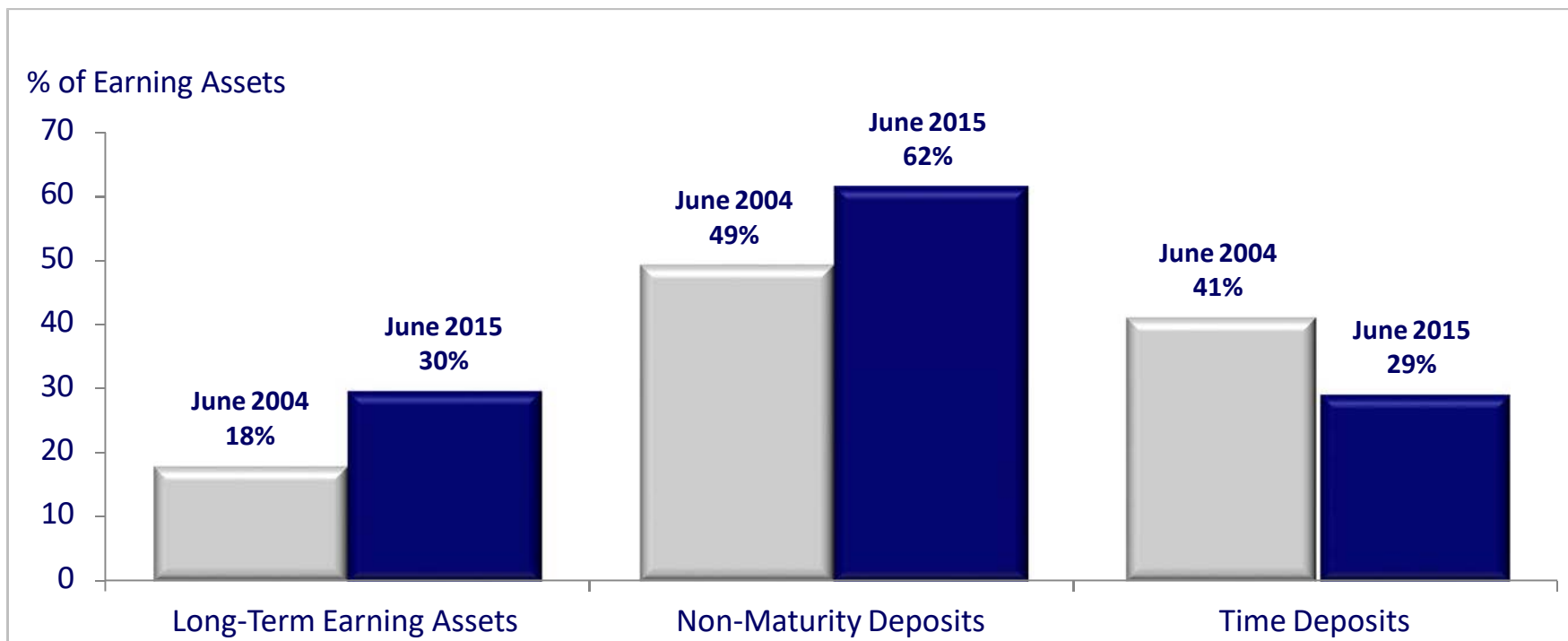
Long-term Concentrations Led to Lower Margins During the Last Rate Cycle



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

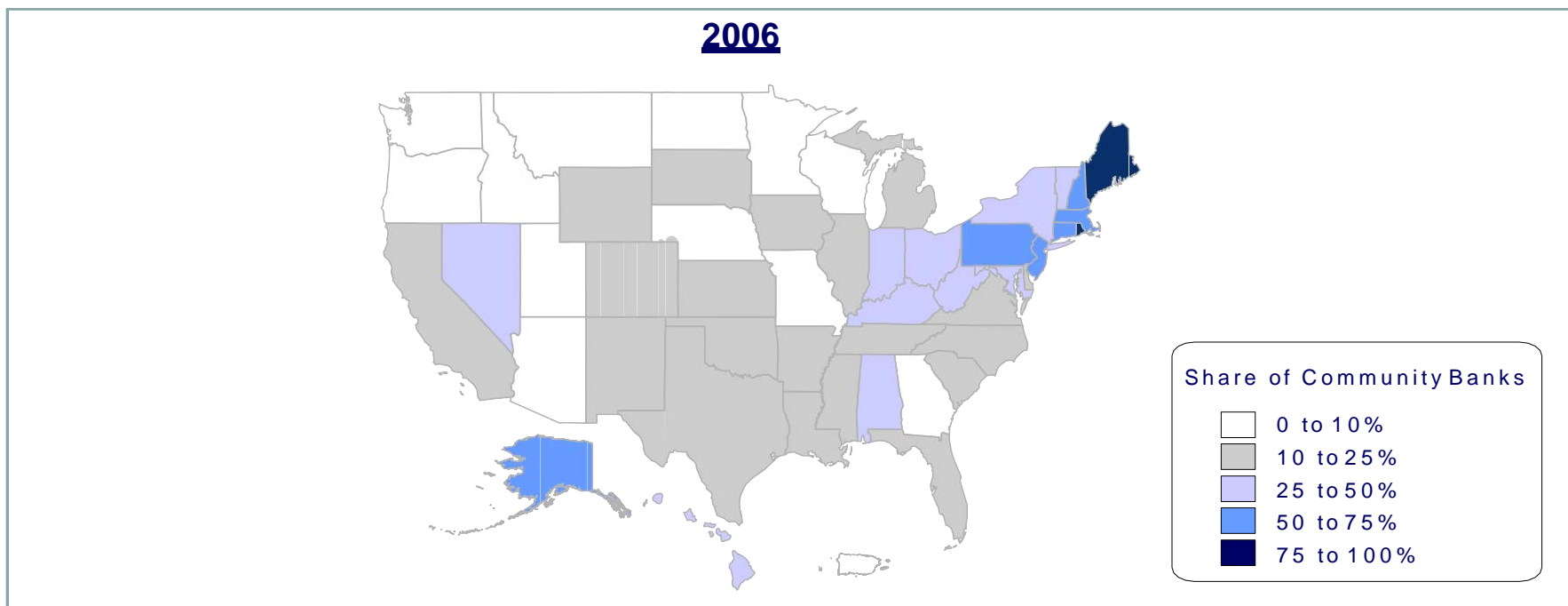


Source: Call Reports. Constant sample of active insured institutions < \$1B in assets only. Excludes former TFR filers. Based on median figures.

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Increased Exposure to Long-term Assets

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

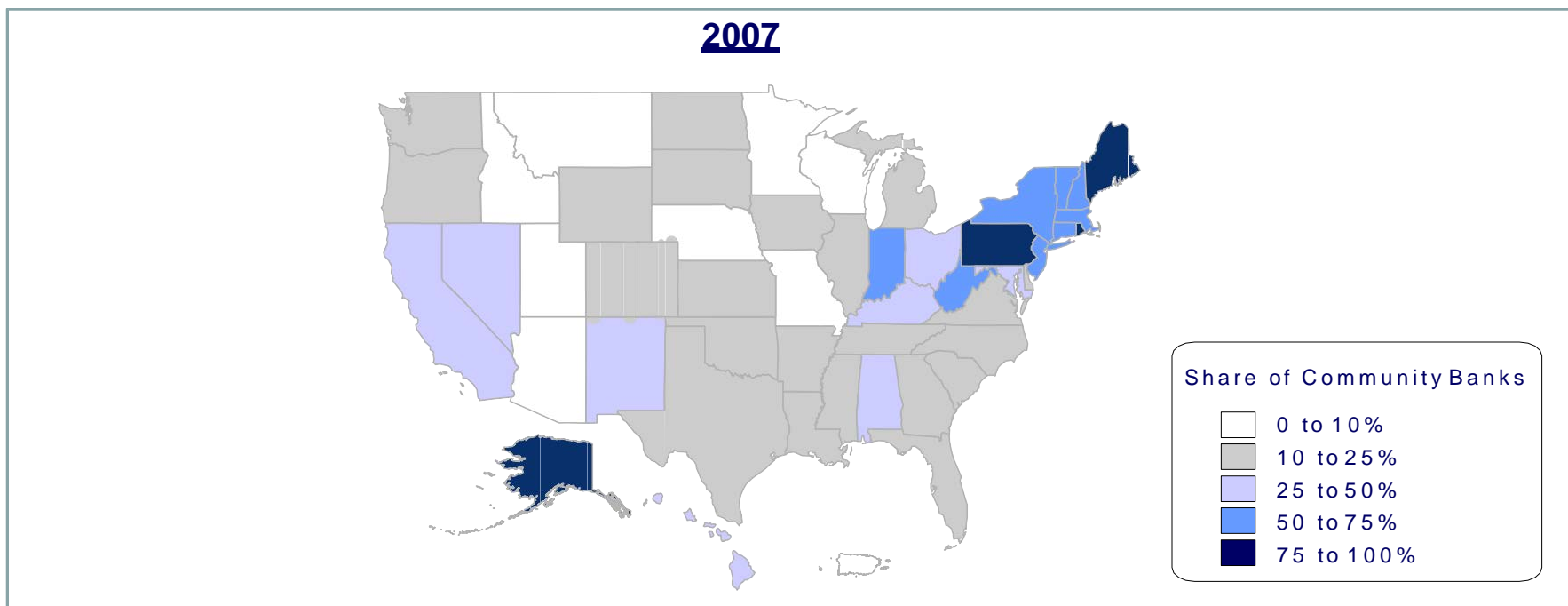


Source: Call Reports. Based on consistent sample of active Call Report filers as of 2Q15 with assets <\$1B.
Excludes any former TFR filers.

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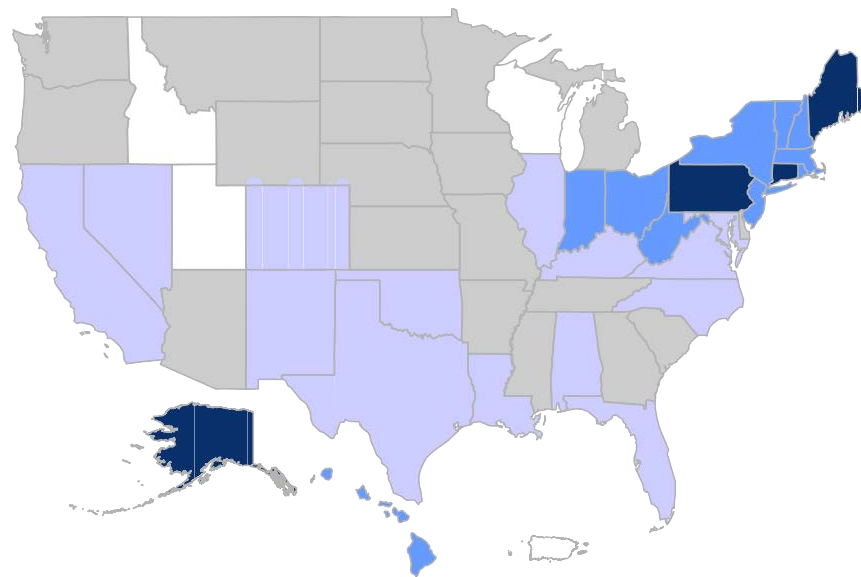
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2008



Share of Community Banks

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

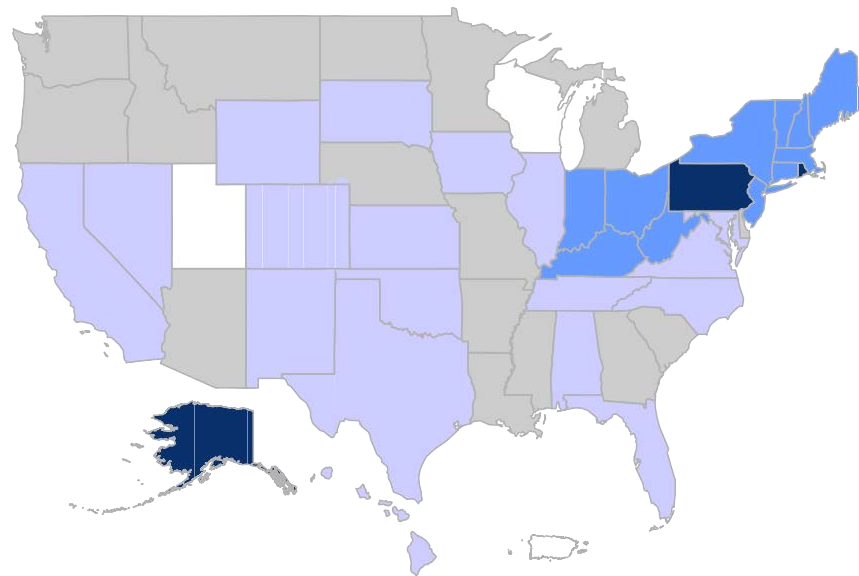
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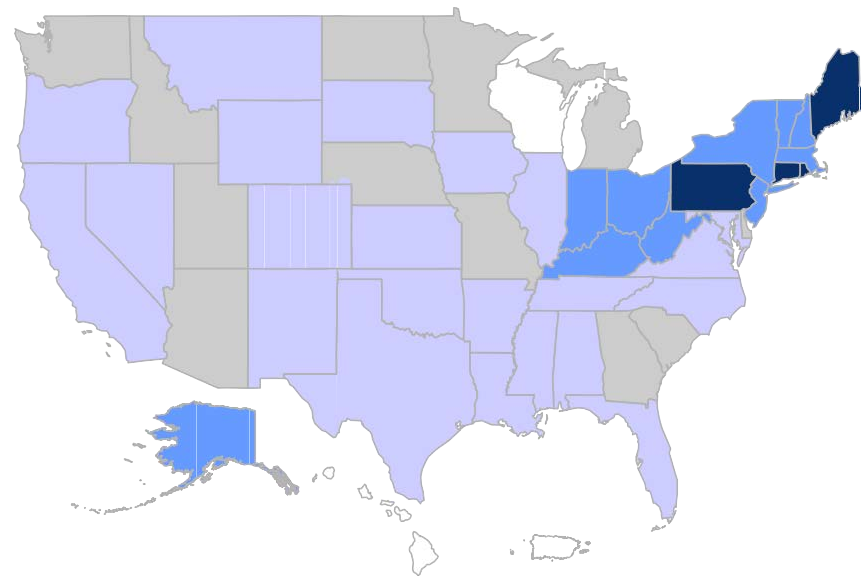
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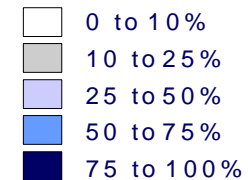
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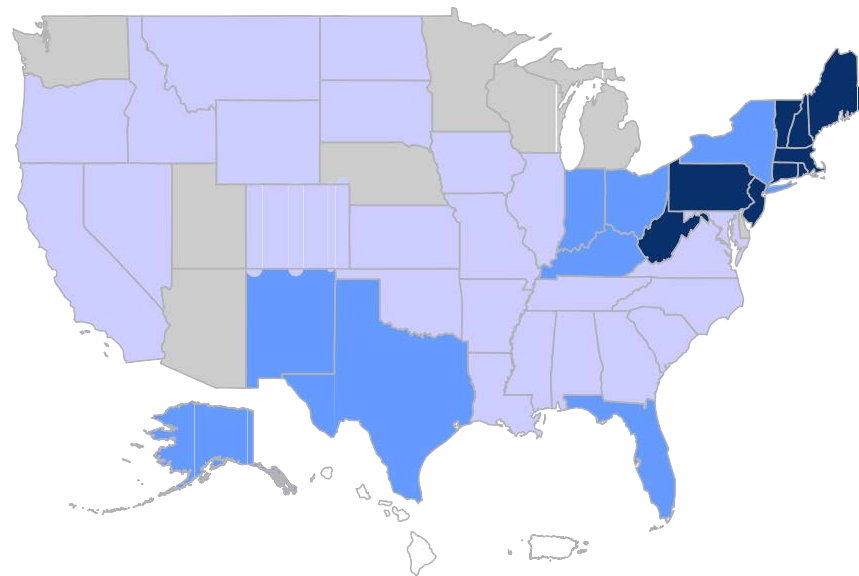
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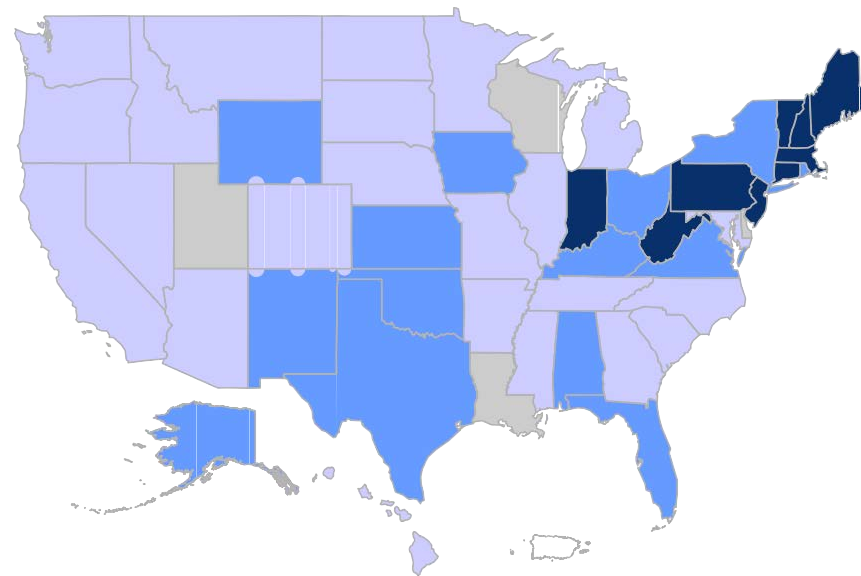
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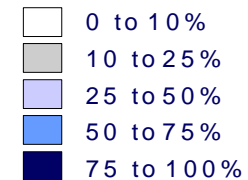
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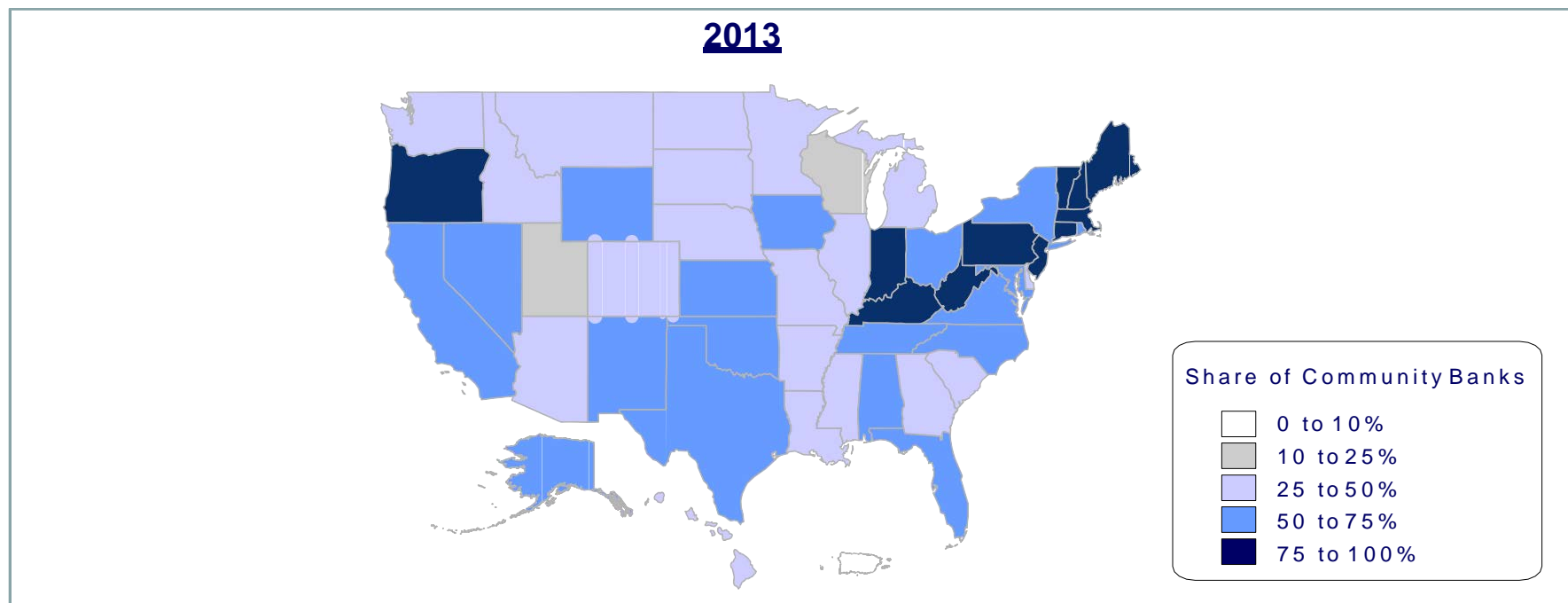


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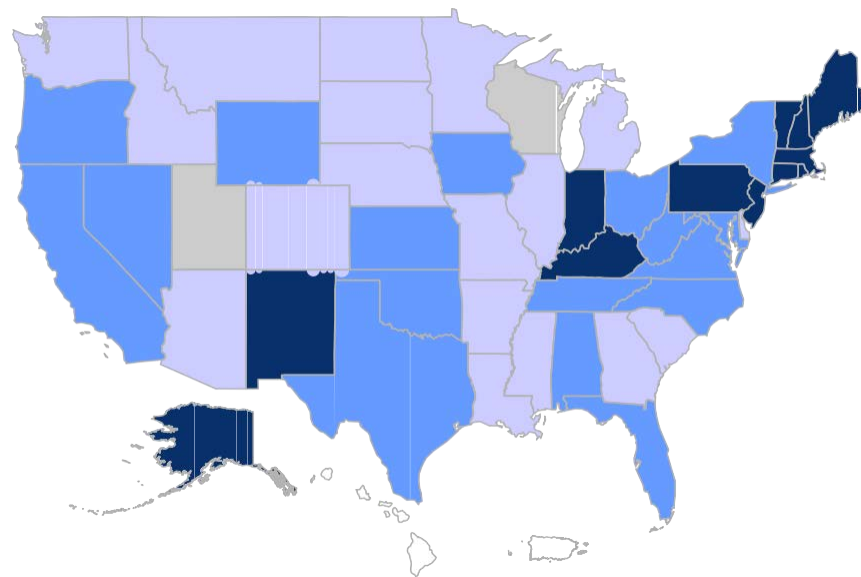
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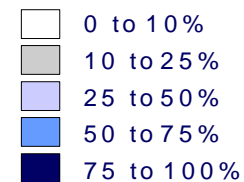
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2014



Share of Community Banks



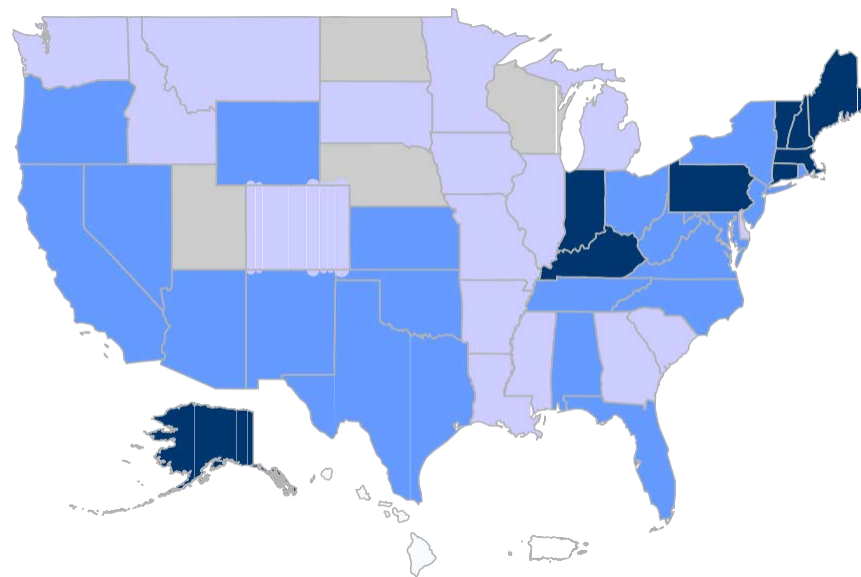
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2Q15



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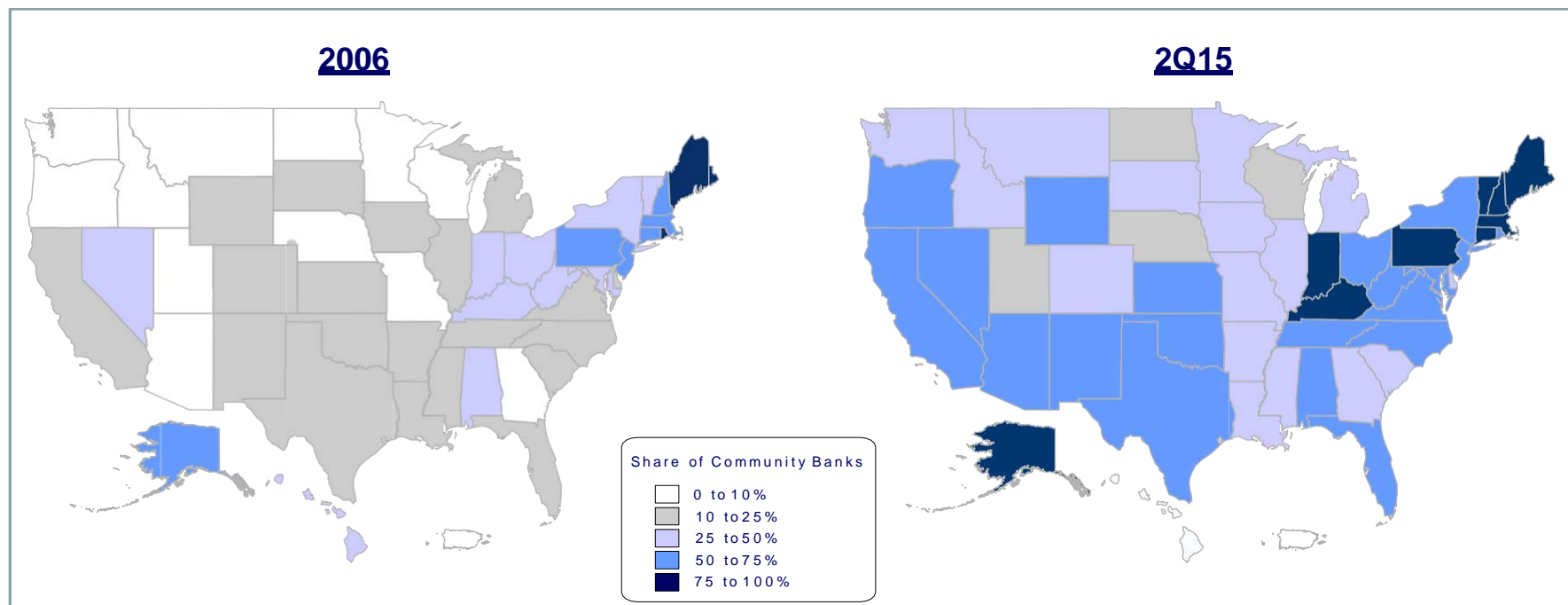
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Summary

- **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**