

Banking Conditions

Ryan Harwell

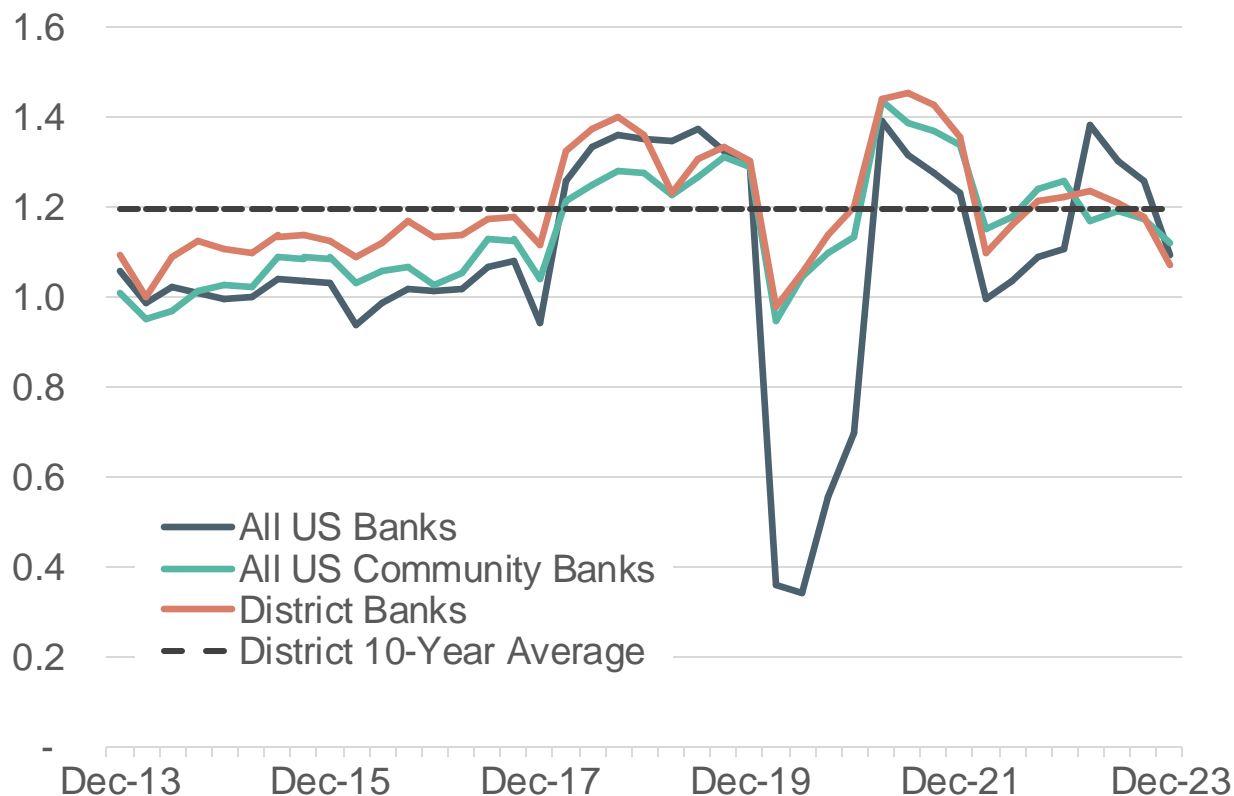
**Vice President,
Examinations and Inspections**

A magnifying glass is positioned over a bar chart. The chart has a legend with four categories: Sales 1 (dark blue), Sales 2 (medium blue), Sales 3 (light blue), and Sales 4 (very light blue). The x-axis is labeled with months from May to Dec. The y-axis has numerical values ranging from 10,000 to 90,000. The magnifying glass is focused on the bars for September, October, and November.

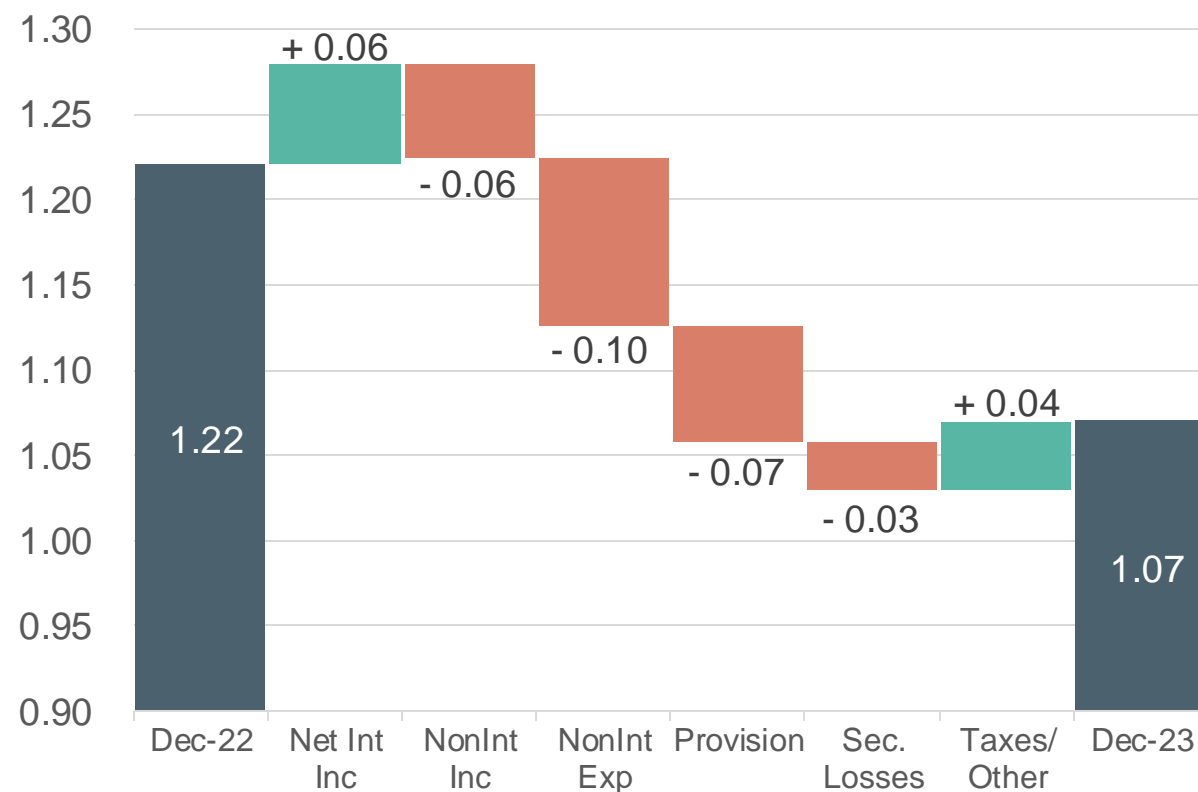
**BANKING &
SUPERVISION FORUM**
FEDERAL RESERVE BANK OF KANSAS CITY

Earnings pressured by increased expenses, reduced non-interest income

Return on Average Assets (YTD)
Tenth District Banks



Change* in Annual Net Income
Percent of Average Assets, Tenth District Banks

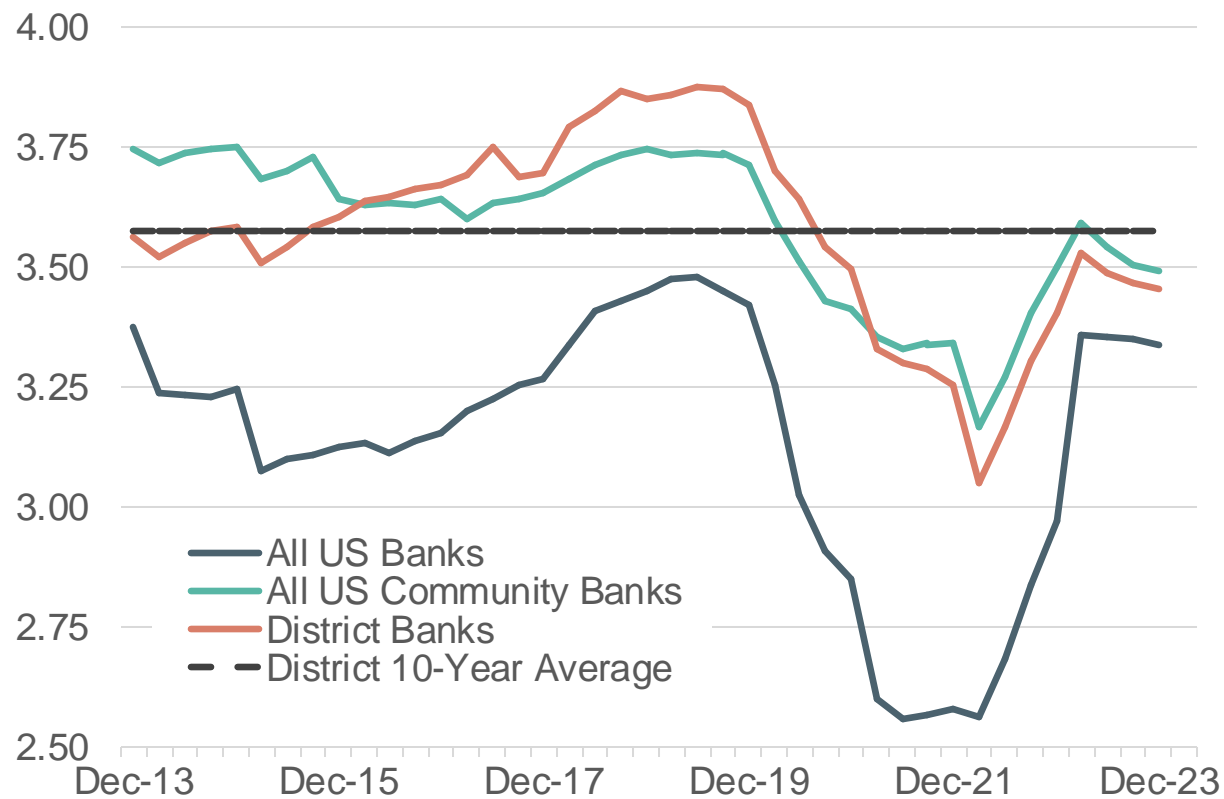


Source: Reports of Condition and Income

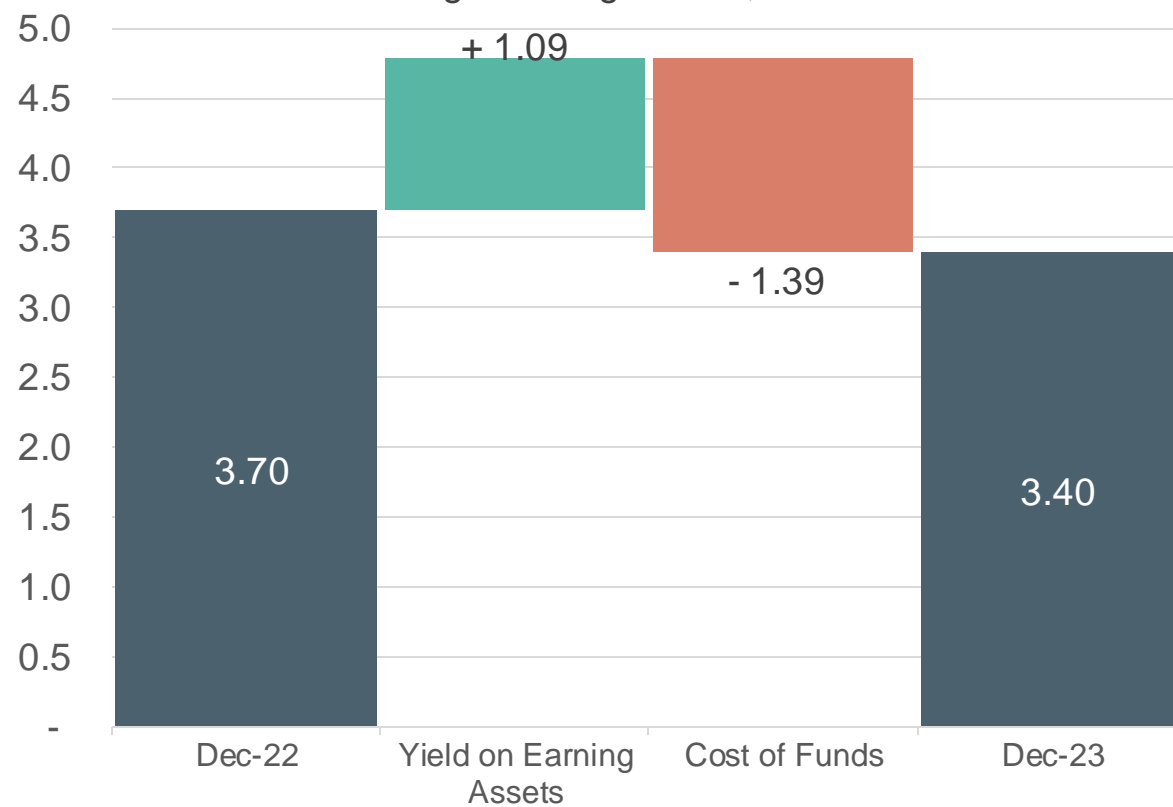
*Note: An increase in expense items is shown as a negative impact to earnings, and a decrease in expense items is shown as a positive impact to earnings.

Margins fell as funding costs increased

Net Interest Margin (YTD)
Tenth District Banks



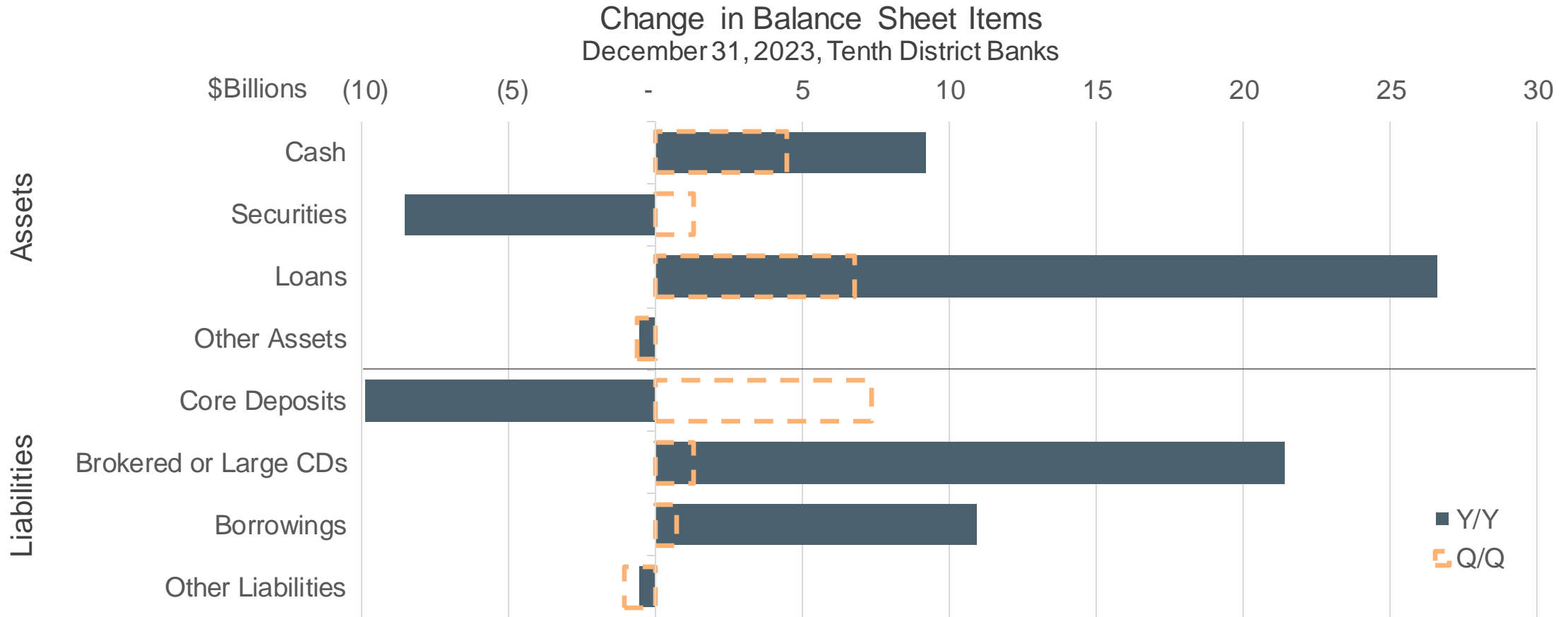
Change* in Quarterly NIM
Percent of Average Earning Assets, Tenth District Banks



Source: Reports of Condition and Income

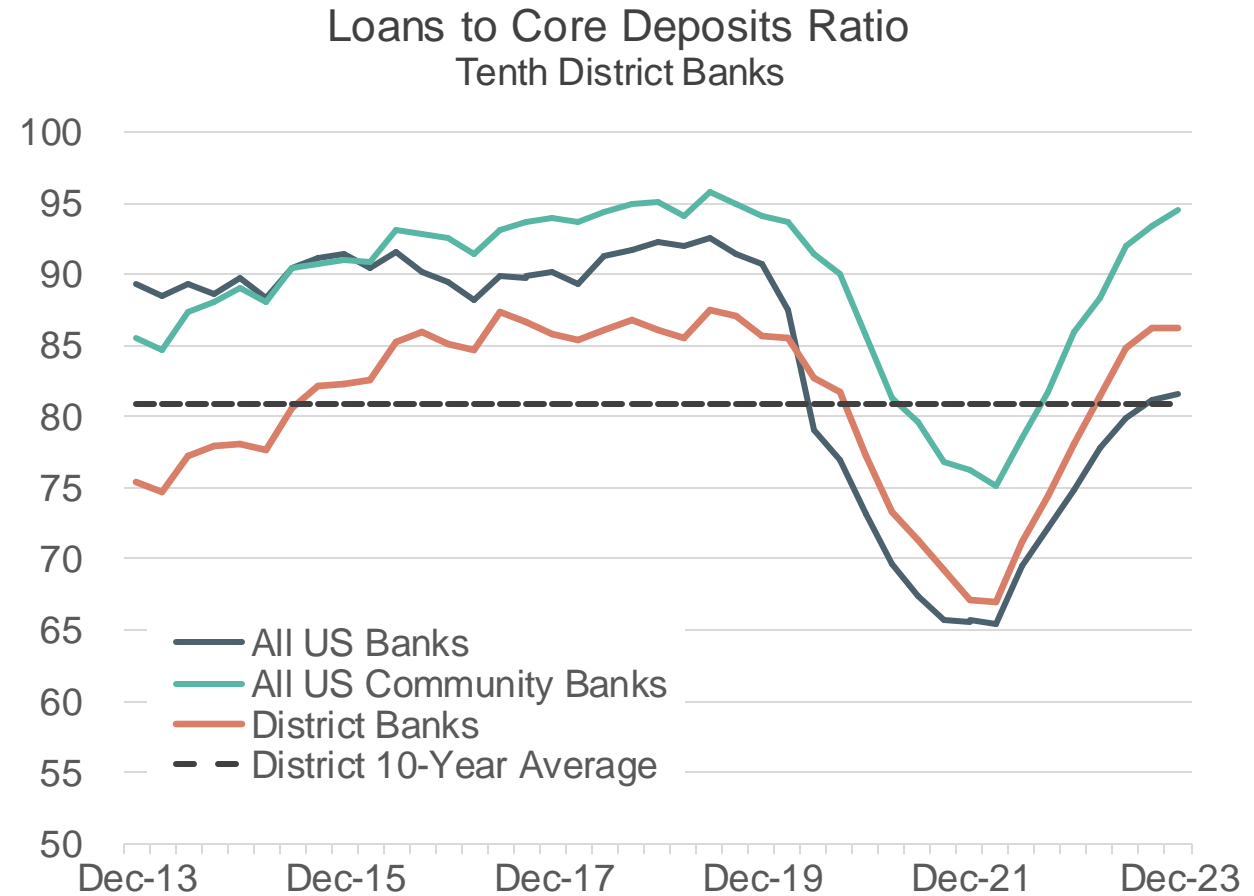
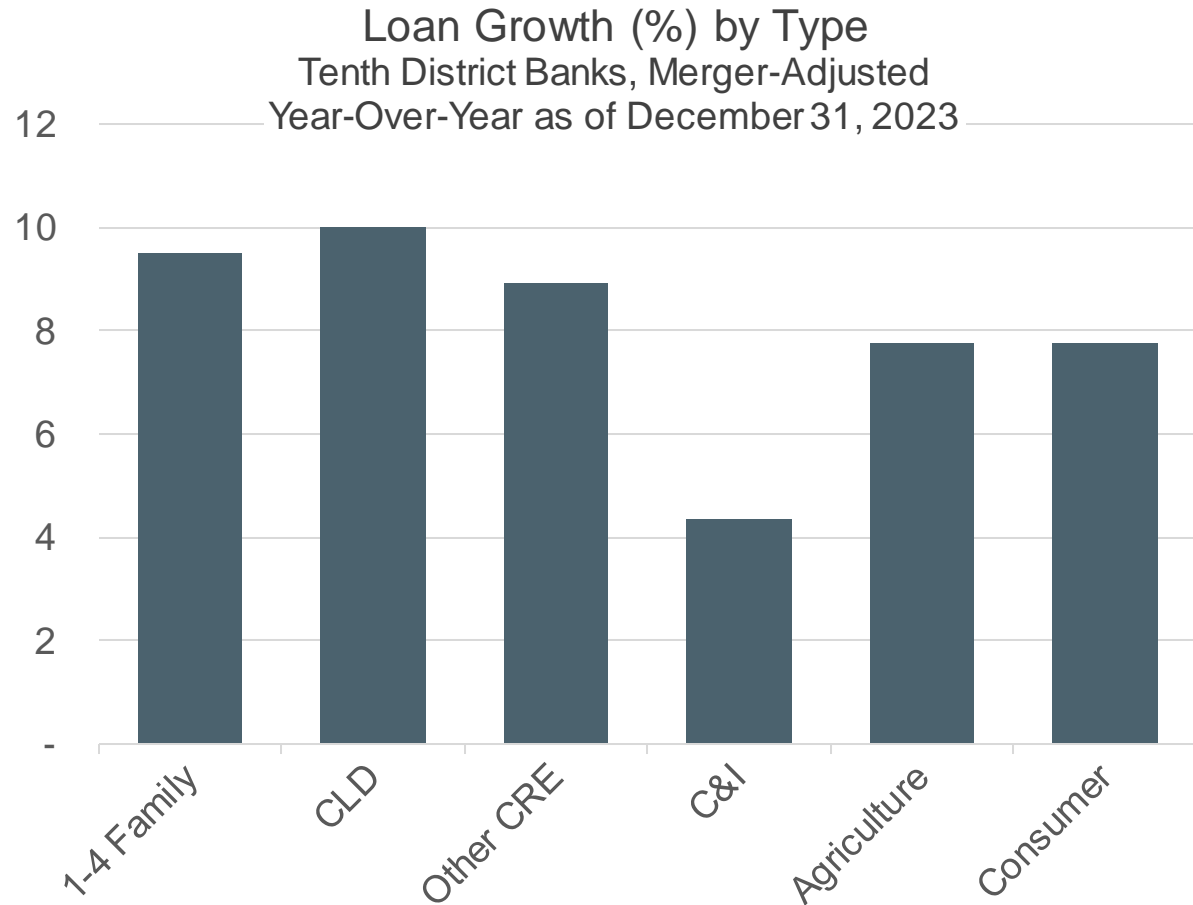
*Note: An increase in expense items is shown as a negative impact to earnings.

Balance sheet shifts impacting liquidity



Source: Reports of Condition and Income

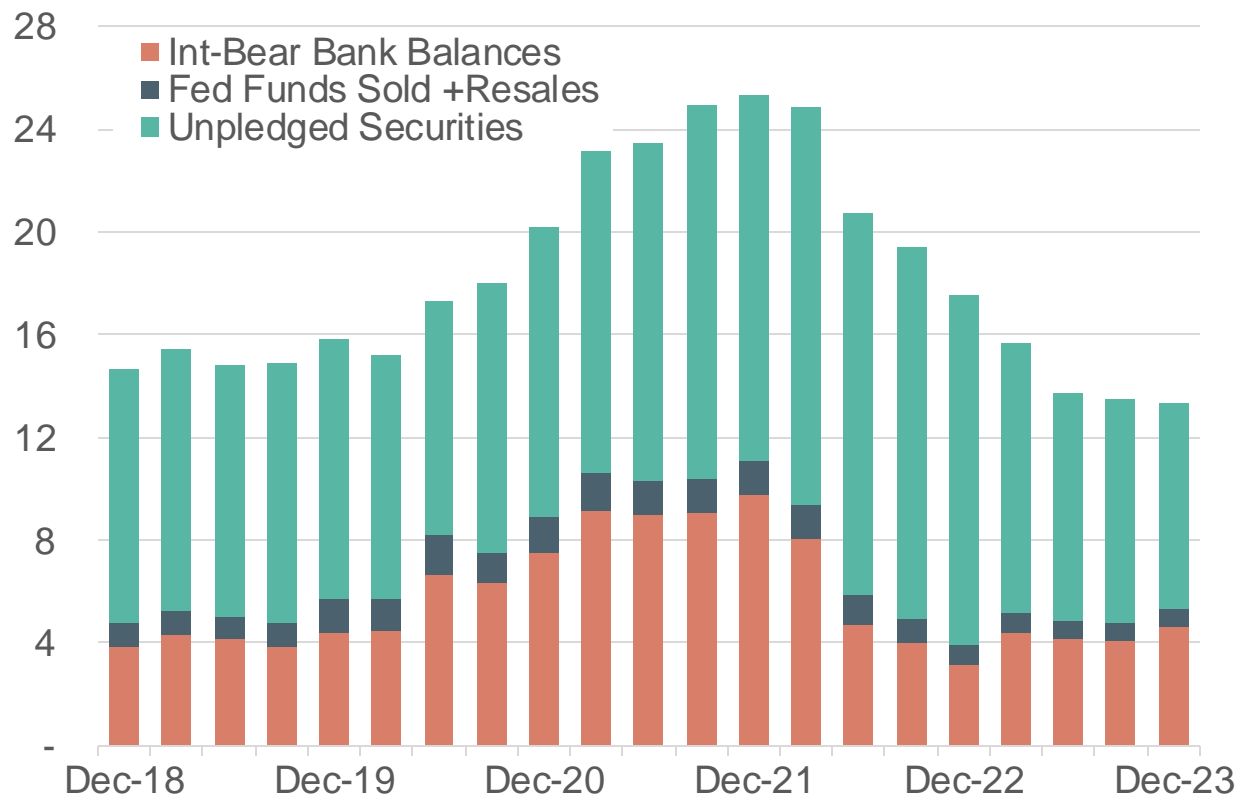
Moderate loan growth amid competition for deposits



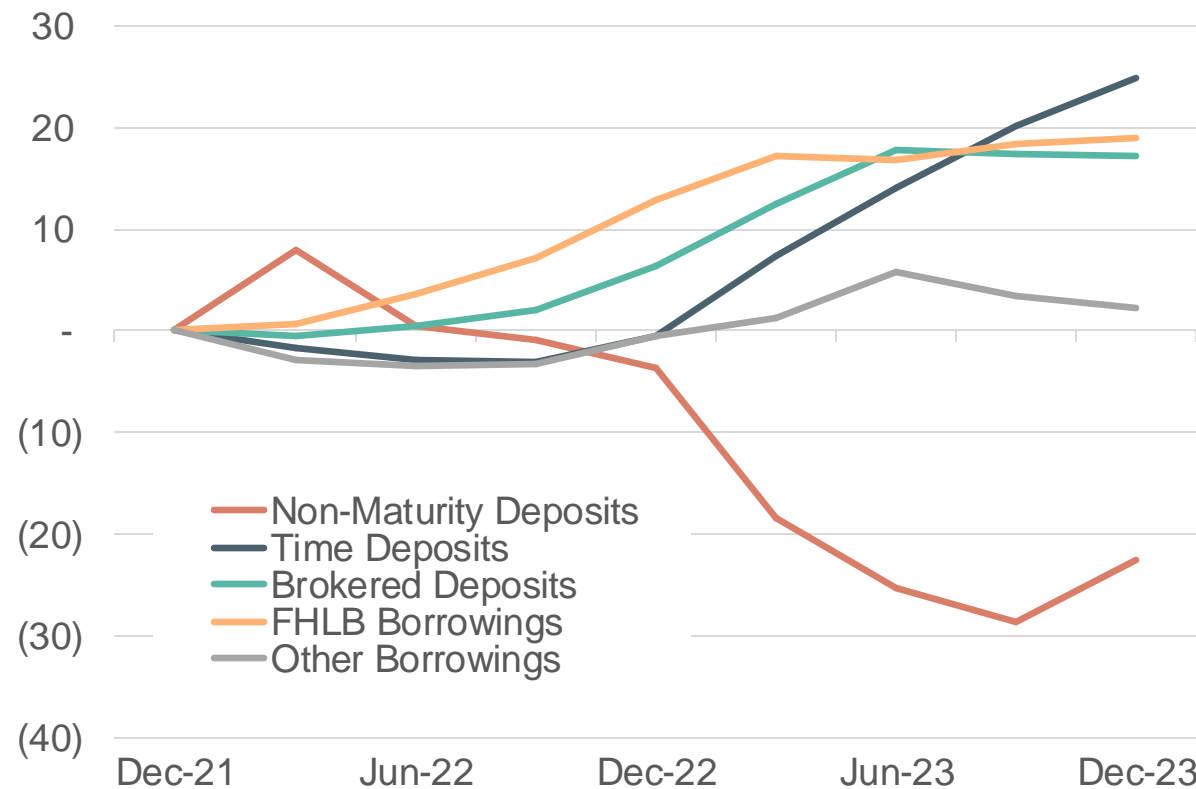
Source: Reports of Condition and Income

Reduced asset-based liquidity, increased reliance on noncore funds

Liquid Assets
Percent of Assets, Tenth District Banks



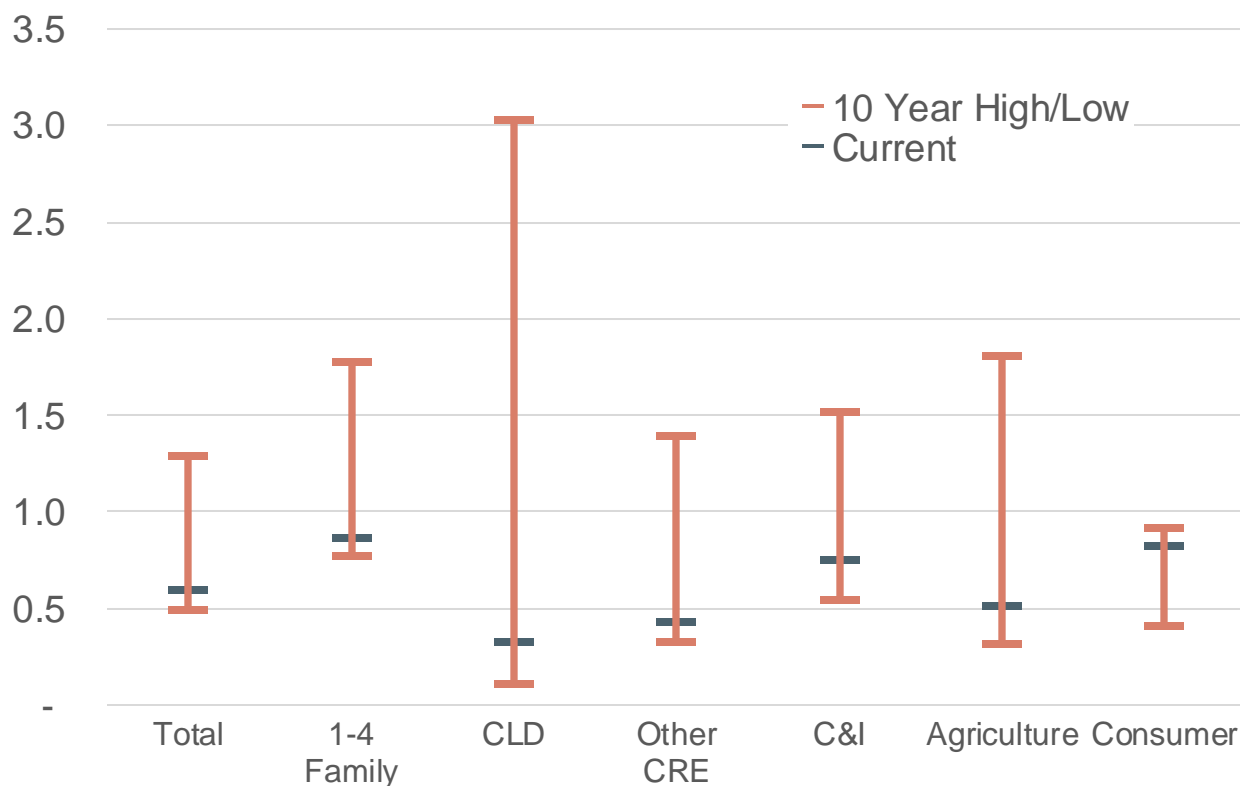
Change in Funding from 4Q21
\$ Billions, Tenth District Banks



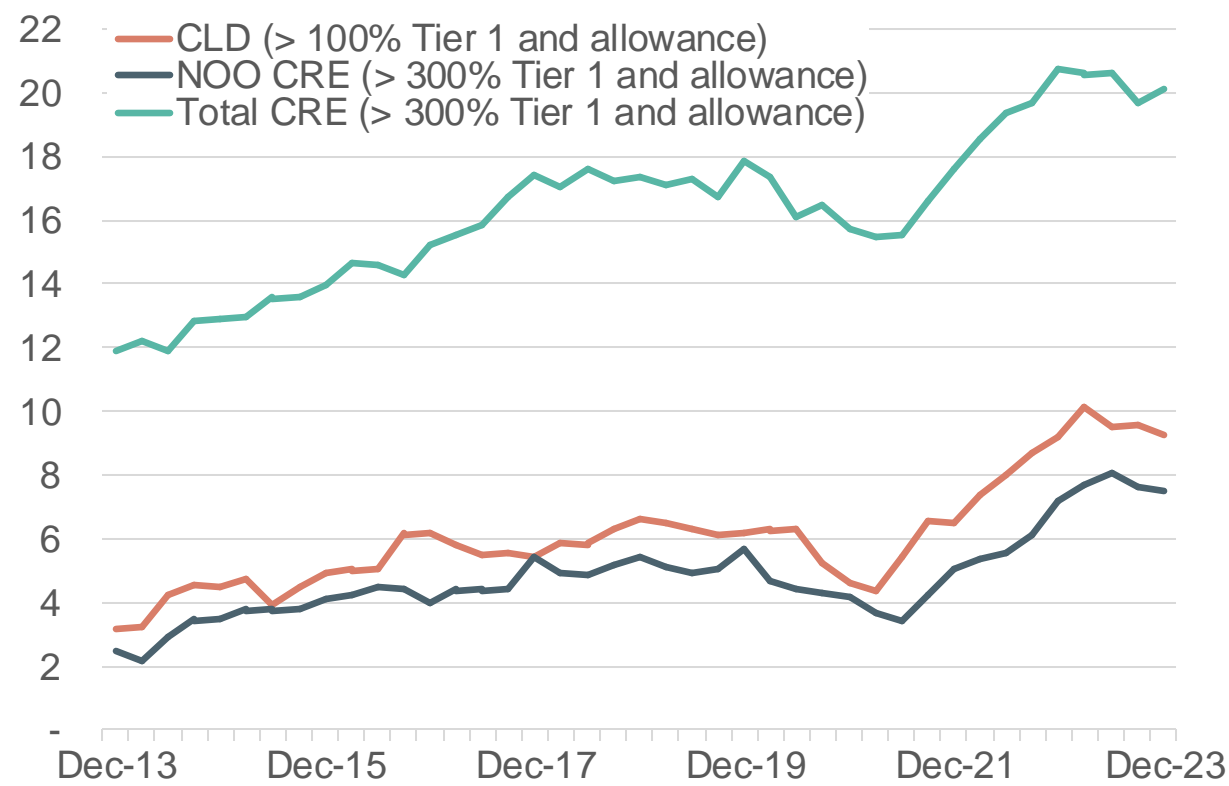
Source: Reports of Condition and Income

Credit watch: past dues and concentrations

Noncurrent Loans
Percent of Loan Type, Tenth District Banks



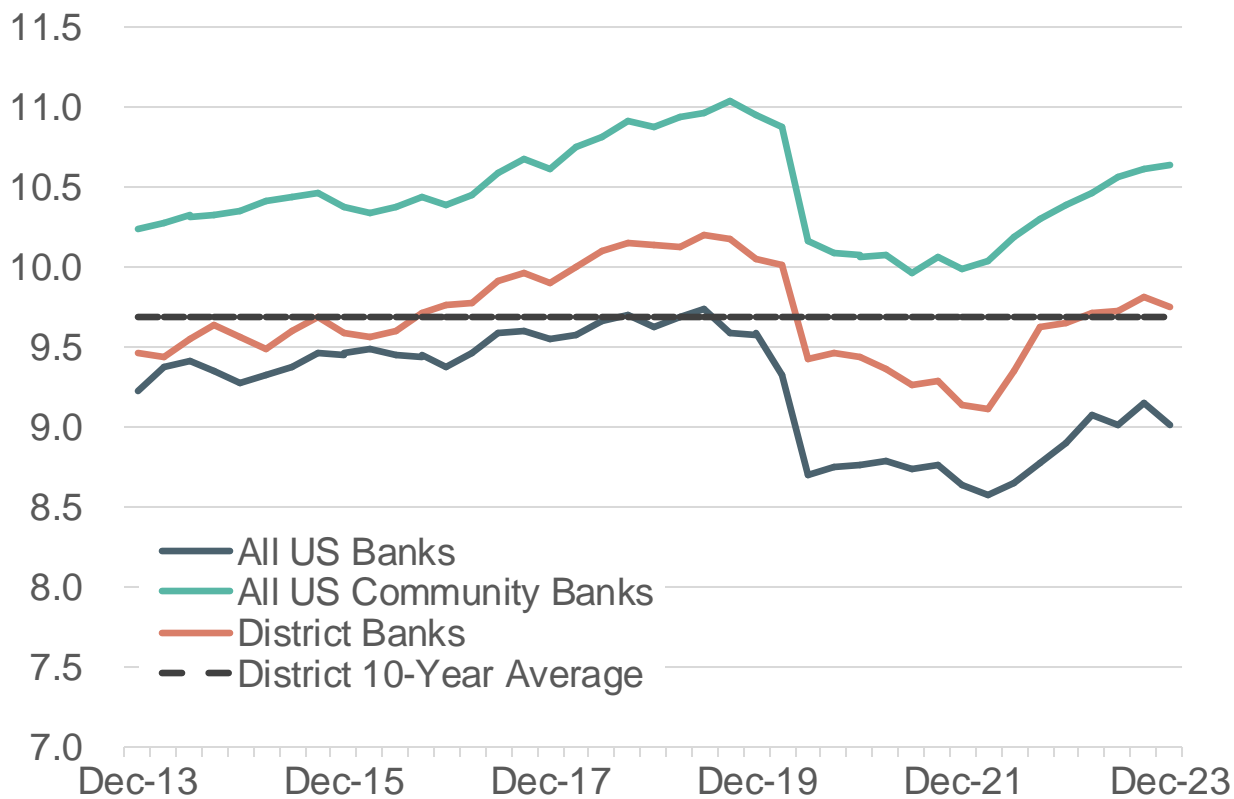
CRE Highly Concentrated Banks
Pct of Banks, Tenth District Banks



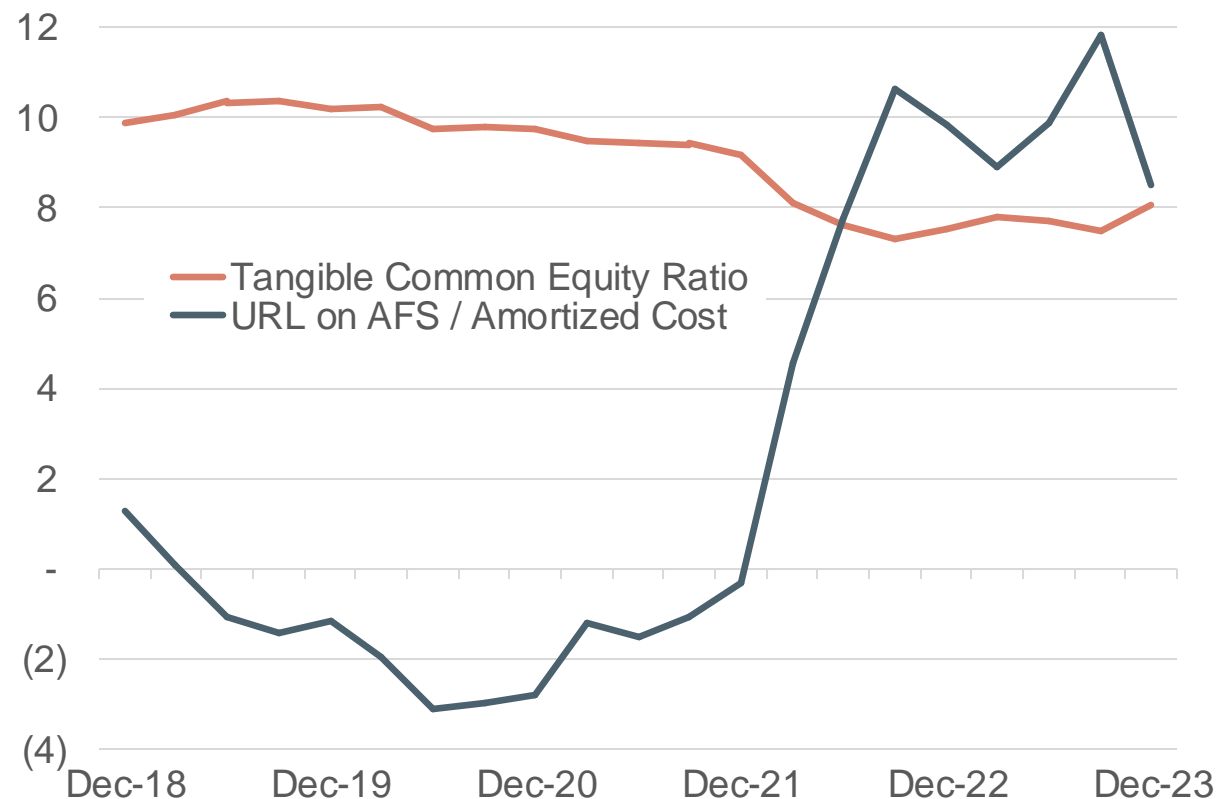
Source: Reports of Condition and Income

Capital mostly stable against moderated asset growth, reduced retained earnings

Leverage Ratio
Tenth District Banks



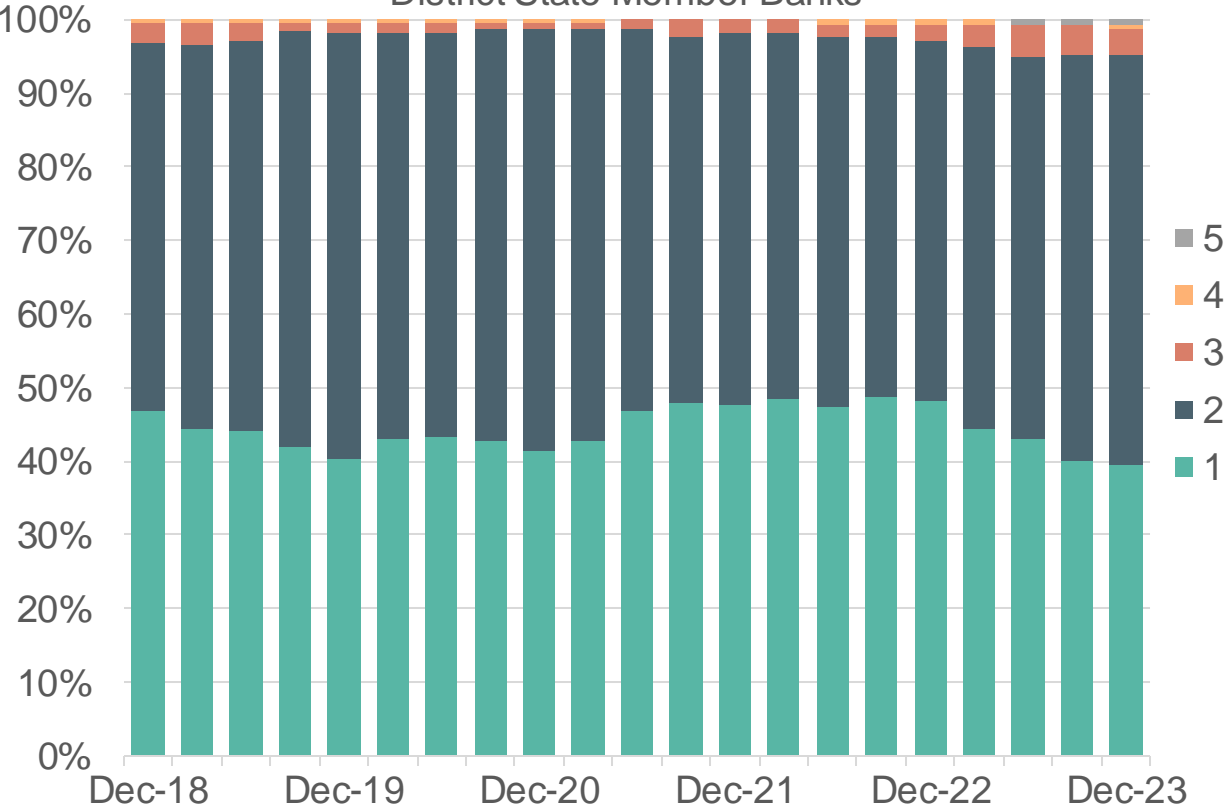
TCE, Unrealized Losses on AFS Securities
Tenth District Banks



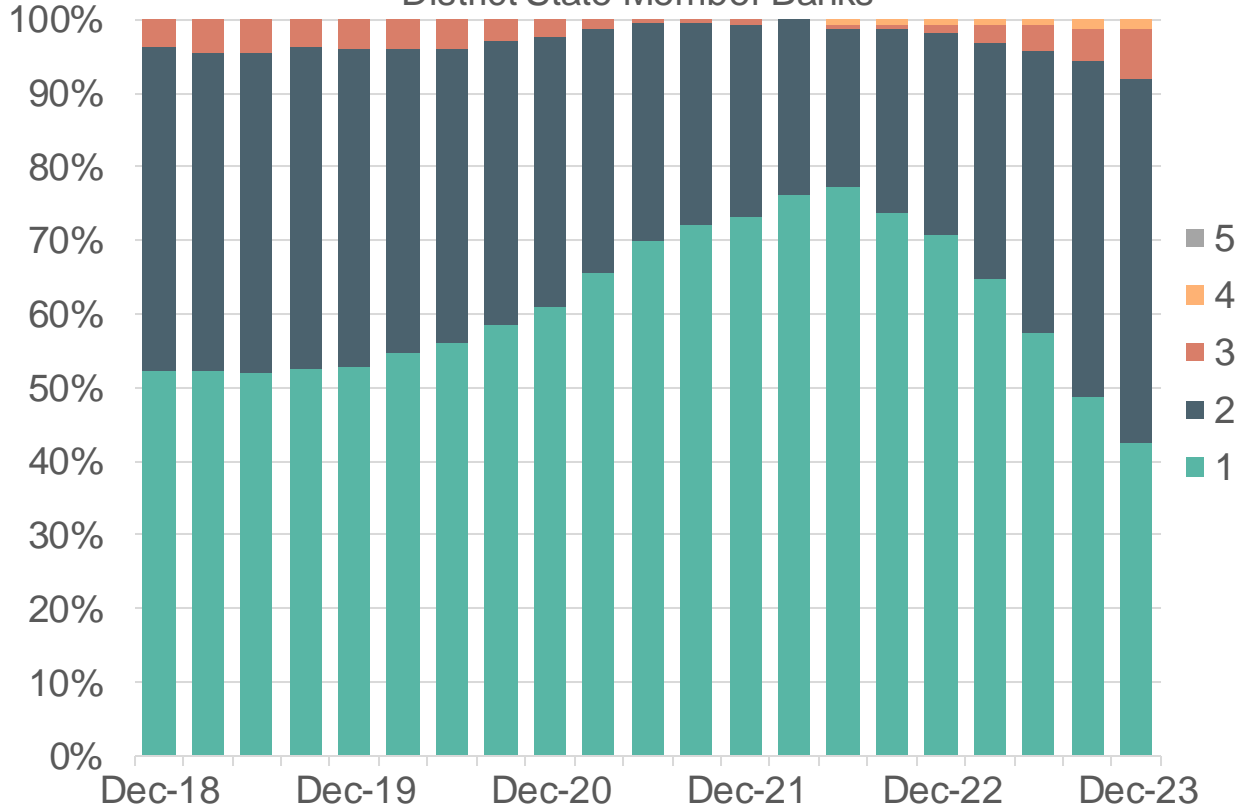
Source: Reports of Condition and Income

Financial trends reflected in rating downgrades

Composite Ratings
District State Member Banks

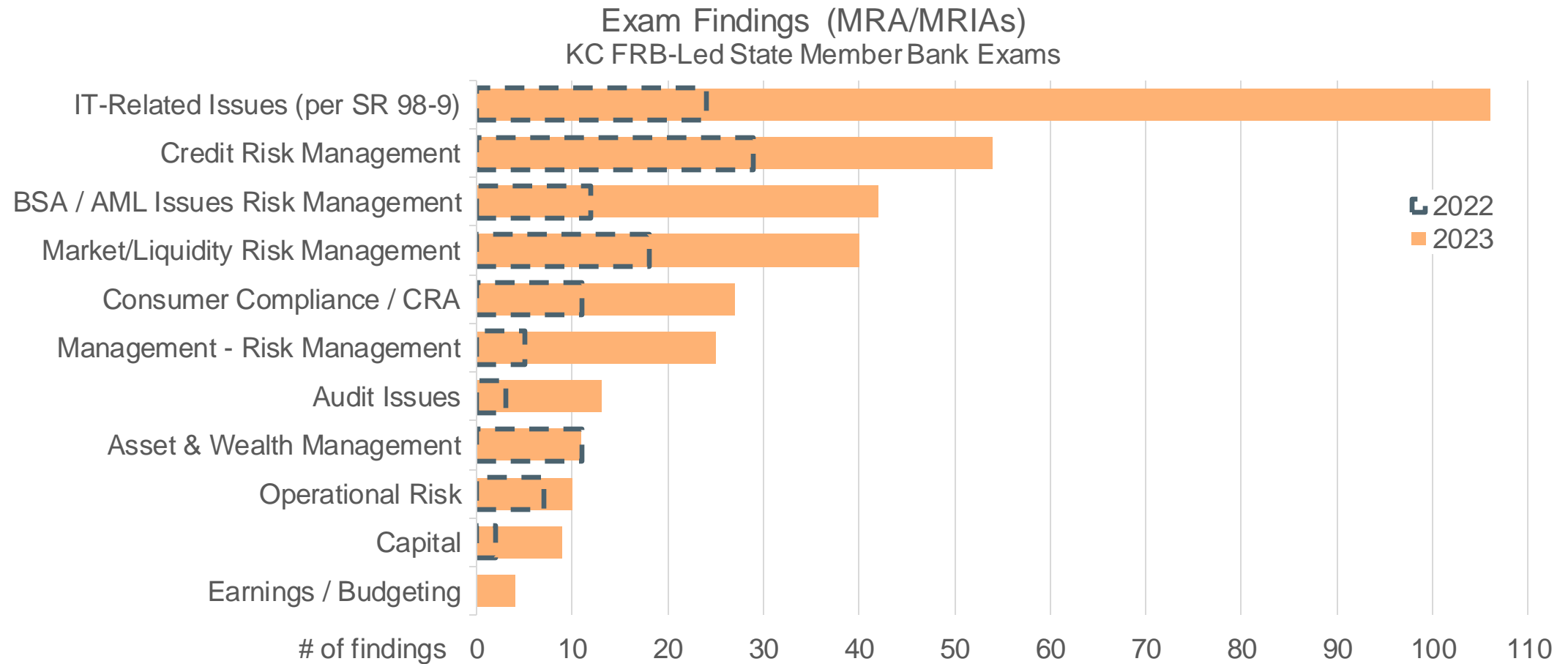


Liquidity Ratings
District State Member Banks



Source: National Examination Data

Increasing risk reflected in uptick in matters requiring board attention



Source: National Examination Data