

# FDIC Advisory Committee on Community Banking

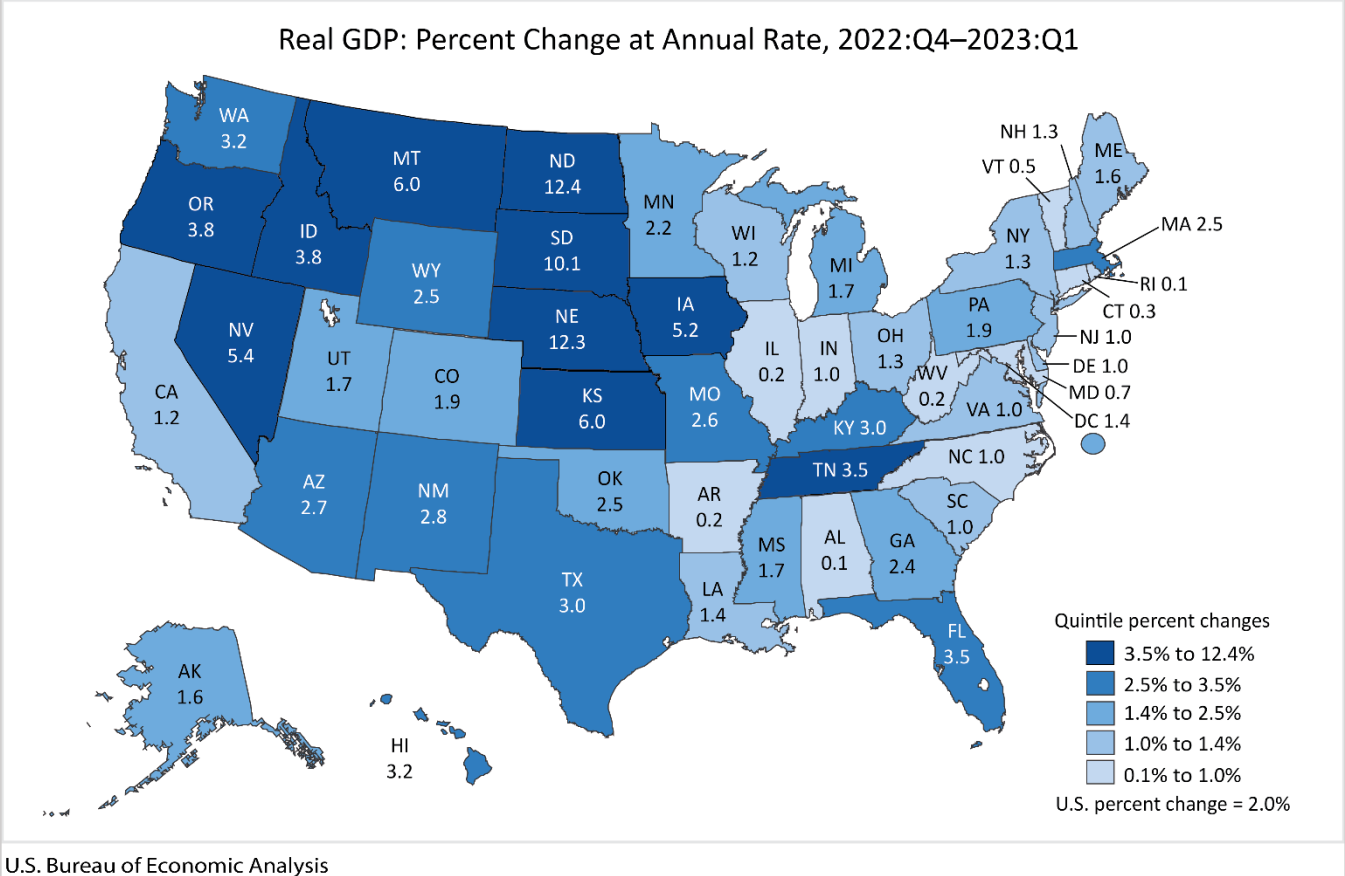
October 5, 2023

Discussion of Banking Conditions

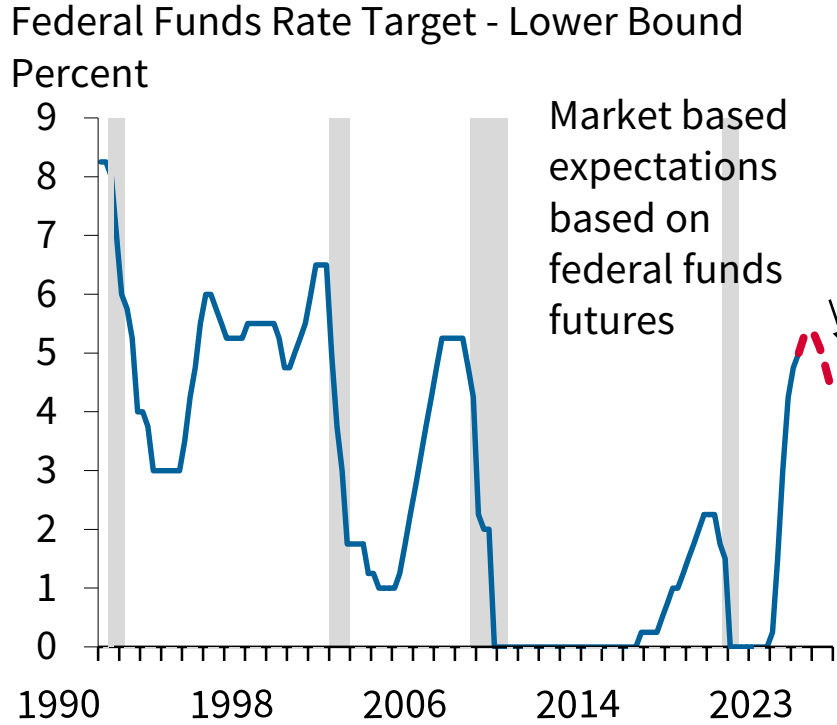
# Outline

- Economic Overview
  - Economic Growth
  - Interest Rates and Lending Standards
- Funding and Interest Rate Risk
  - NIM
  - Deposits
  - Funding costs
- Credit Risk
  - Consumer
  - Commercial

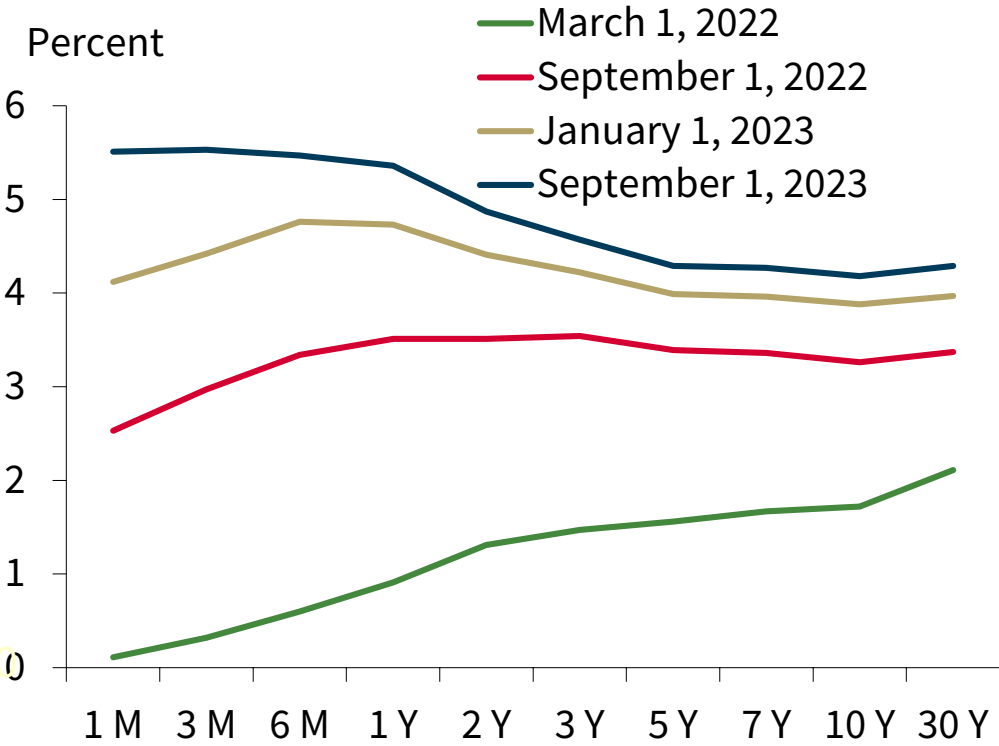
# The economy remained resilient this year, but conditions varied across states.



# The yield curve inversion deepened this year as rates rose, though markets expect the federal funds rate to decrease in the coming quarters.

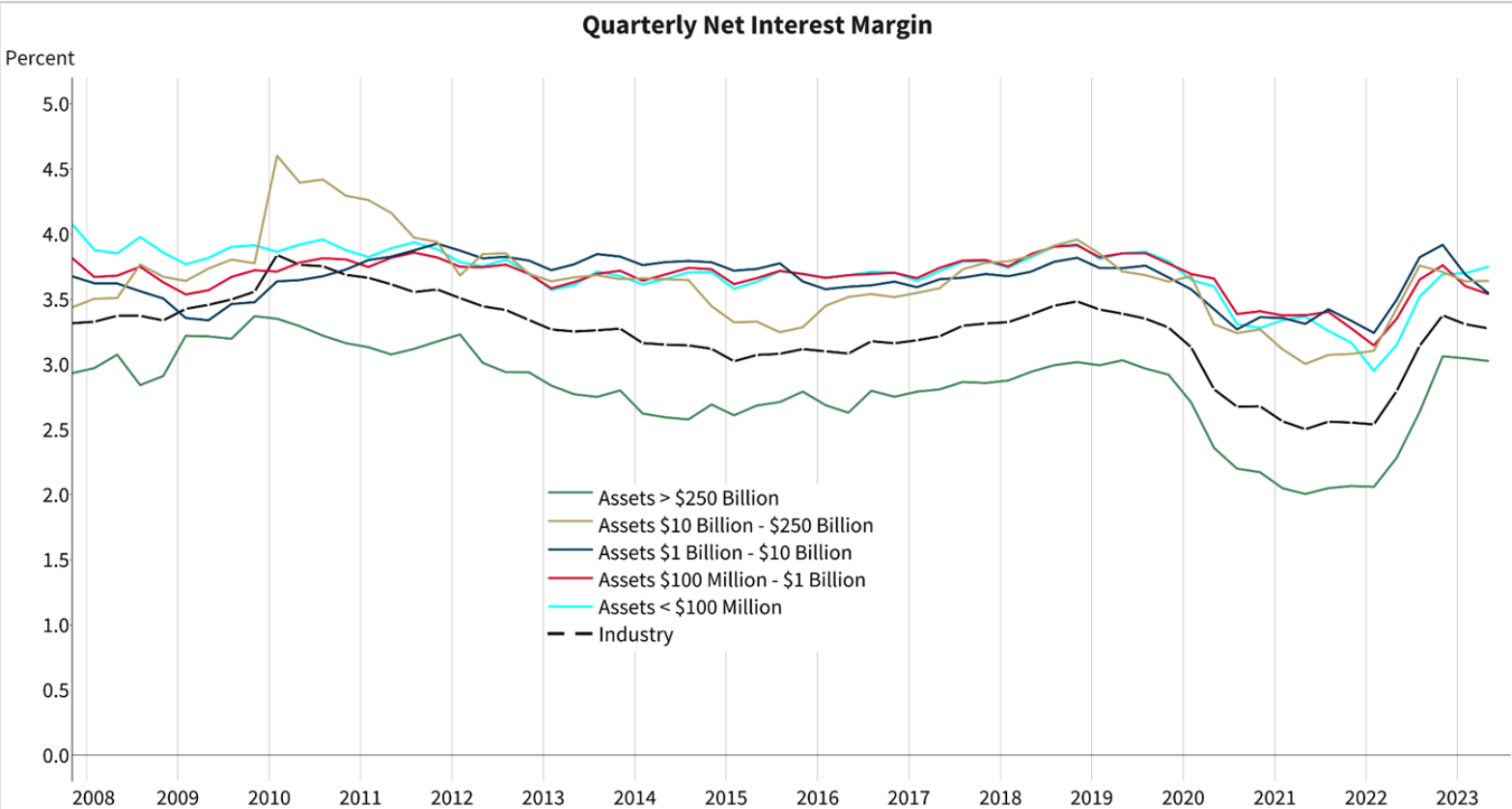


Sources: Federal Reserve; CME Group. Data as of Sept. 7, 2023.  
 Note: Data points to lower limit of Federal Funds Target Rate.



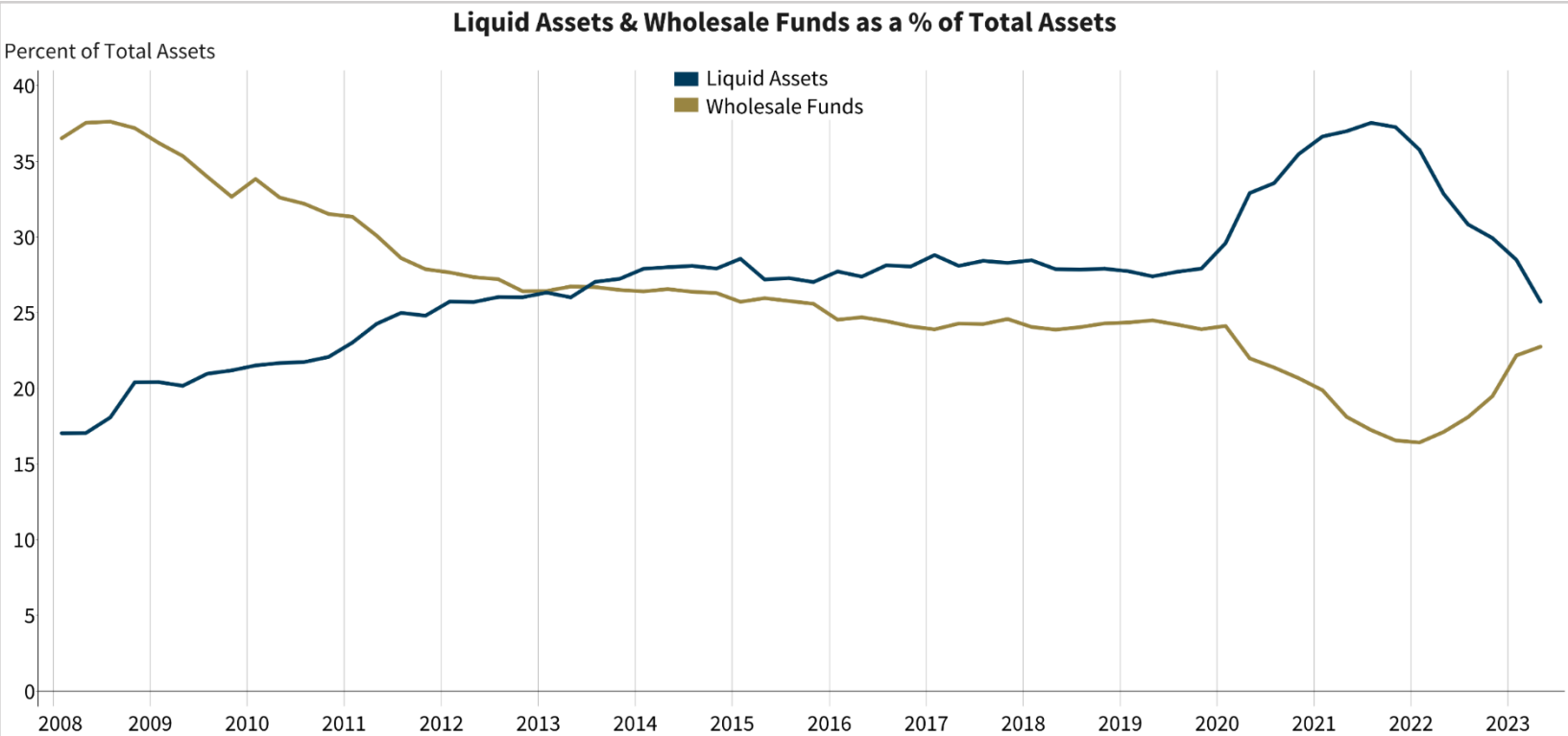
Source: CapitalIO.

# The net interest margin declined for the second consecutive quarter.



Source: FDIC.

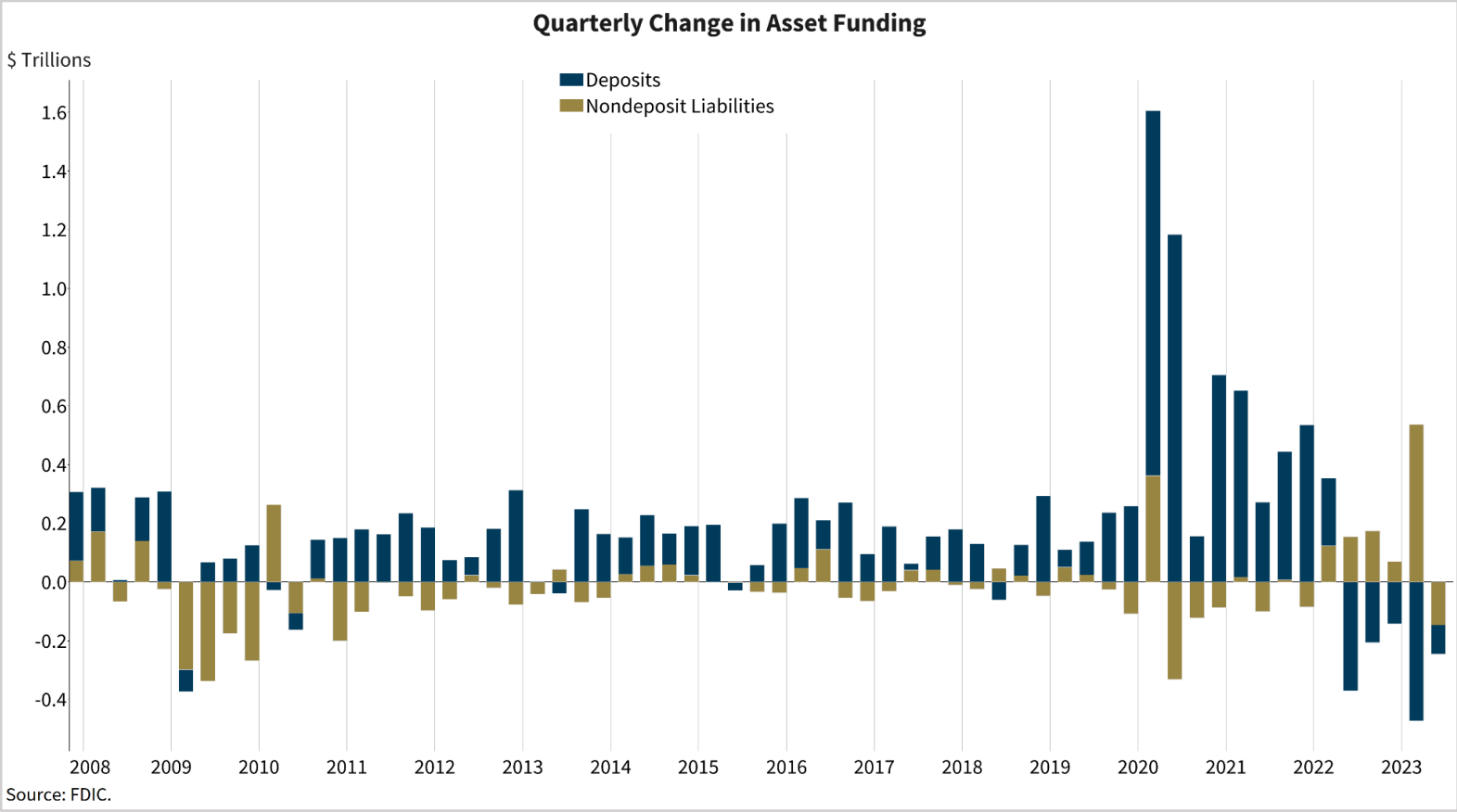
# Liquid assets decreased and wholesale funding increased from the prior quarter.



Source: FDIC.

Note: Liquid assets are defined as cash, federal funds sold, securities purchased under agreements to resell, and securities (including unrealized gains/losses on securities) less pledged securities. Wholesale funding includes federal funds purchased and securities sold under agreement to repurchase; Federal Home Loan Bank borrowings; brokered (net of reciprocal deposits), municipal and state, and foreign deposits (which are not FDIC insured); other borrowings; and listing services. For the period 2018 to 2021, reciprocal deposits were consolidated with brokered deposits. Data for listing services became available first quarter 2011.

# Deposits declined for the fifth consecutive quarter and borrowings decreased.

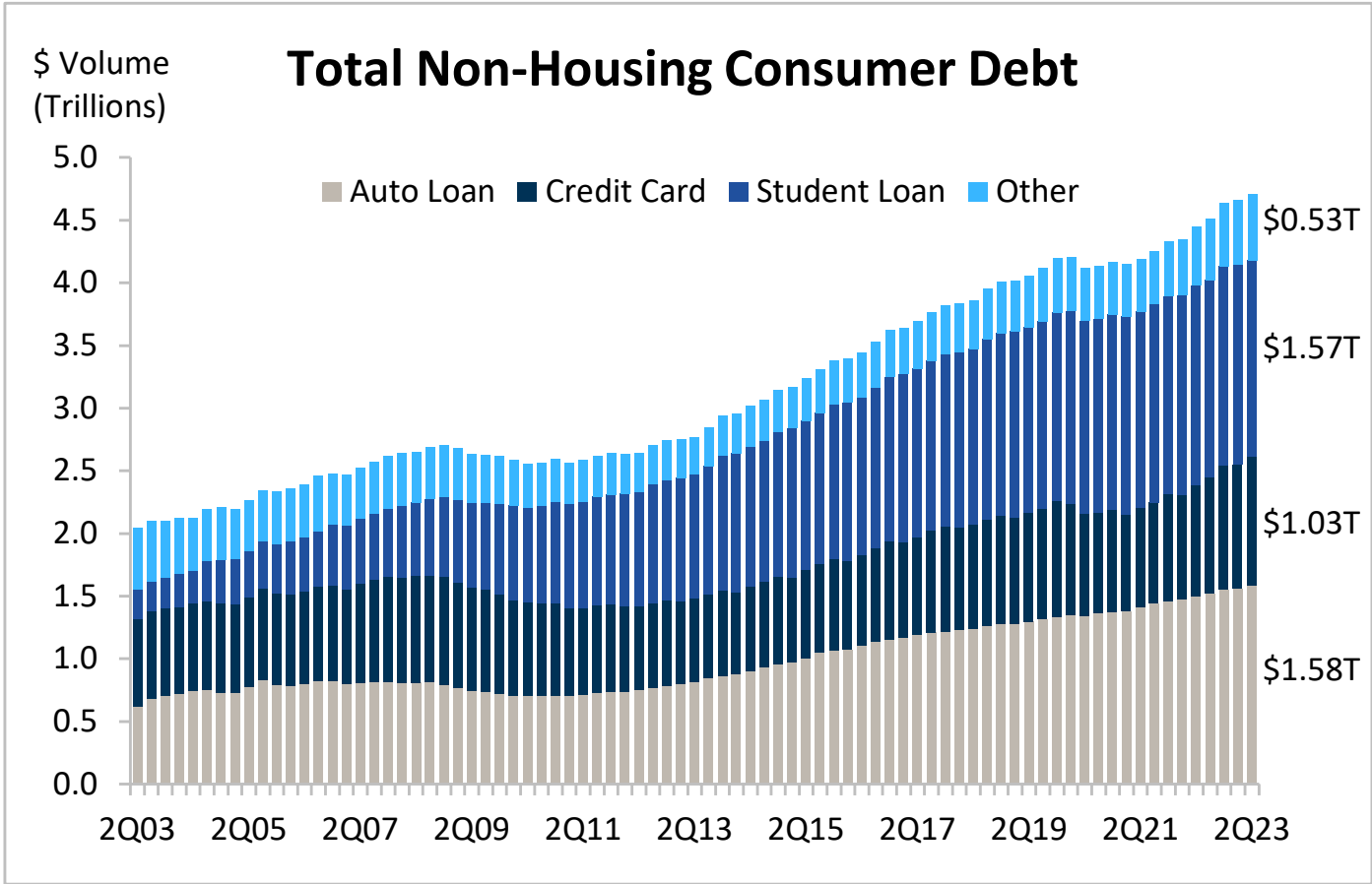


# Funding and Interest Rate Risk Discussion

- How is your bank being affected by rising interest rates?
- How fast has your bank raised deposit rates?
- Has your bank experienced a significant shift in deposit flows?
- What concerns do you have about current funding conditions?

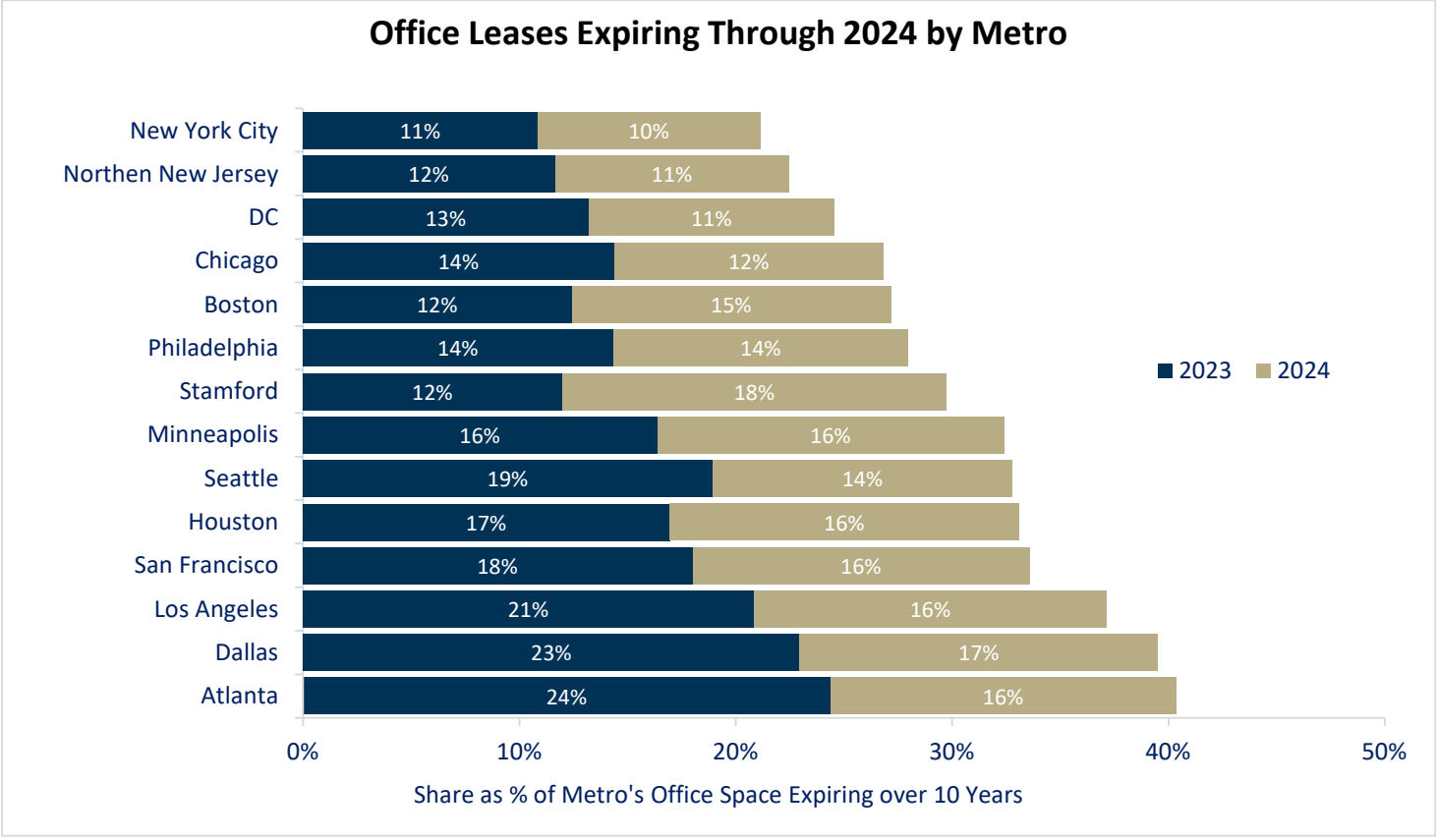


# Consumer credit outstanding continues to grow.



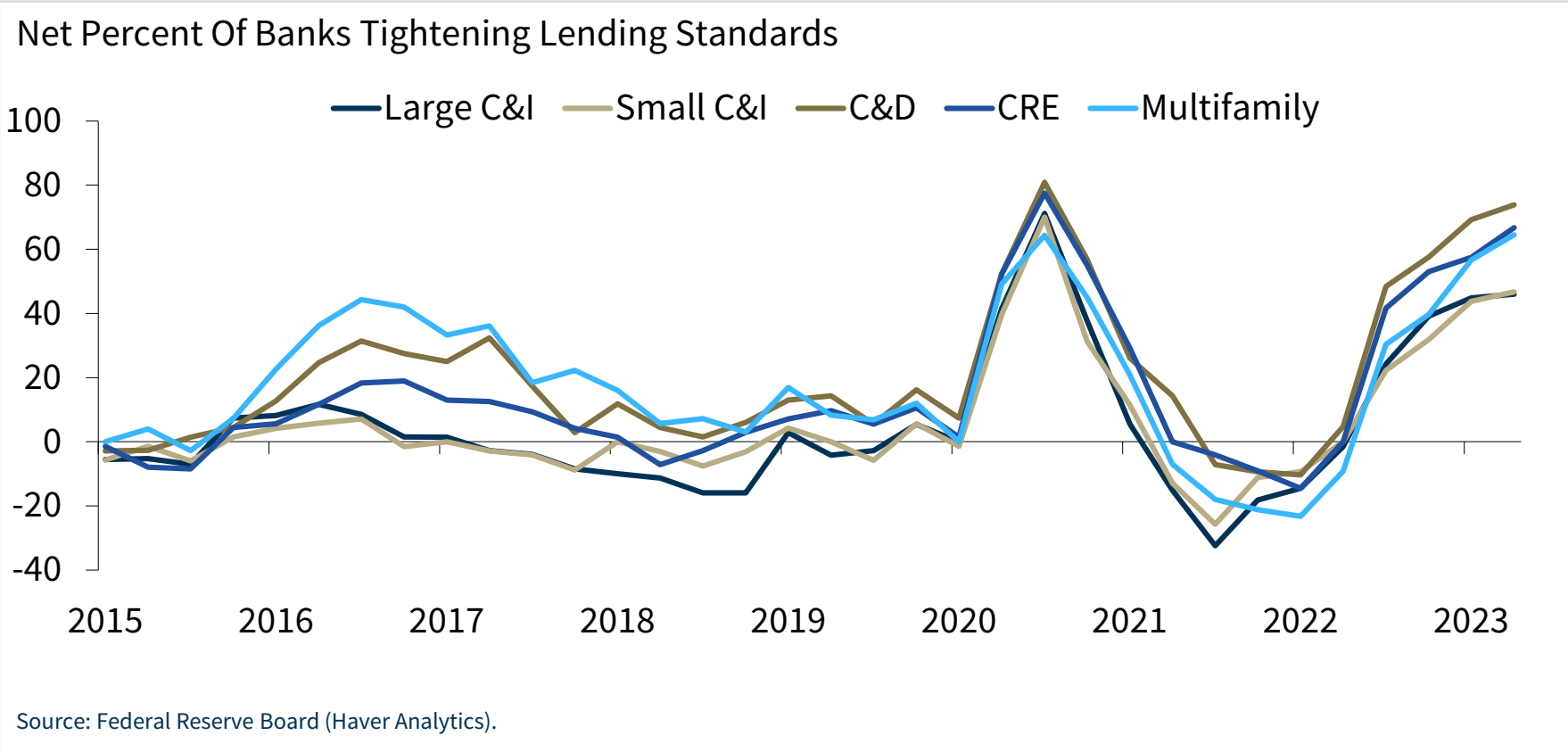
Source: FRBNY Consumer Credit Panel, Equifax (Haver Analytics).

# Large shares of office leases in some metros expire in 2023 and 2024.



Source: Costar data.

# Tightening lending standards for commercial borrowers, along with higher rates could depress business investment.



Source: Federal Reserve Board (Haver Analytics).

## Credit Risk Discussion

- How have economic conditions affected the borrowers in your area?
- Which portfolios are of most concern to you?
- Have banks in your area tightened lending standards?

## General Discussion

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