

Bank Performance Webinar Series: Banking Conditions 2024 Q2

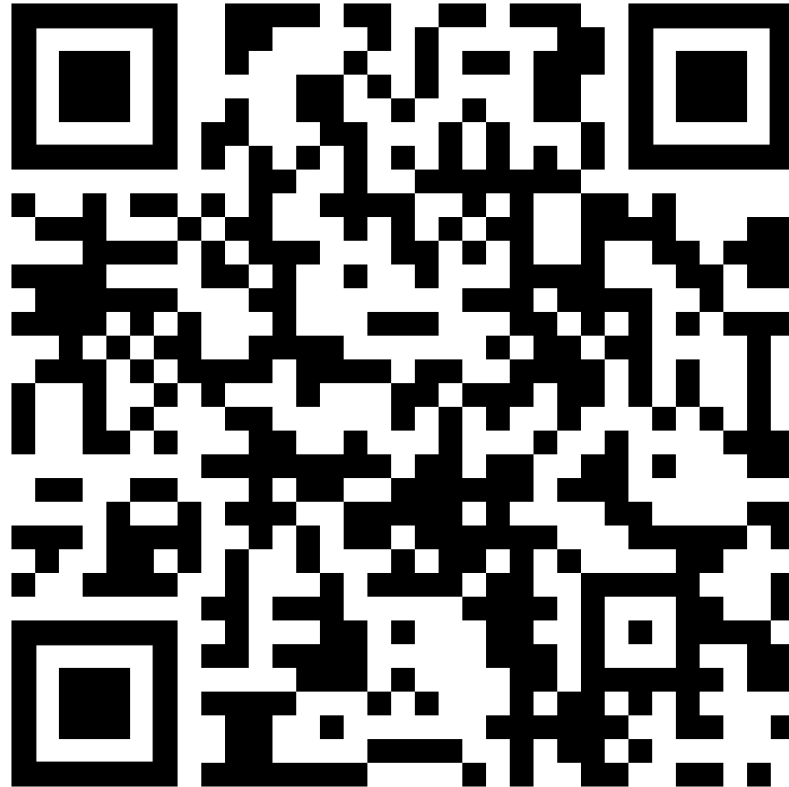
September 12, 2024

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New OCE Webpage

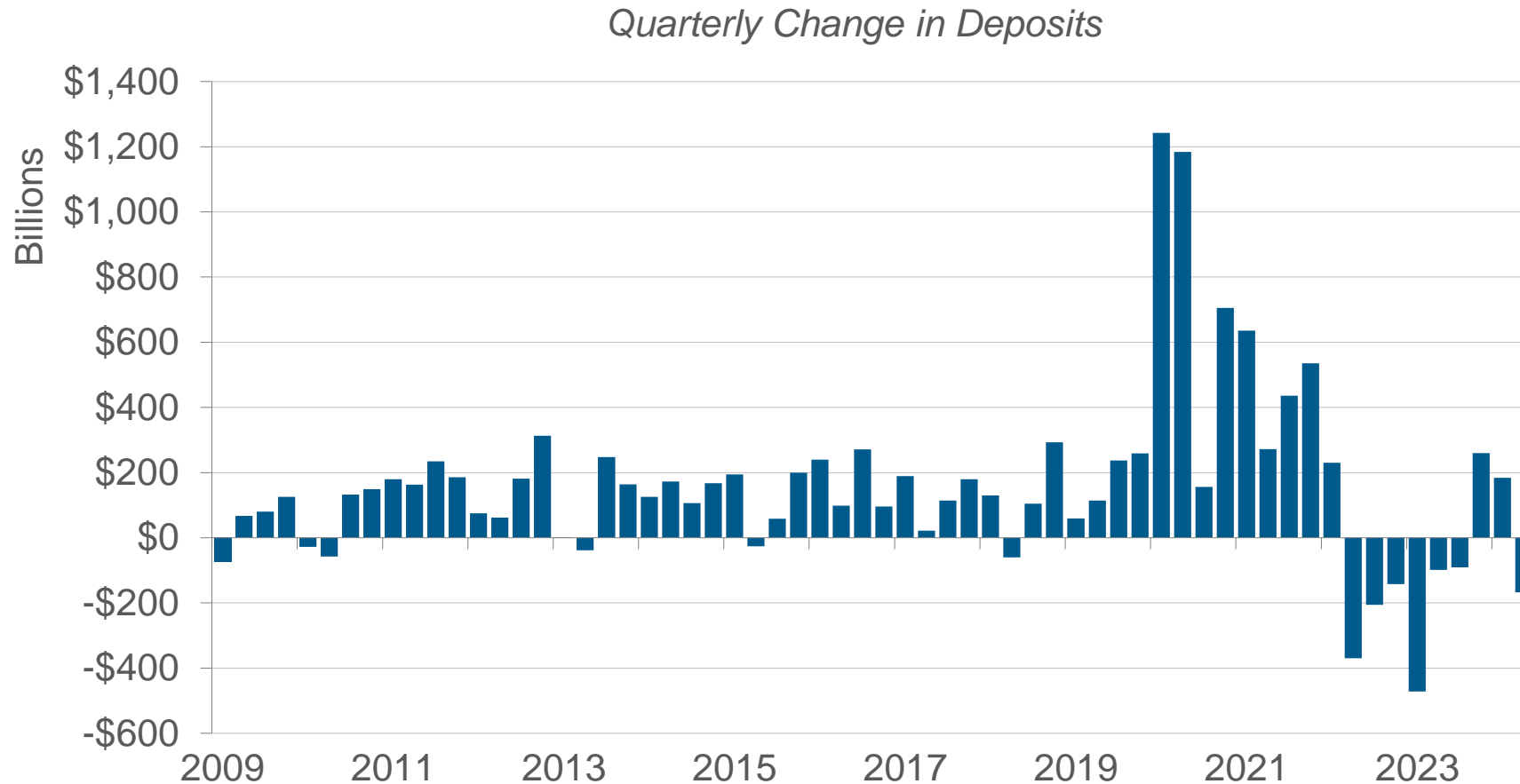


Outline

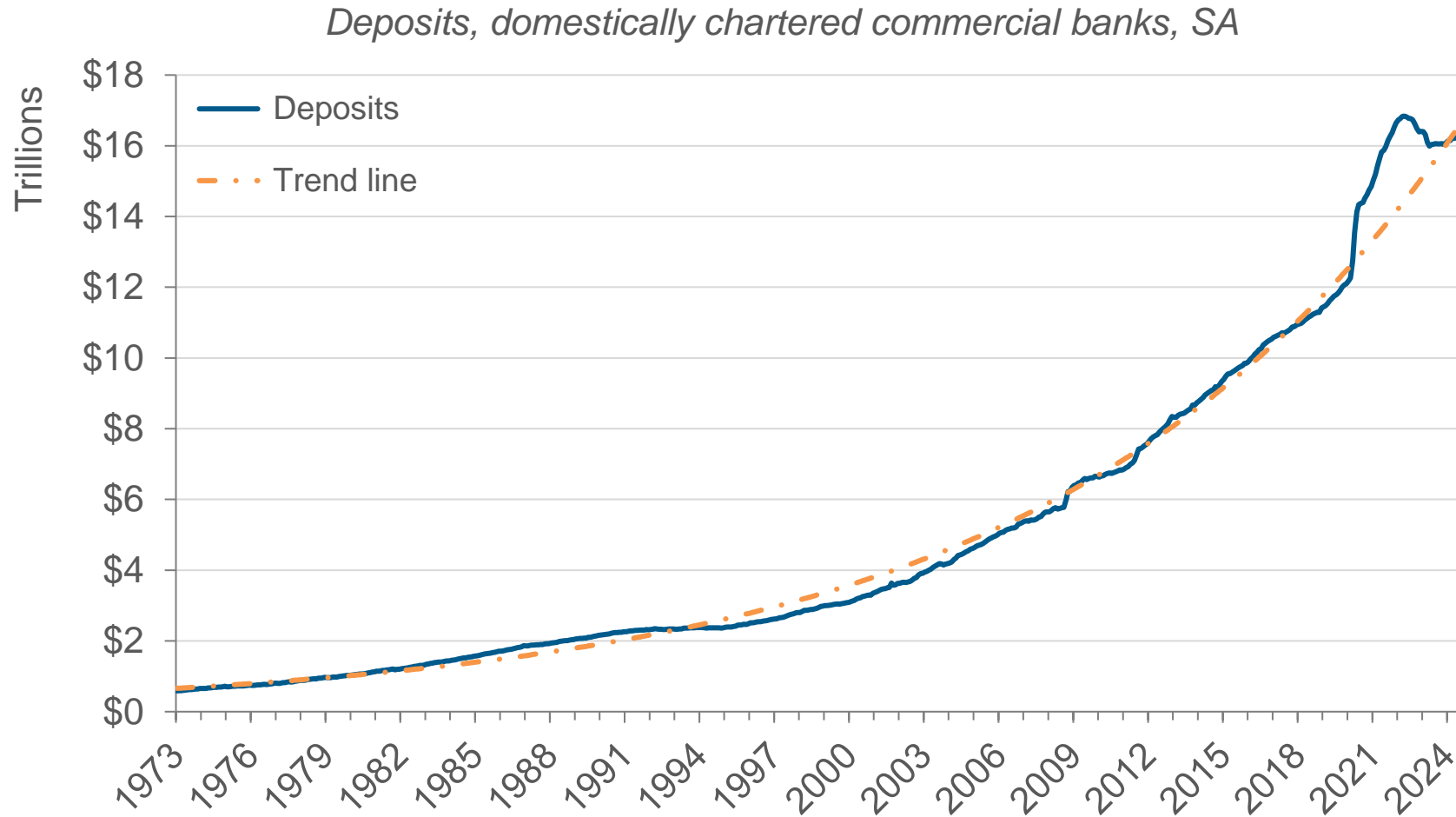
- Bank funding remains stable
- Broad-based loan growth
- Credit quality – cracks forming or normalization?
- Industry is resilient and prepared for headwinds

Bank funding remains stable

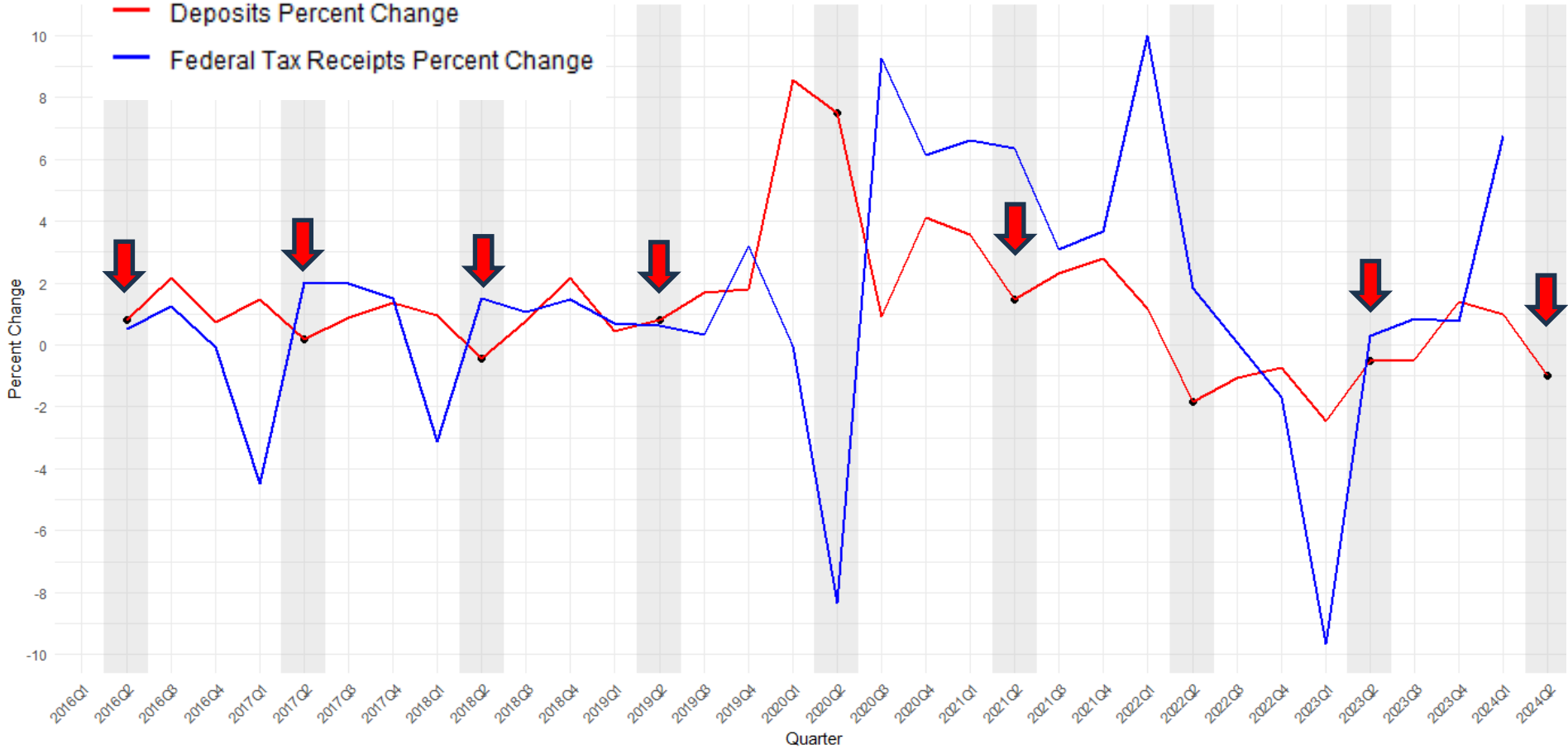
Total deposits decreased in second quarter



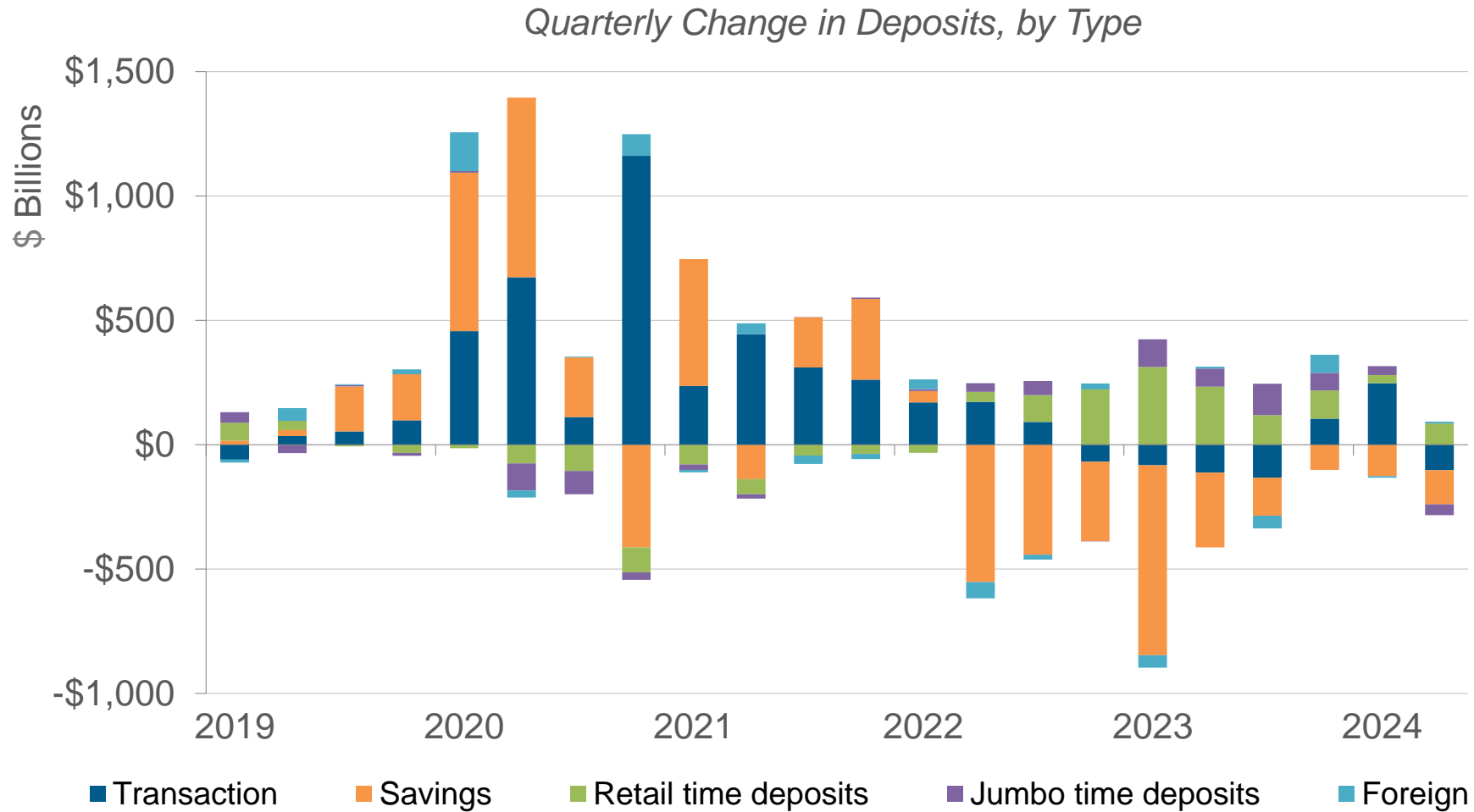
Deposit levels returning to long-run trend?



Deposits typically dip in the second quarter on tax outflows

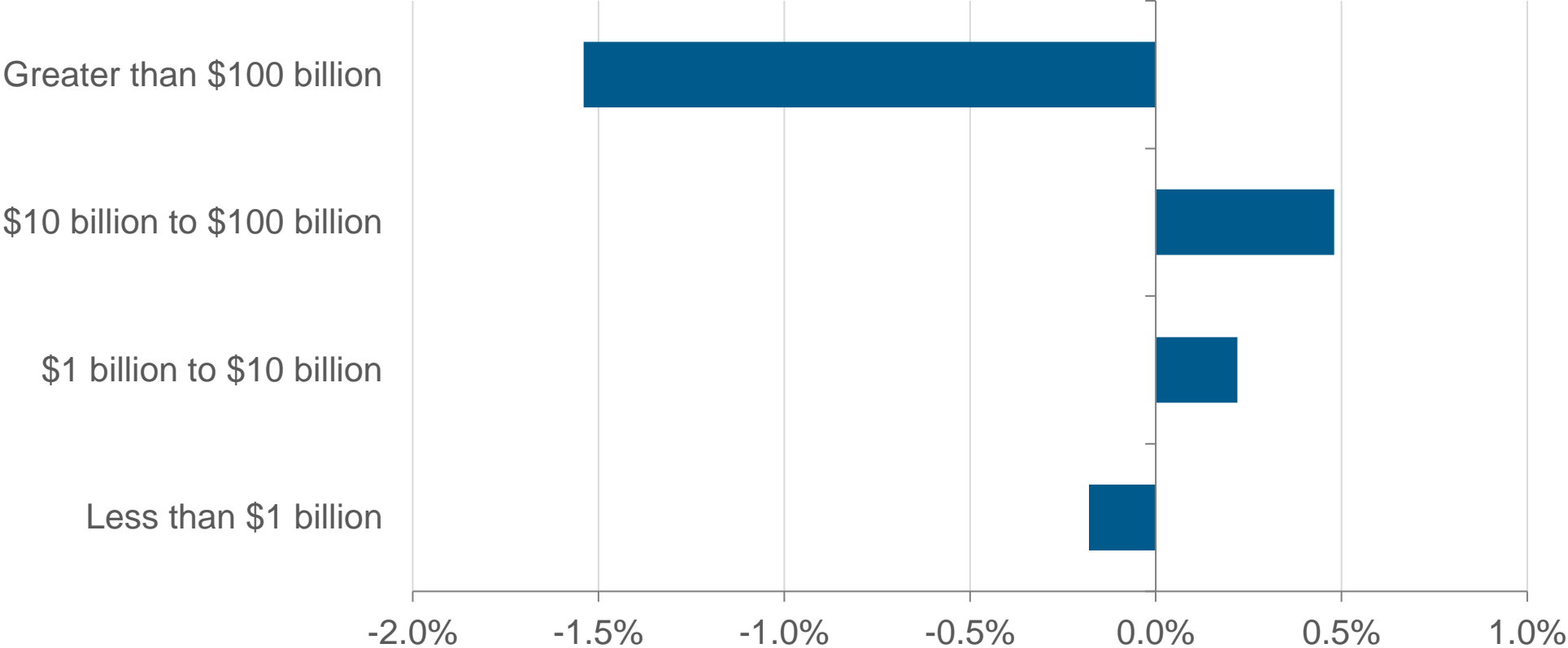


Retail time deposits partially offset decline

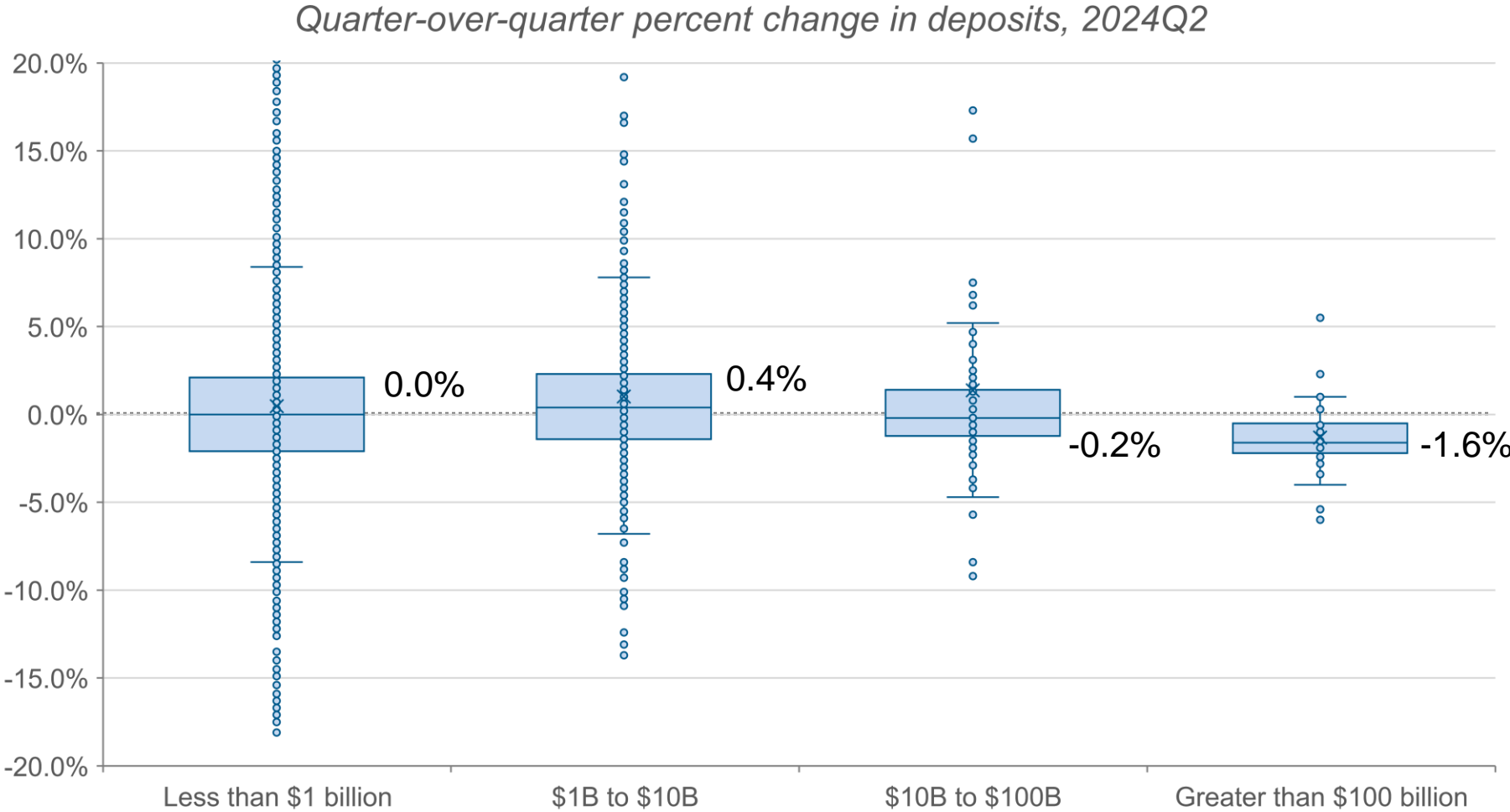


Lower deposits driven by decrease at large banks

Aggregate quarterly deposit growth 2024Q2

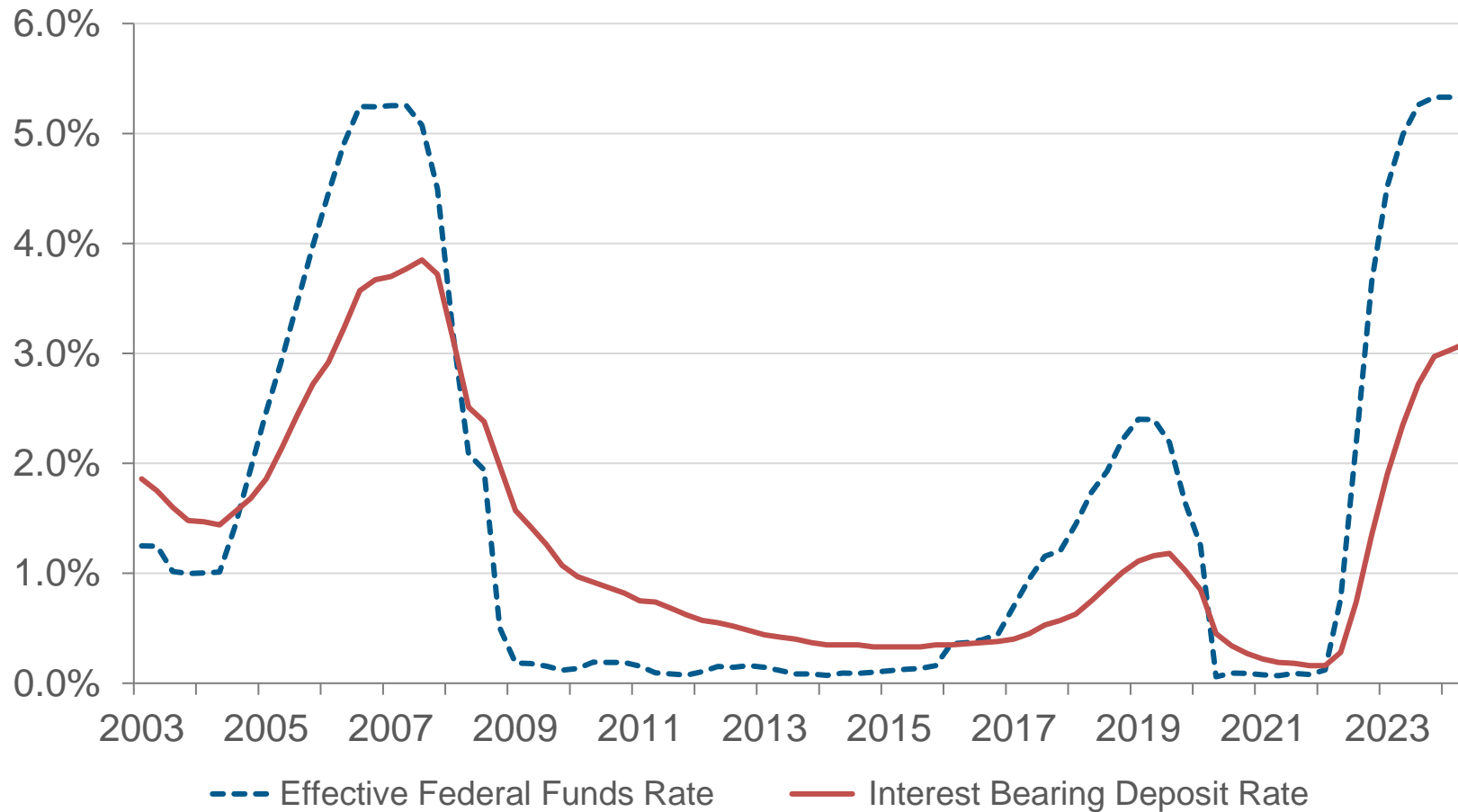


Quarterly deposit change, by asset size

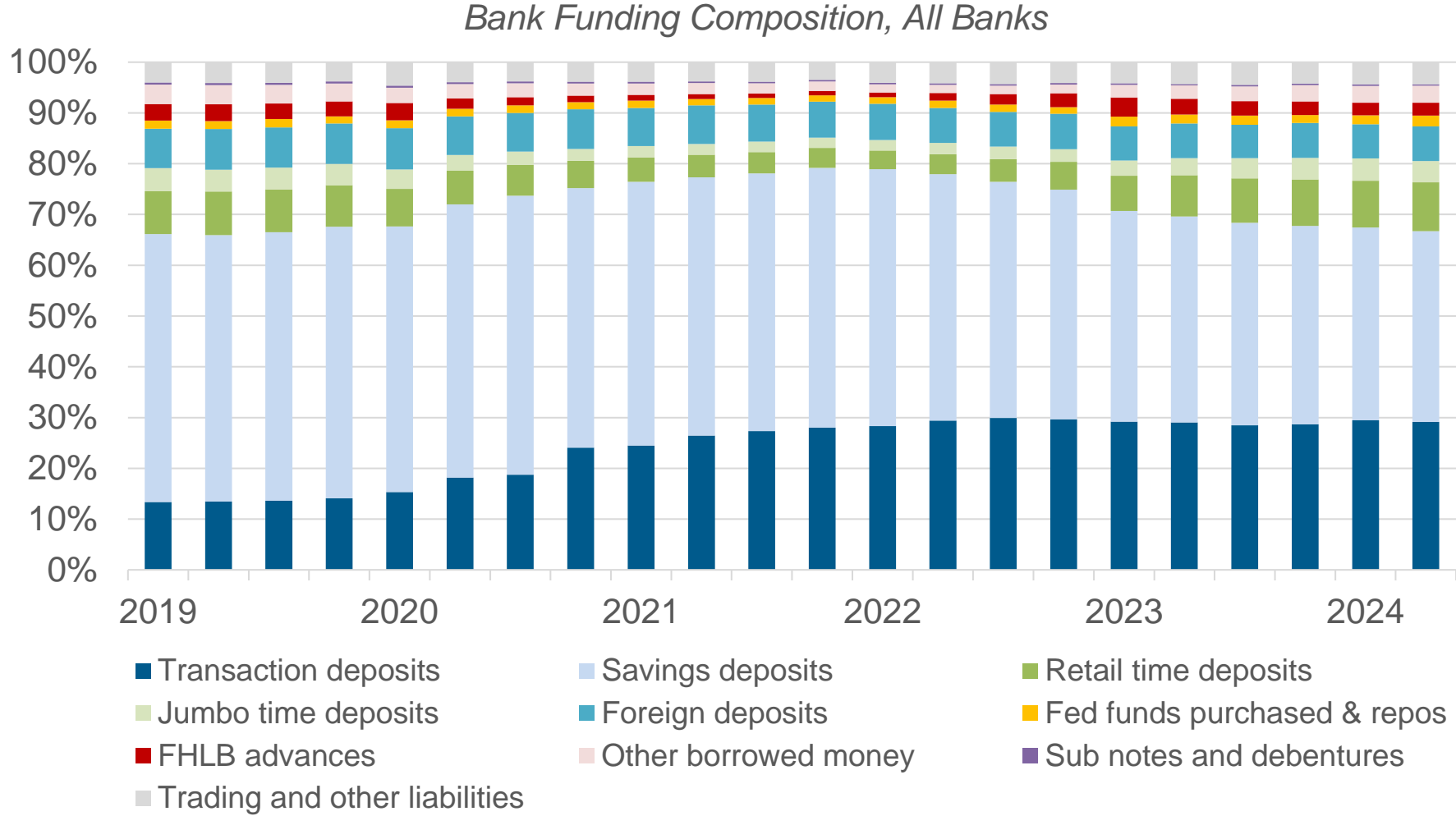


Deposit betas begin to level off

Quarterly Average

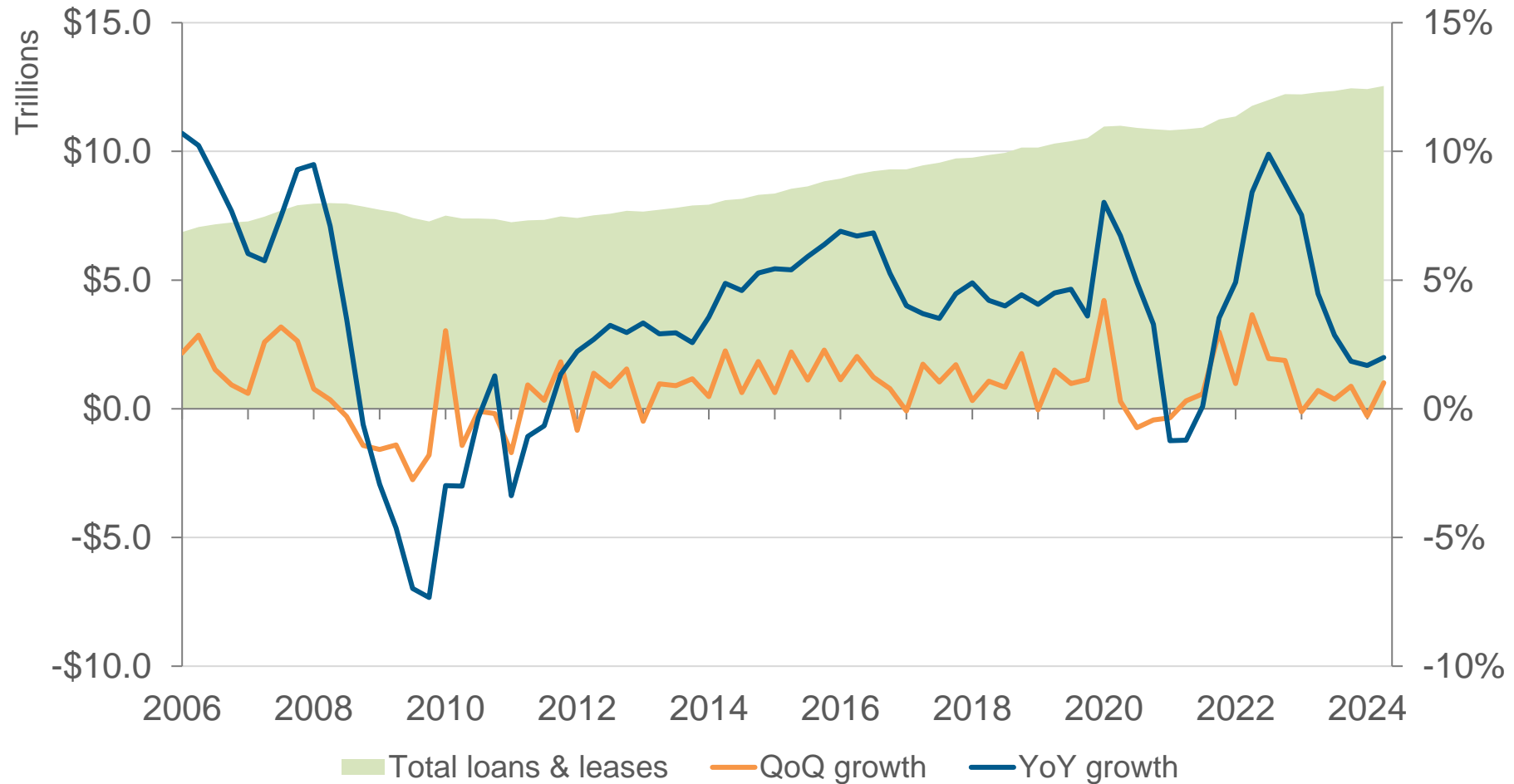


Post-pandemic funding composition appears to have stabilized



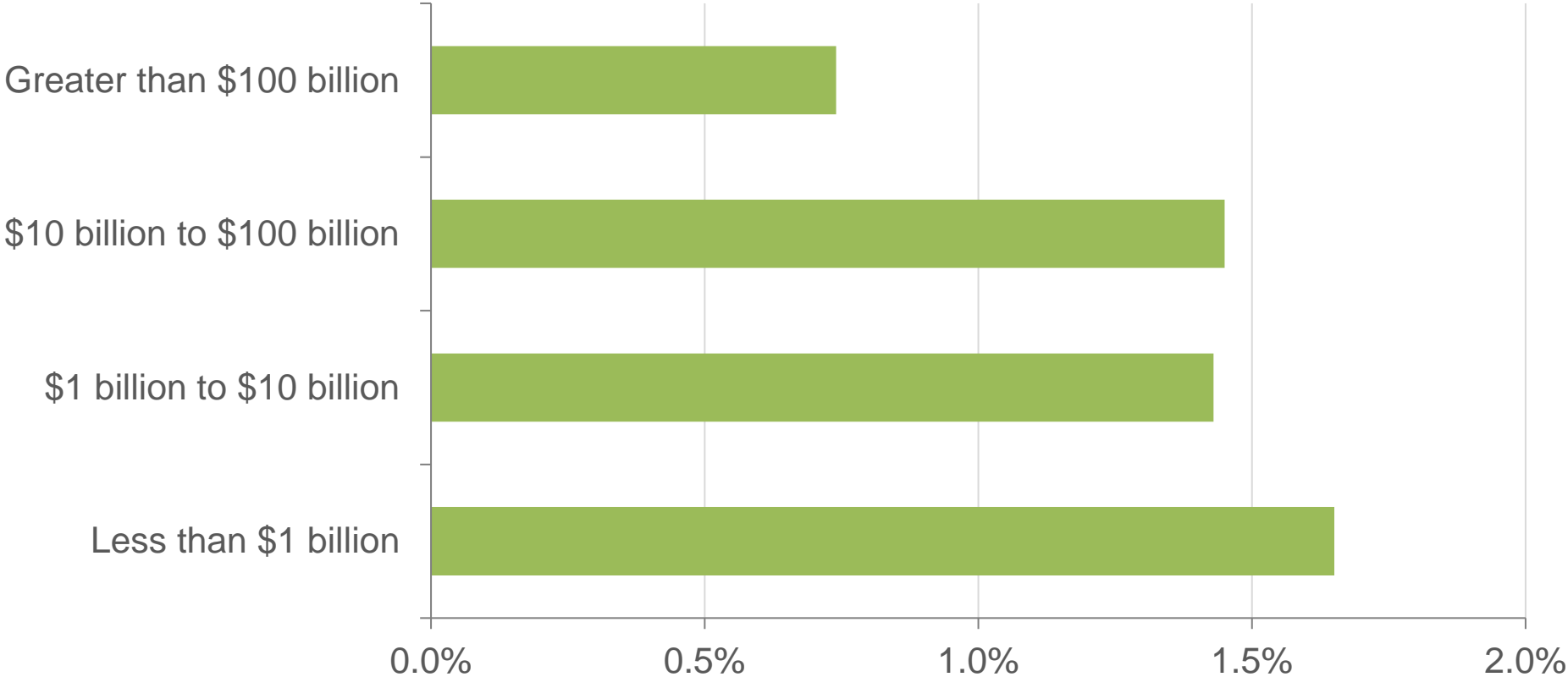
Broad-based loan growth

Total loans increased in the second quarter

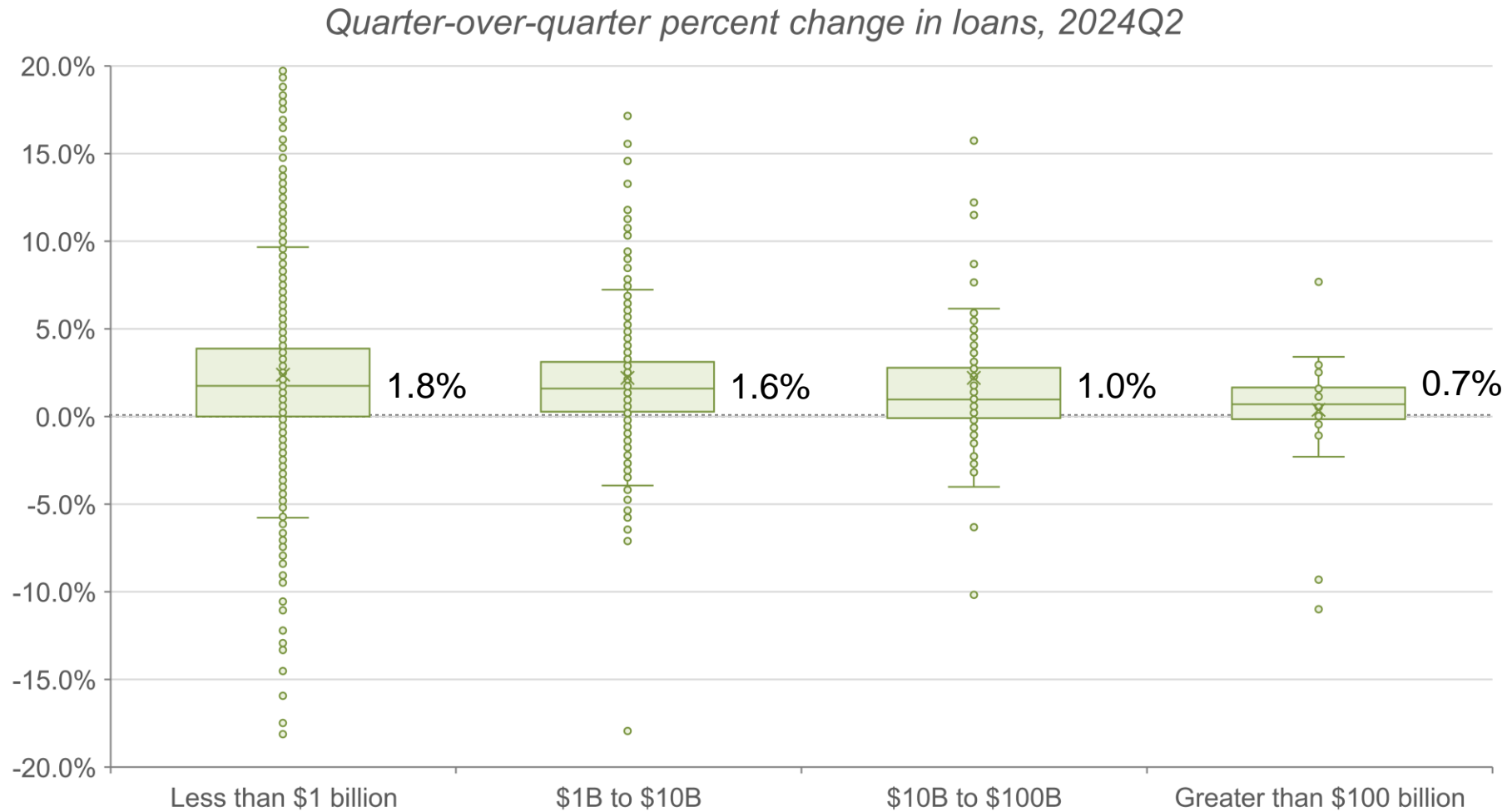


Loans grew across banks of all sizes

Aggregate quarterly loan growth 2024Q2

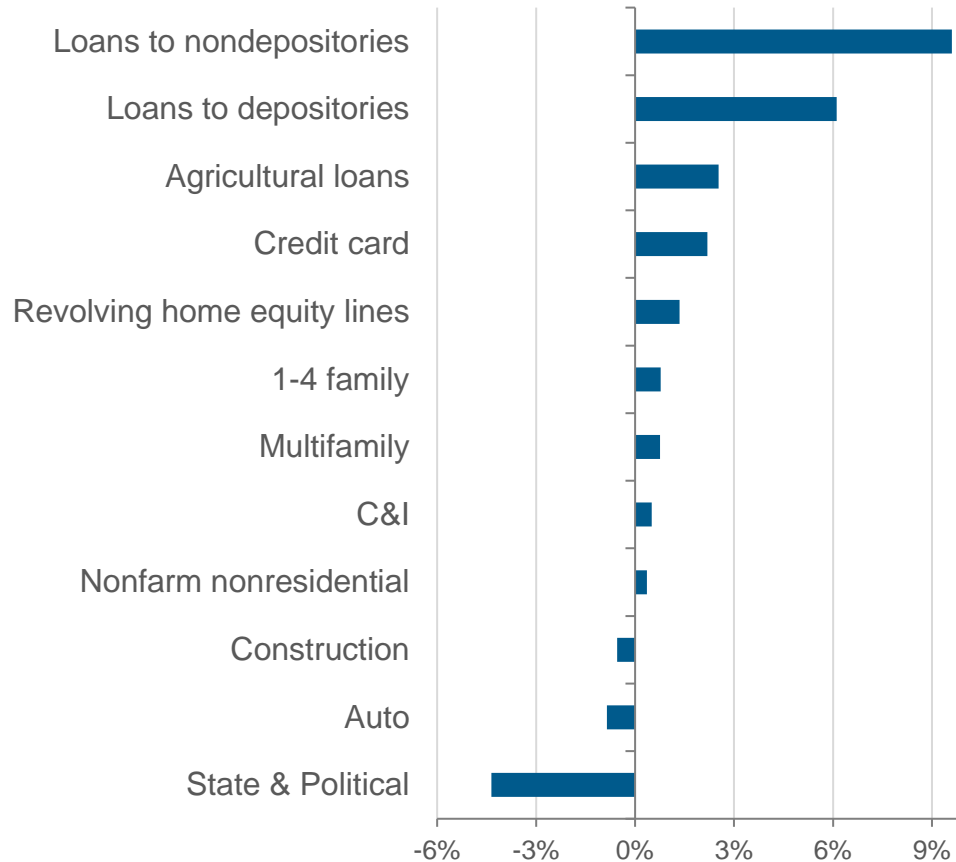


Quarterly loan change, by asset size

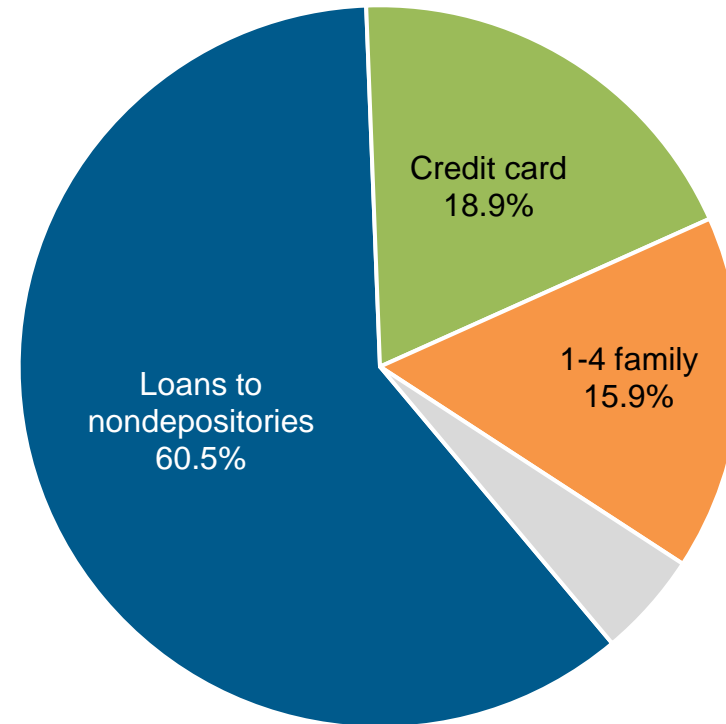


Loan reclassifications bolsters nondepository financial institutions loan growth

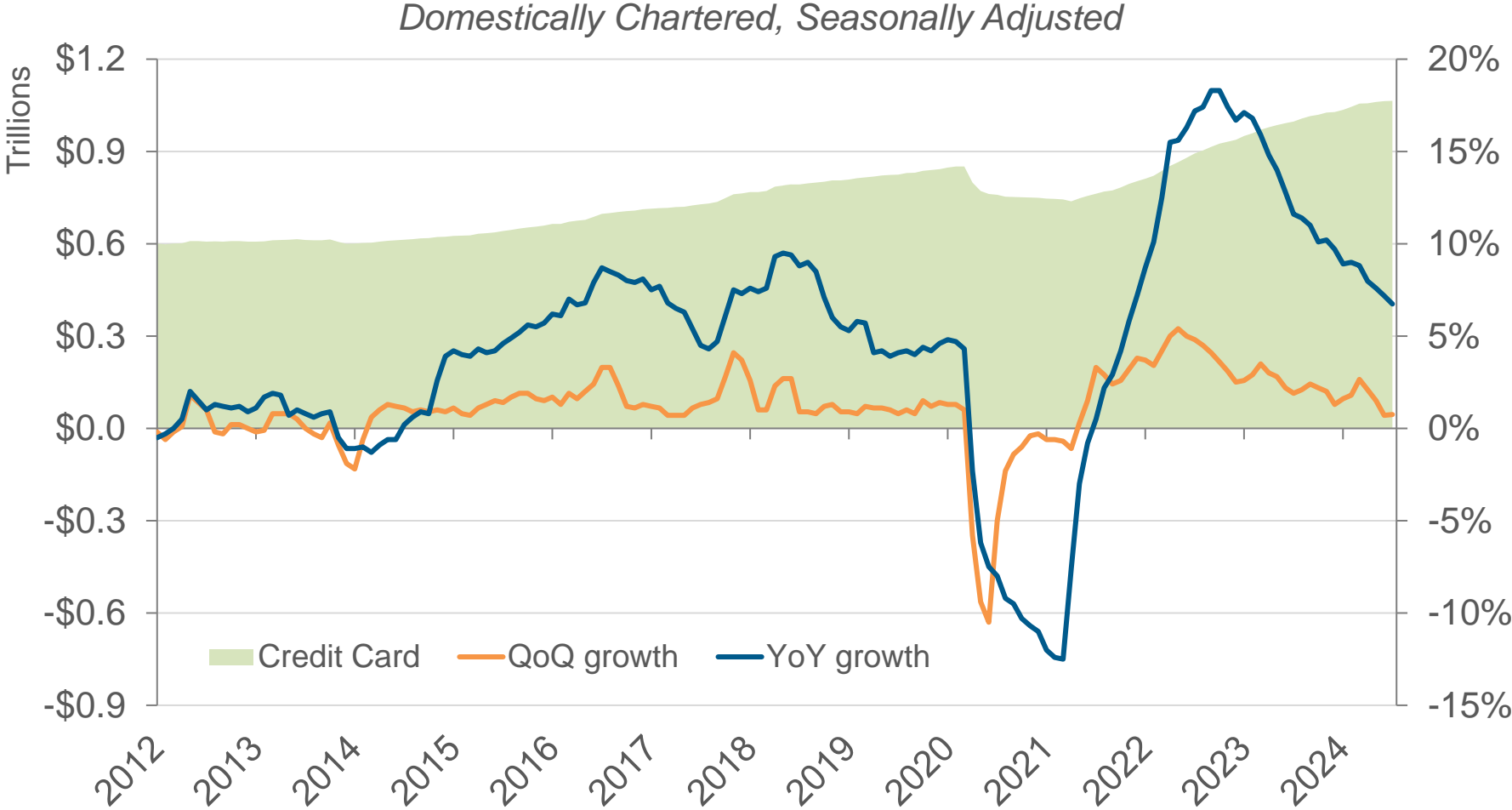
Aggregate quarterly loan growth 2024Q2



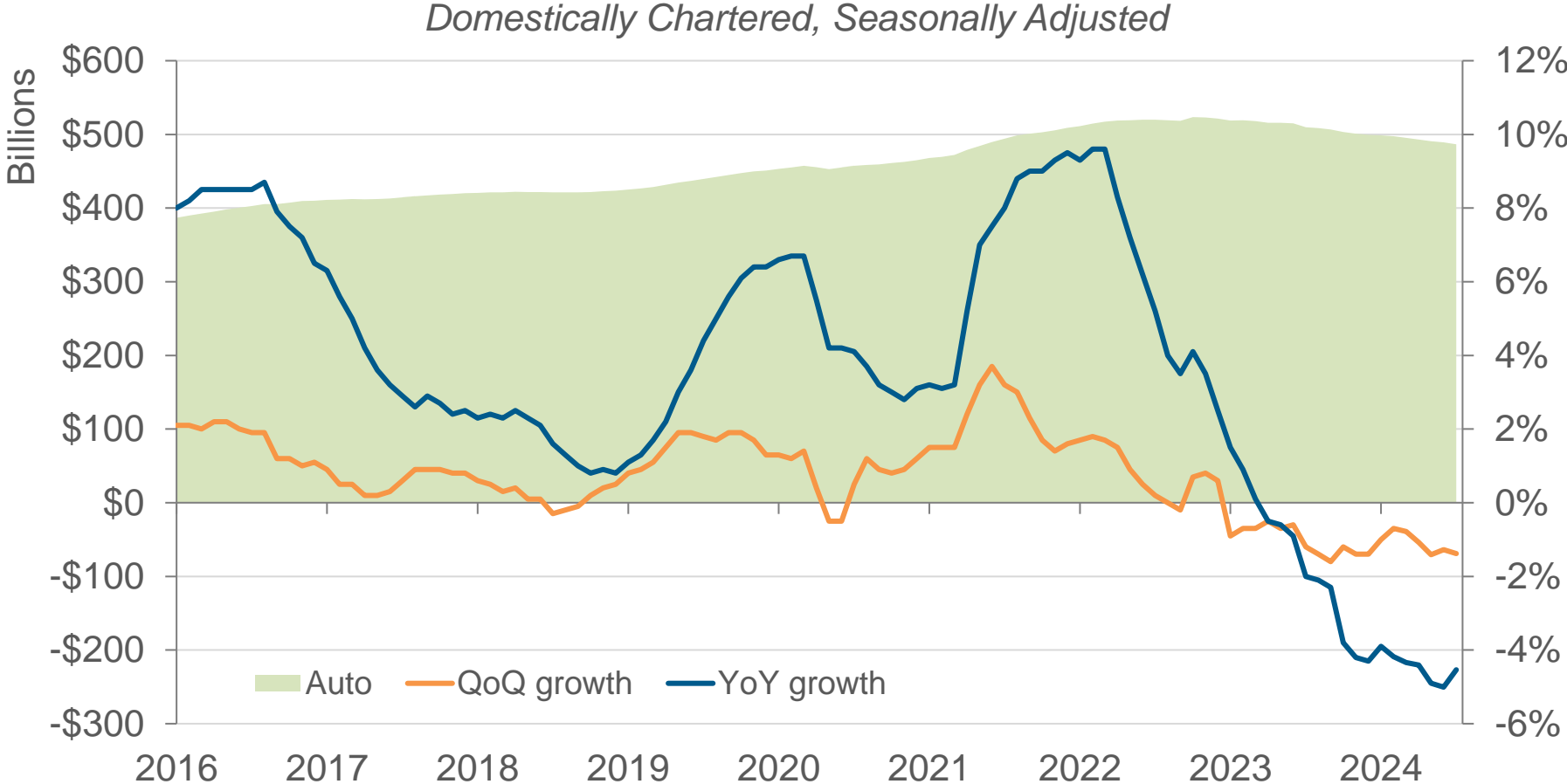
Percent contribution to quarterly loan growth



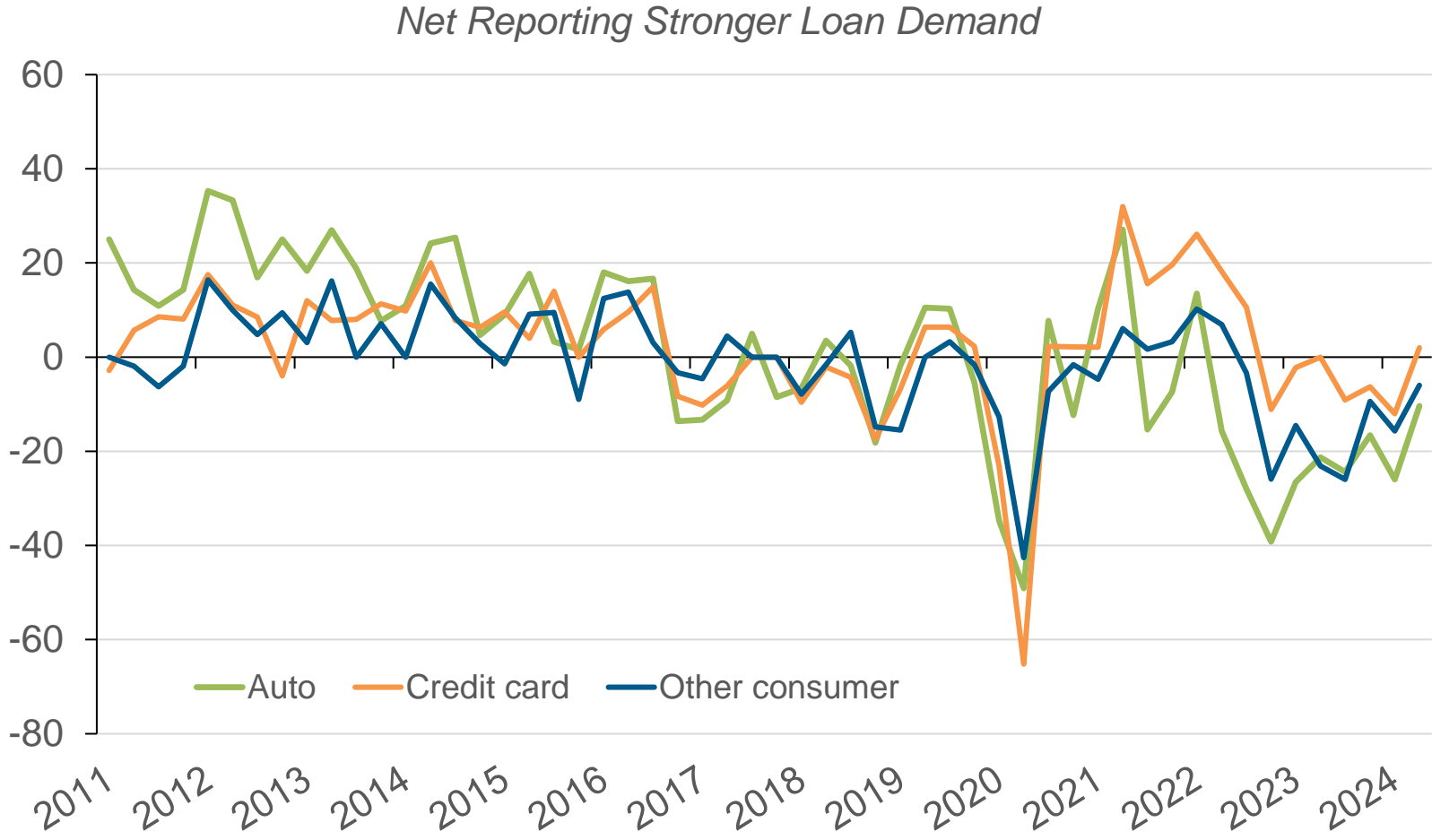
Credit card loan growth slowed in the first half



Auto lending continued to decline

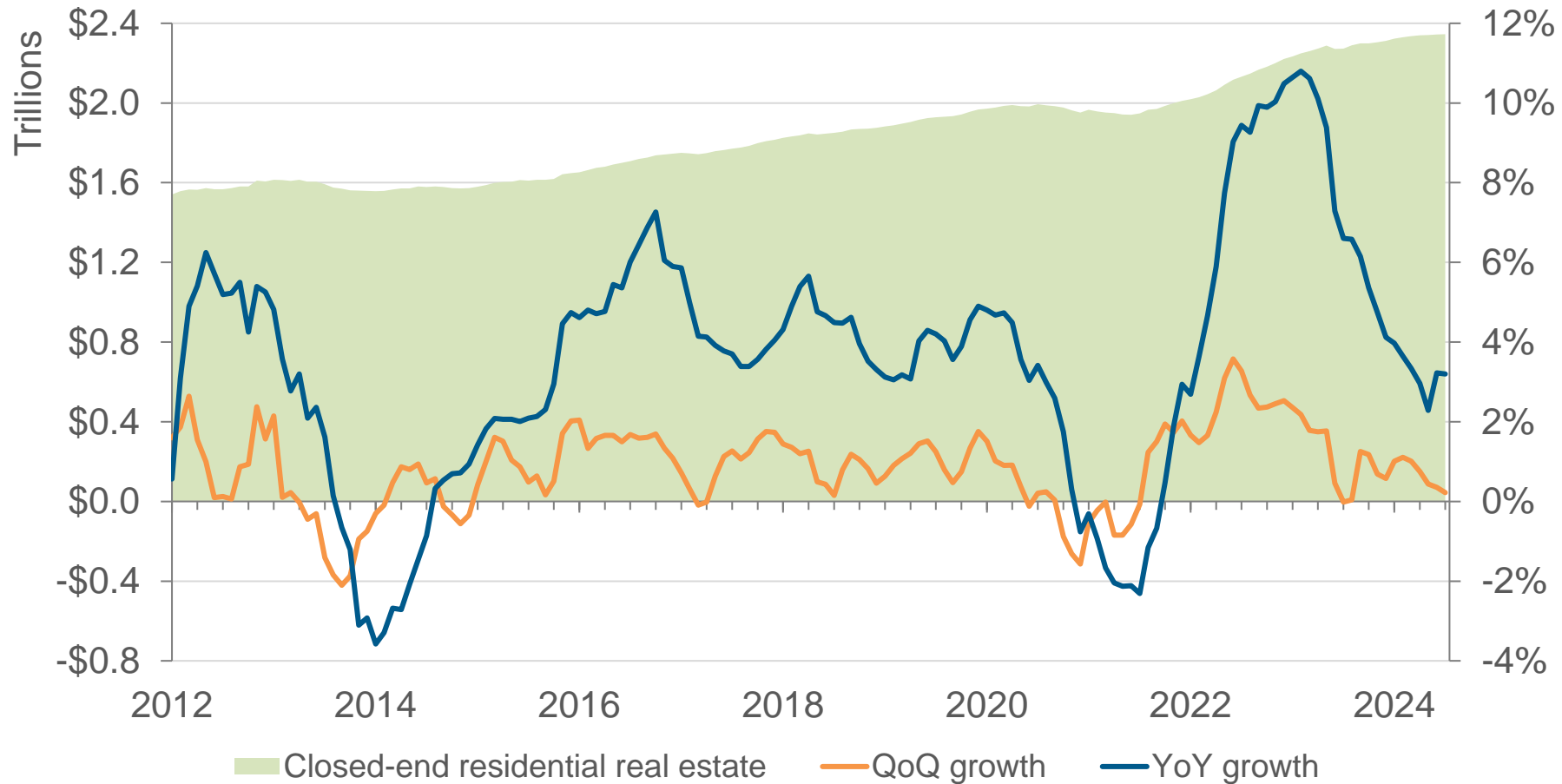


Consumer loan demand remains weak but improving



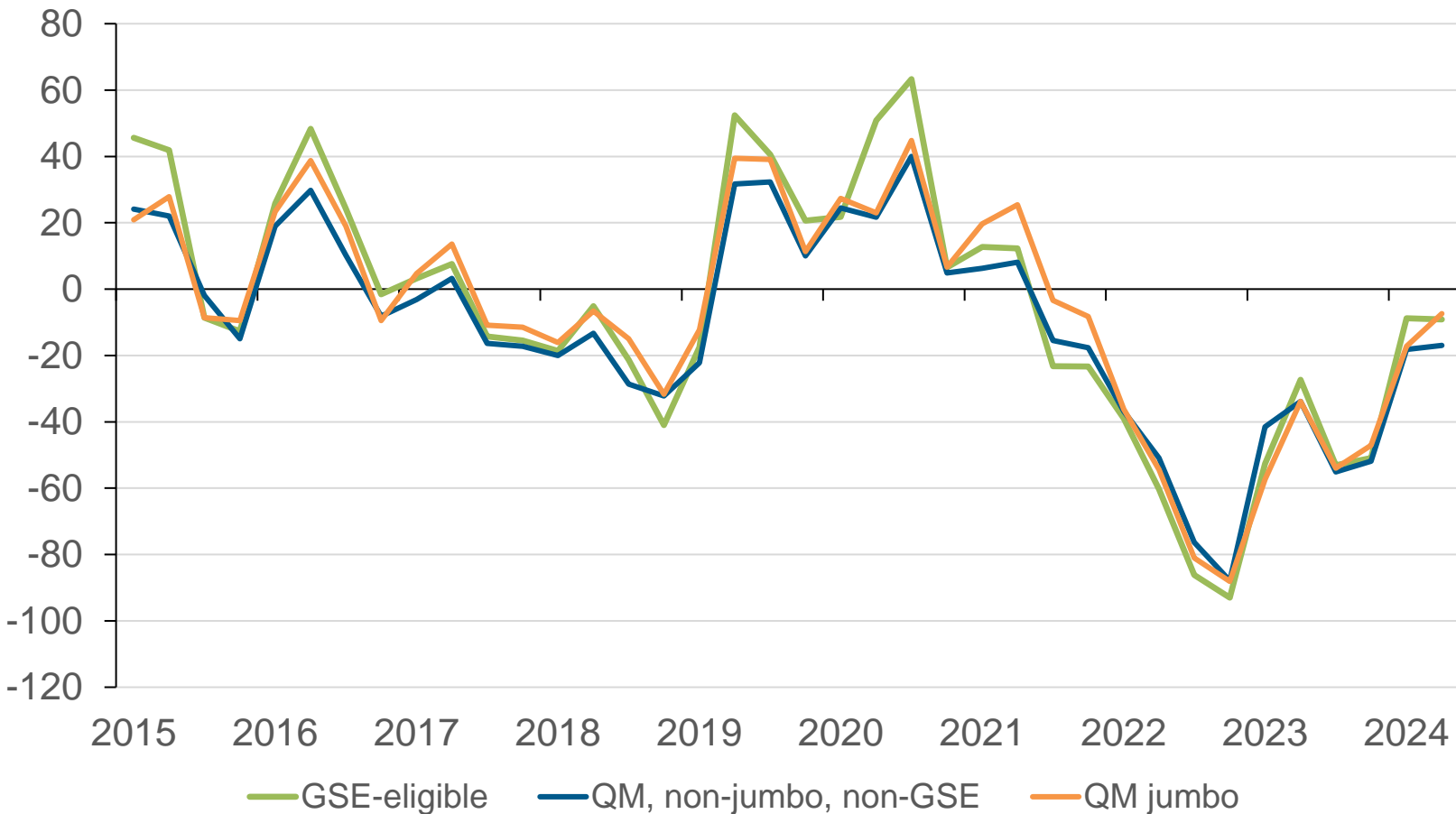
Mortgage loan growth continued to slow

Domestically Chartered, Seasonally Adjusted

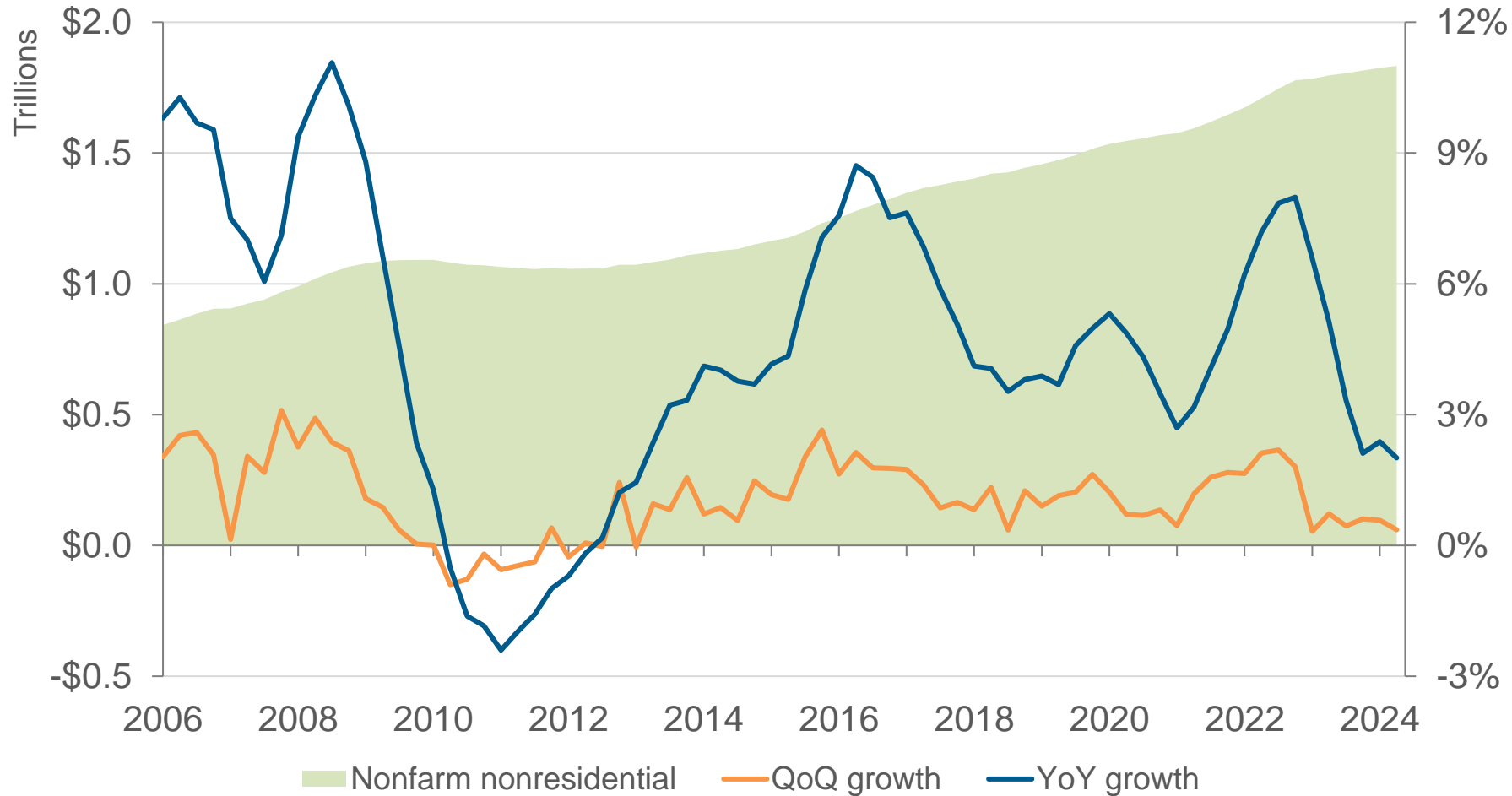


Mortgage demand remains weak amid elevated rates

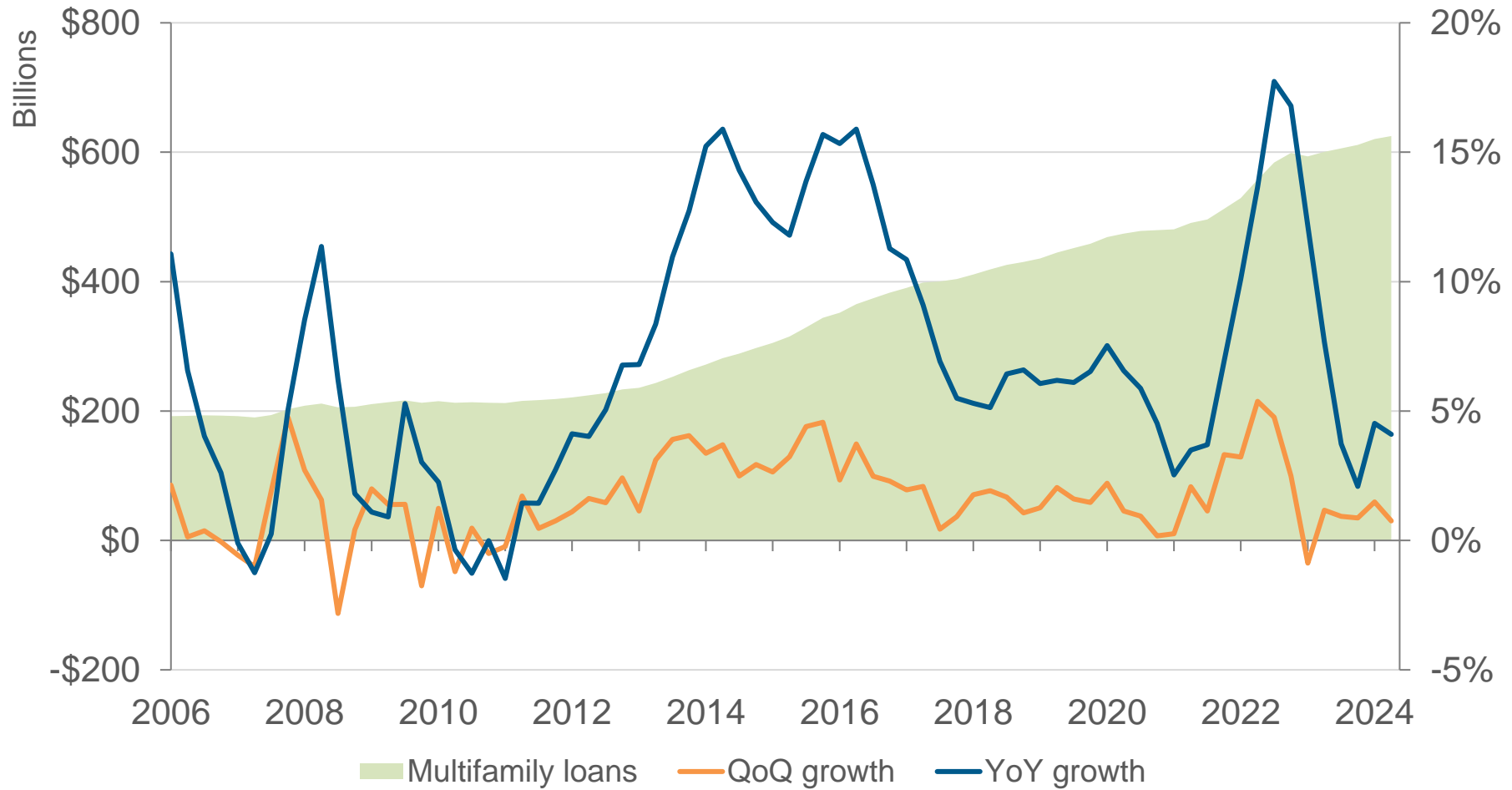
Net Reporting Stronger Loan Demand



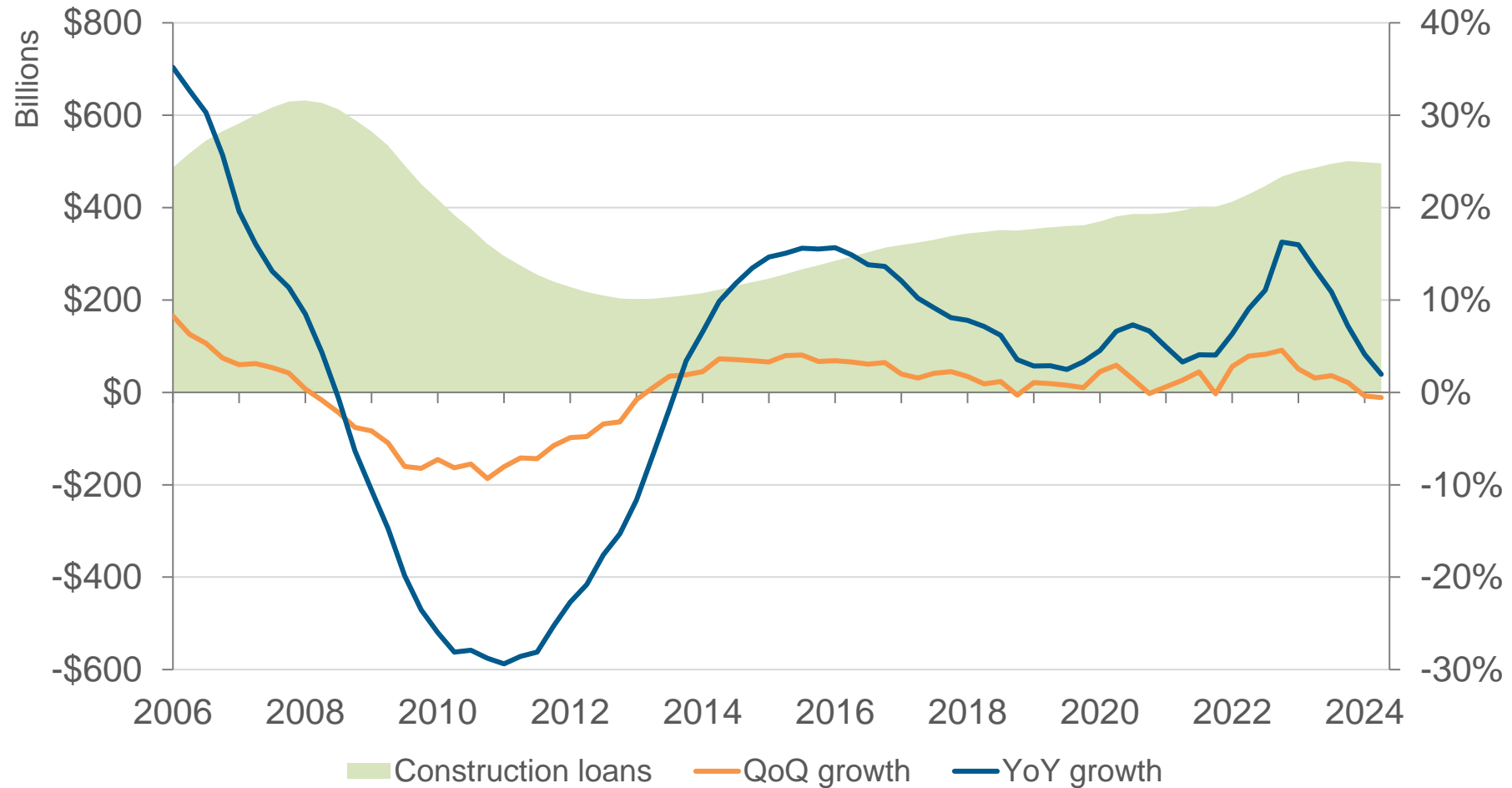
Nonfarm nonresidential CRE growth remained positive through the first half



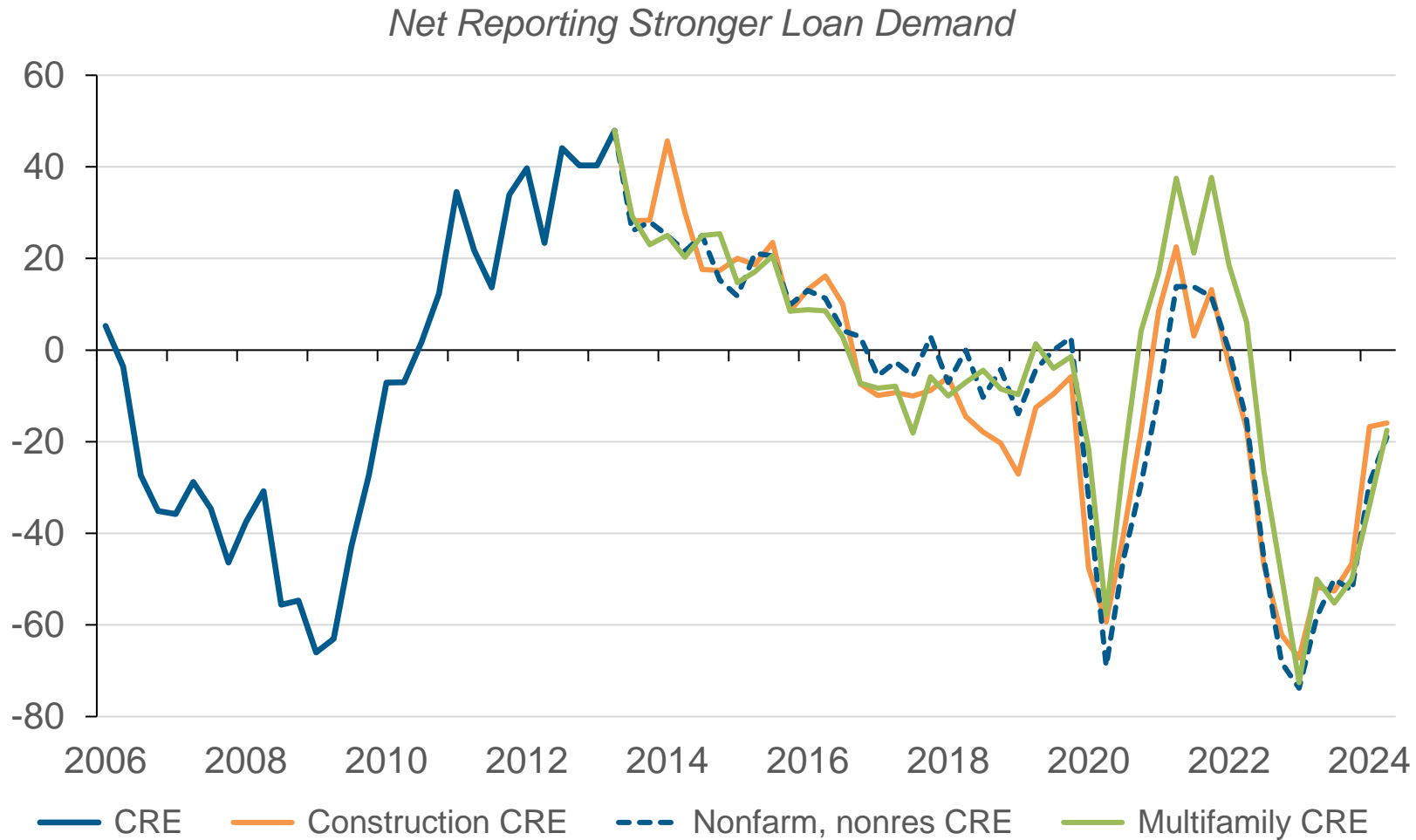
Multifamily loan growth slowing



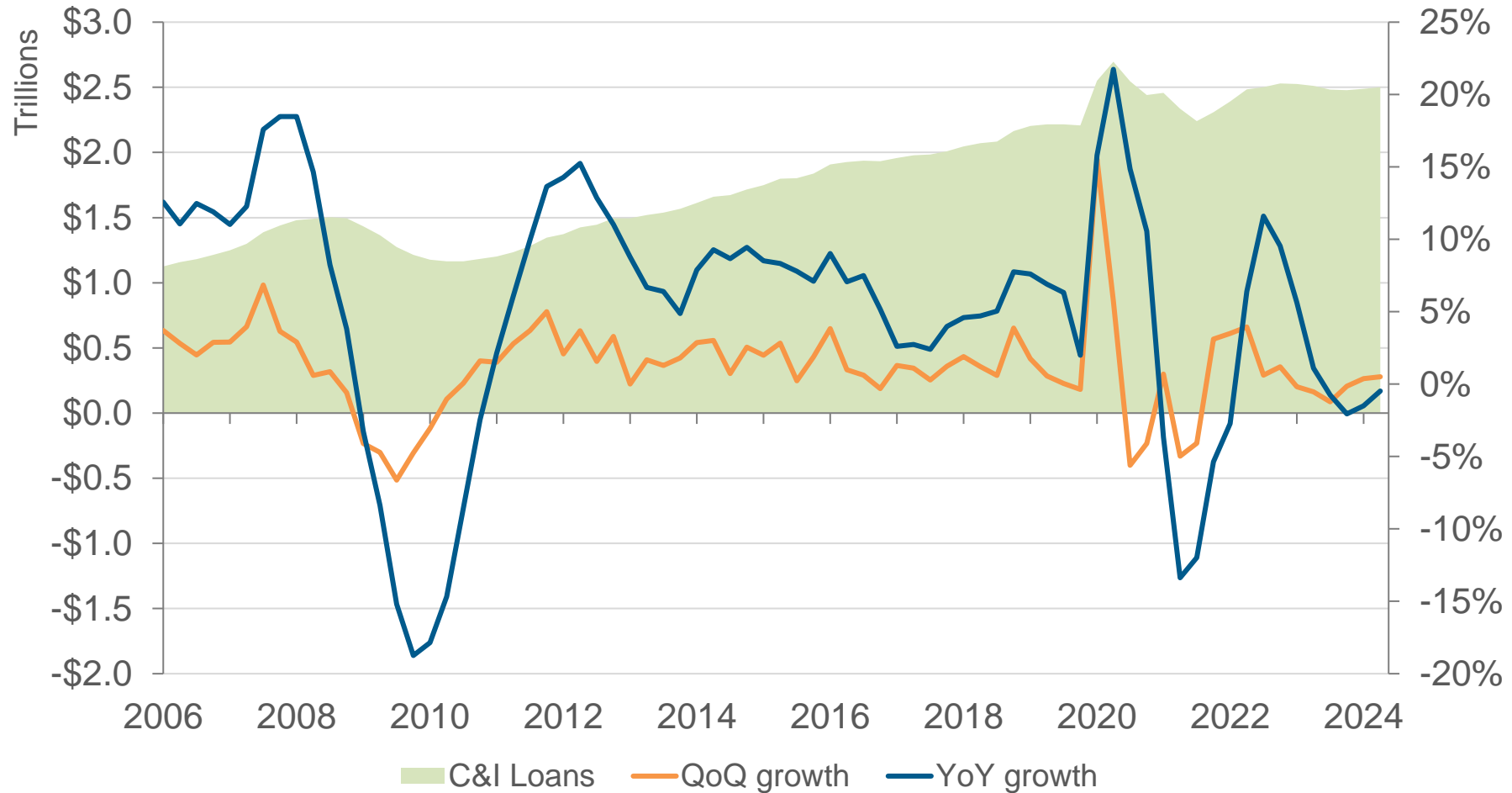
Construction loans decrease for second consecutive quarter



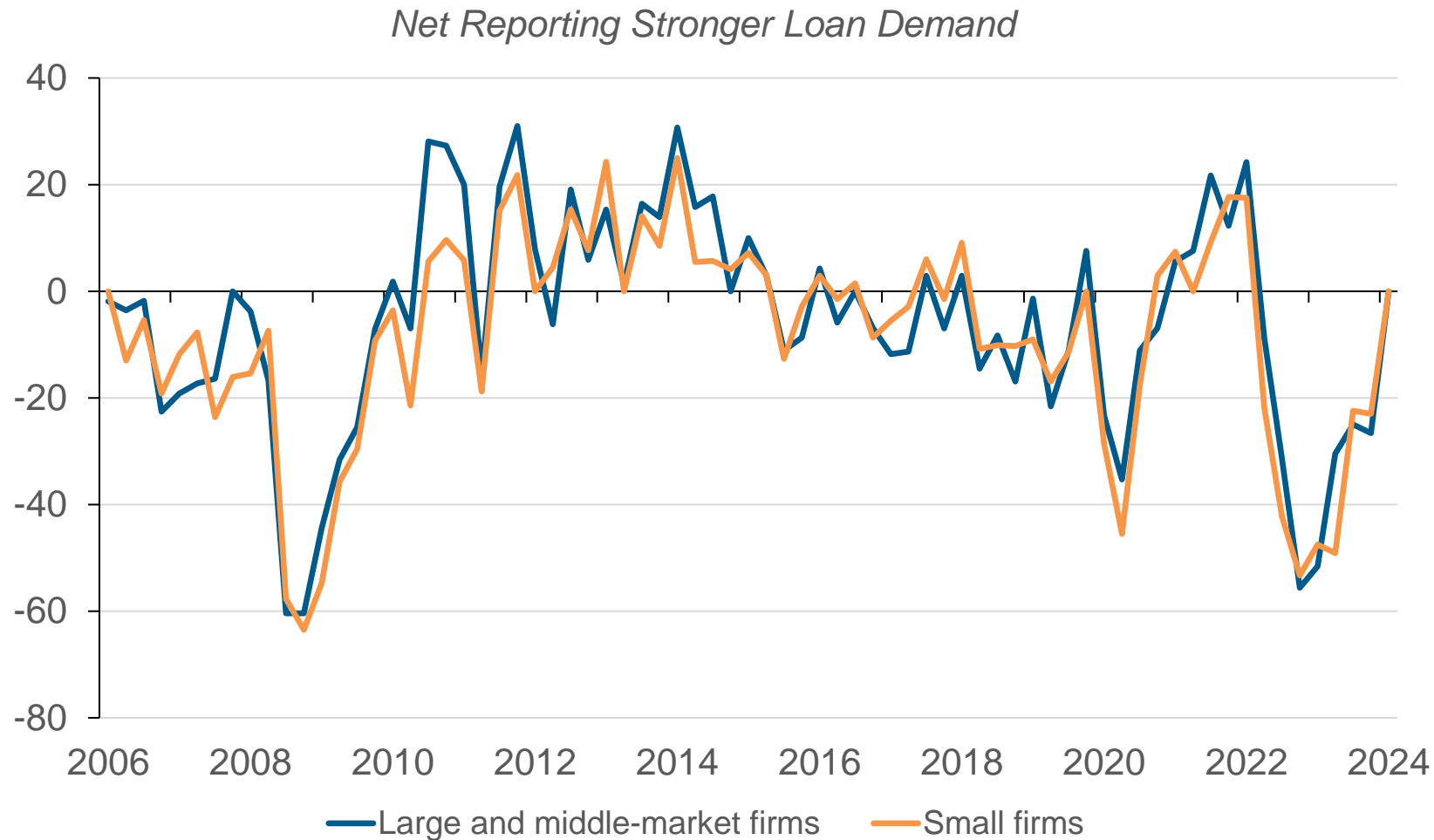
Banks report generally weak loan demand across all CRE loan types



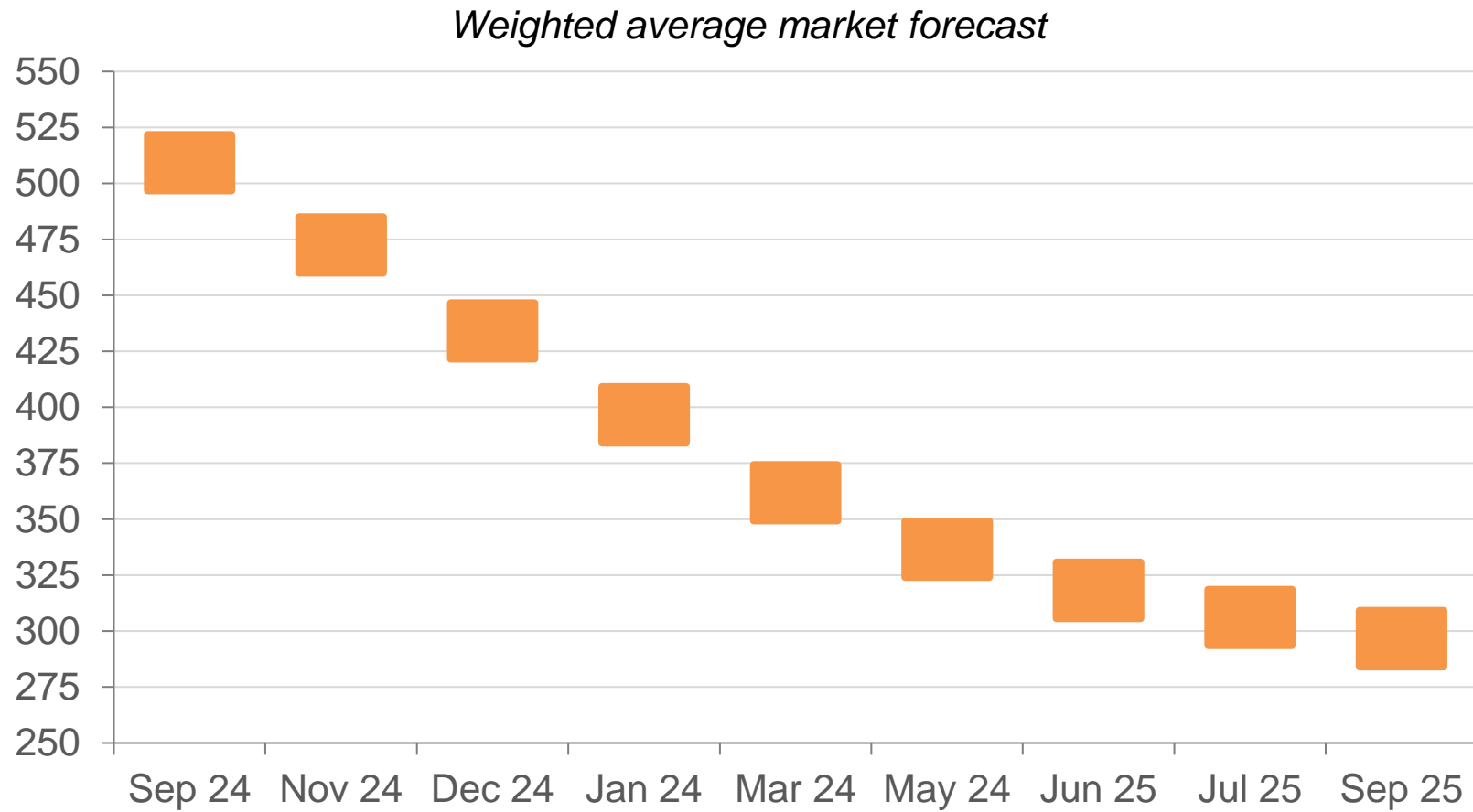
Commercial loans edge up in the second quarter



Commercial loan demand little changed in the second quarter

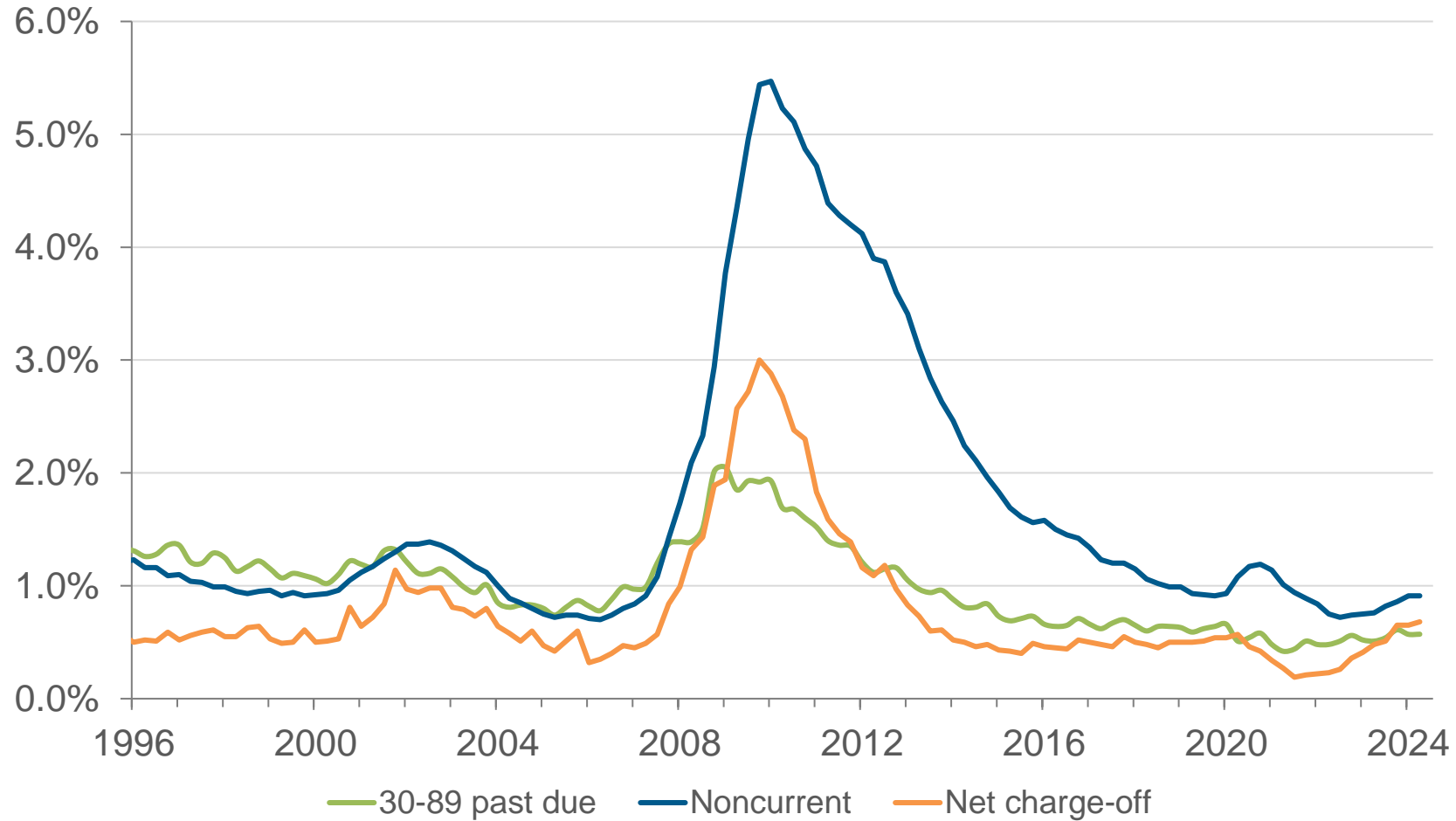


Market implied pricing of Fed Fund rate cuts



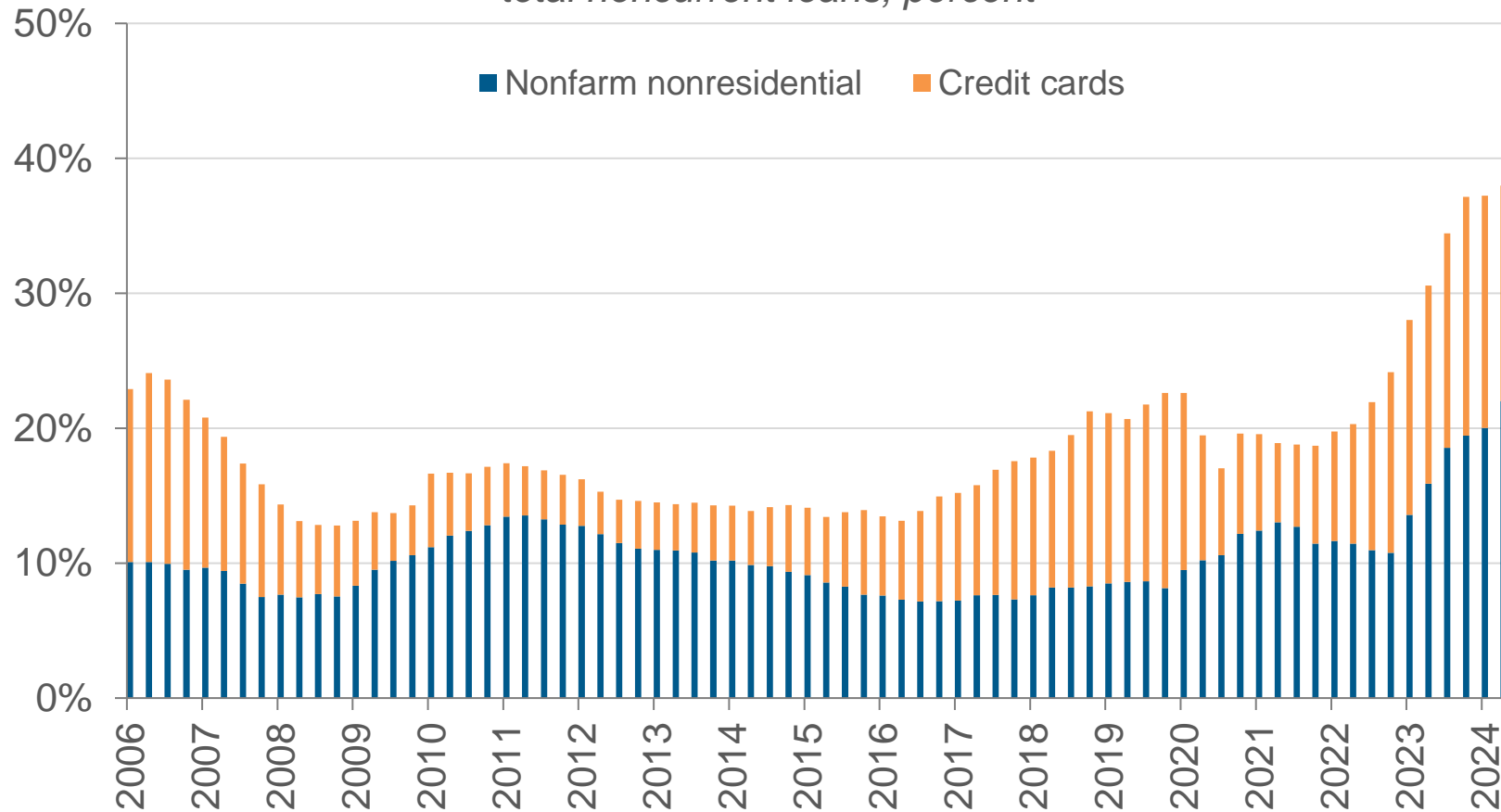
Credit quality – cracks forming or normalization?

Overall credit quality remains stable

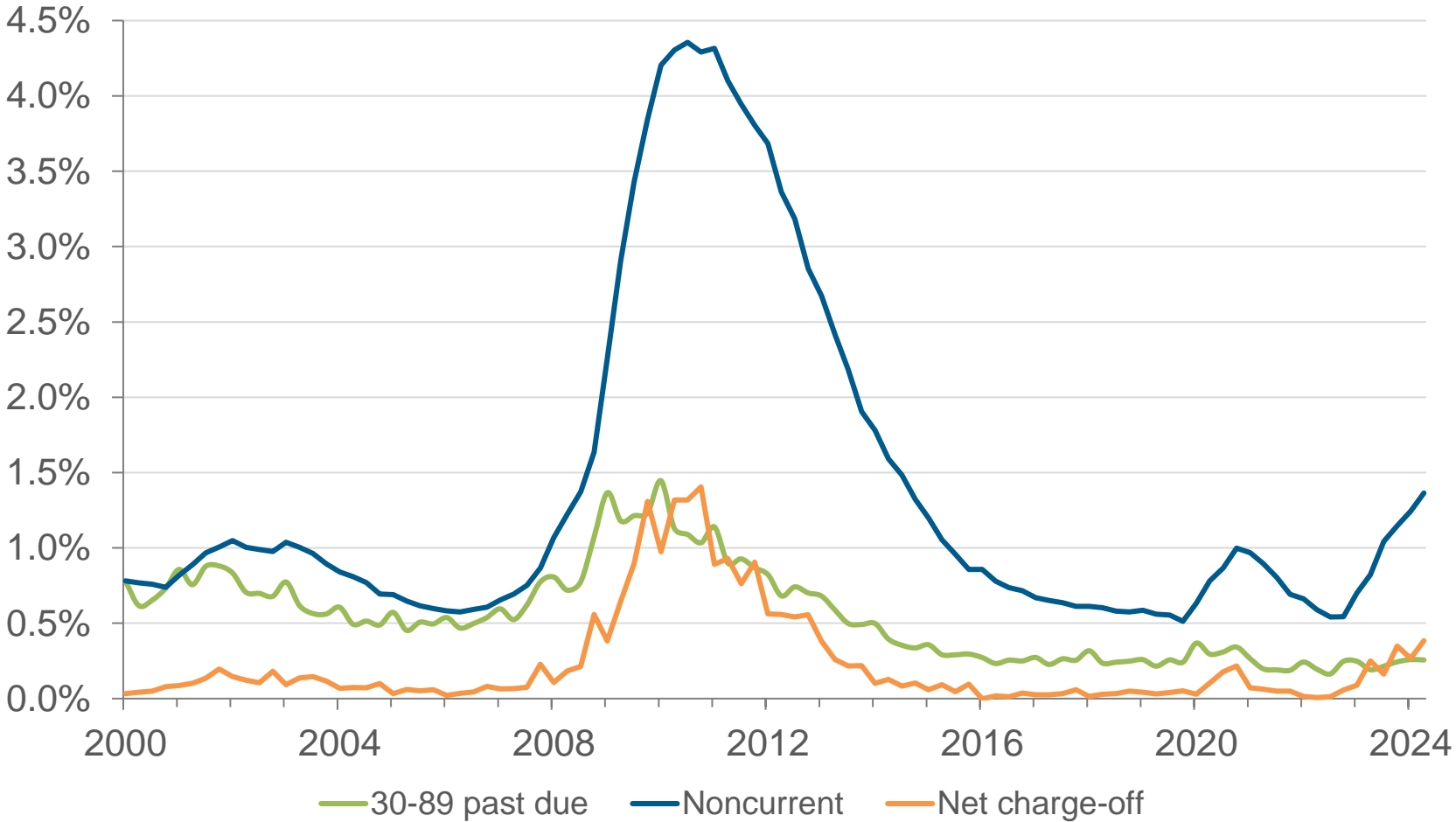


Nonfarm nonresidential and credit cards driving noncurrent loan growth

Noncurrent credit card, nonfarm nonresidential as a share of total noncurrent loans, percent

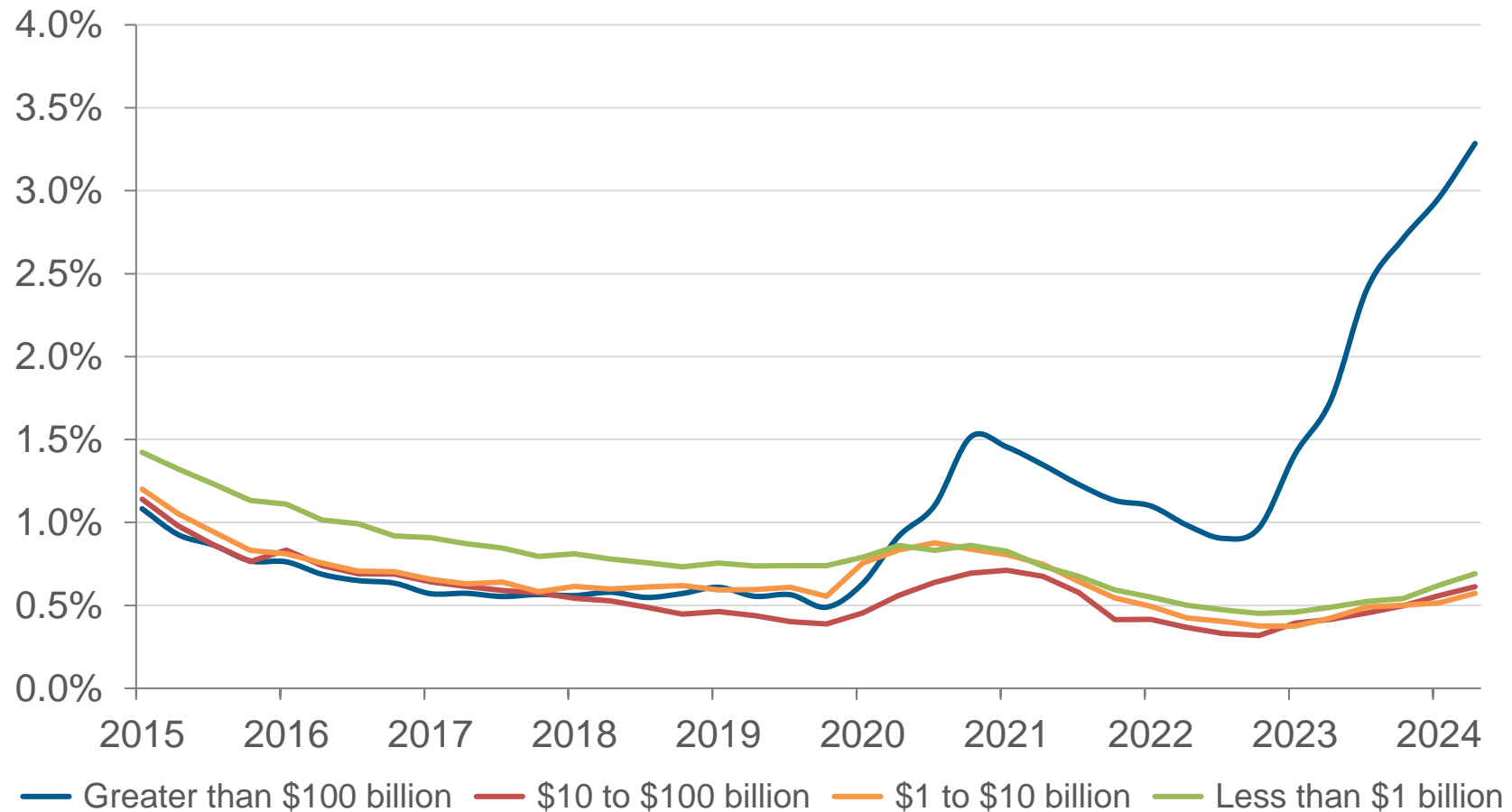


Nonfarm nonresidential loans continued to deteriorate in the second quarter



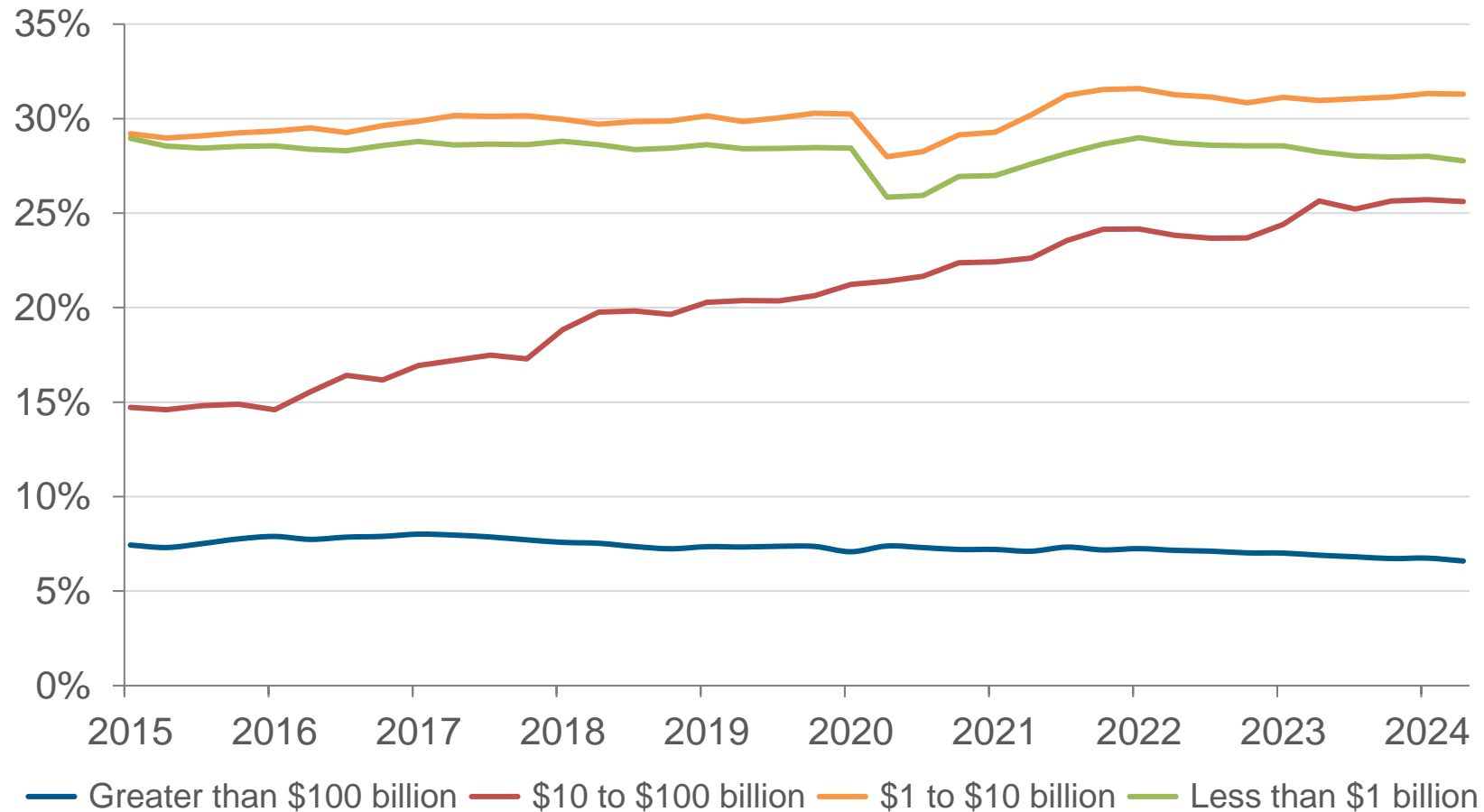
Rise in noncurrent rate driven by large banks...

Nonfarm nonresidential noncurrent rate, by asset size



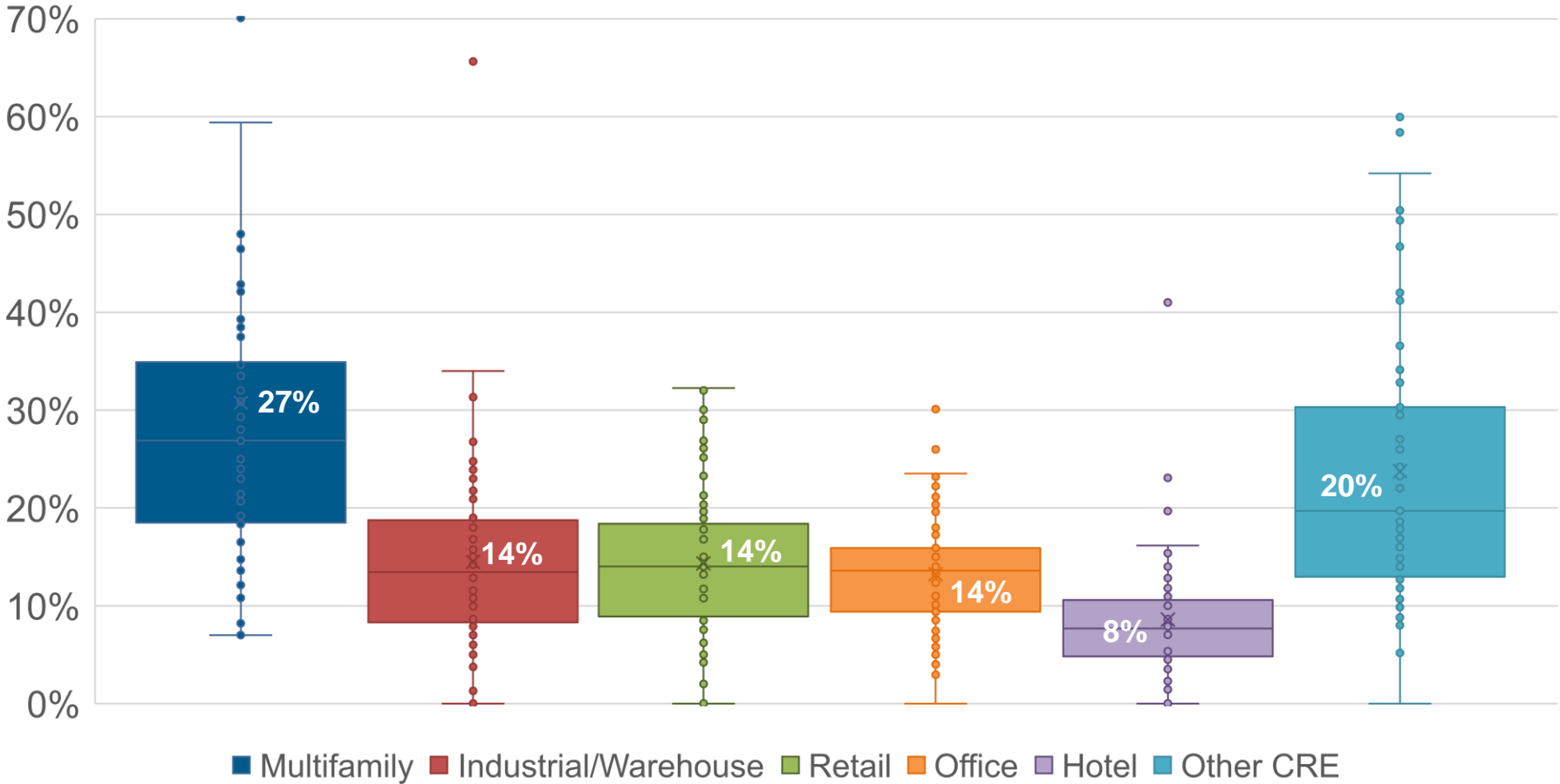
...but large banks have lower CRE concentration

Nonfarm nonresidential loan concentration, by asset size

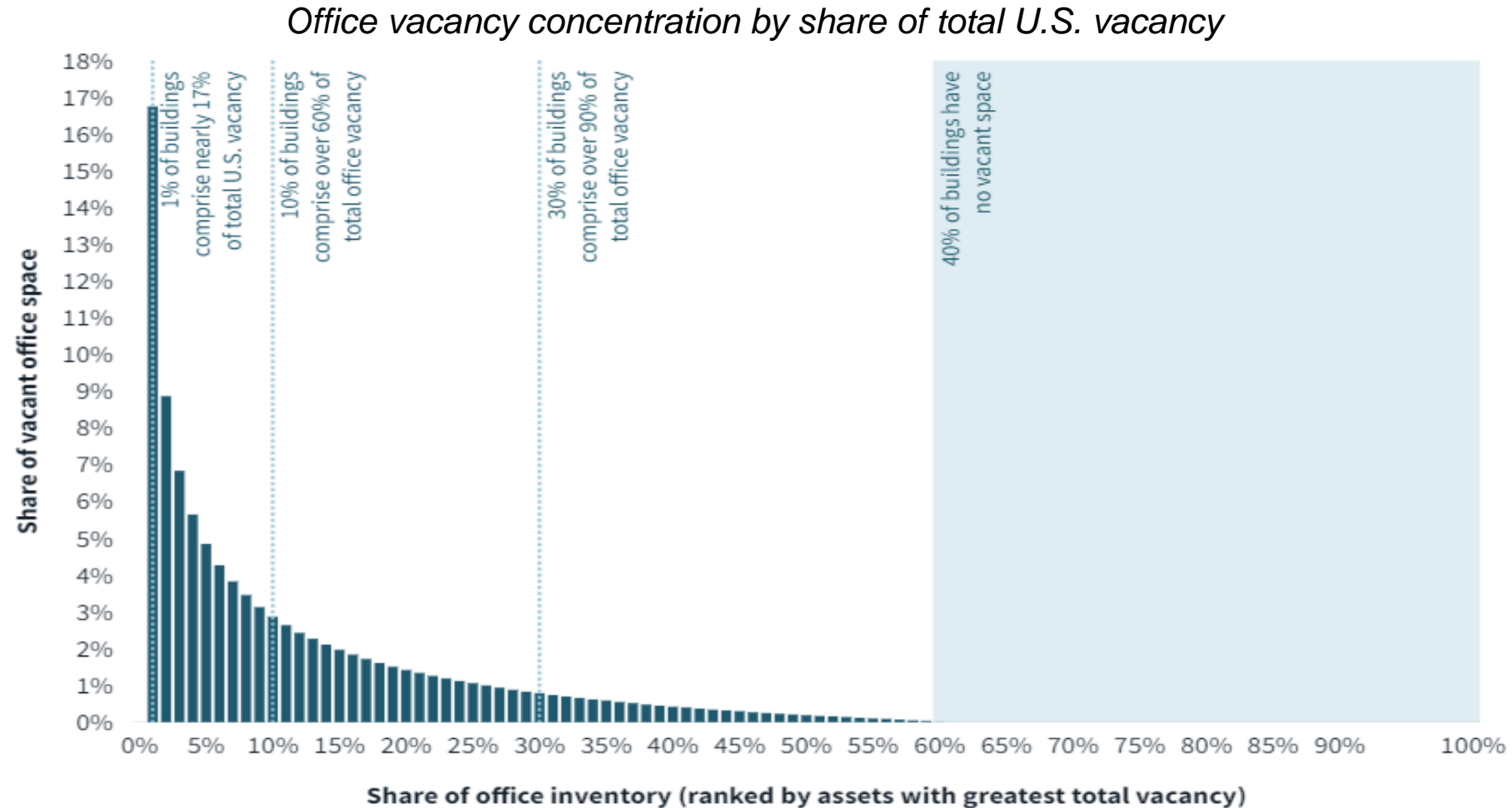


Not all CRE is downtown office space

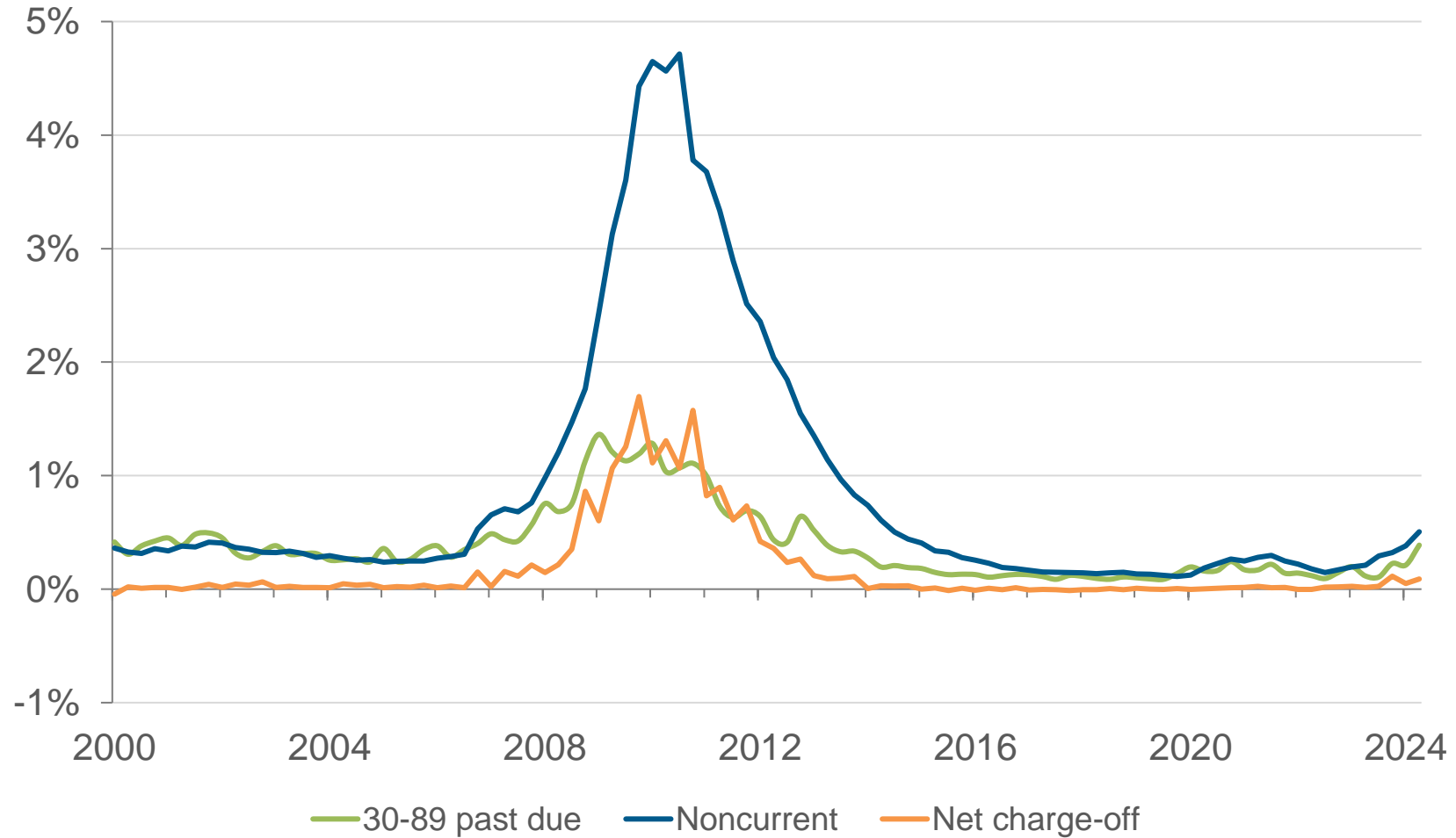
Distribution of Banks' CRE Portfolios, 2024Q2



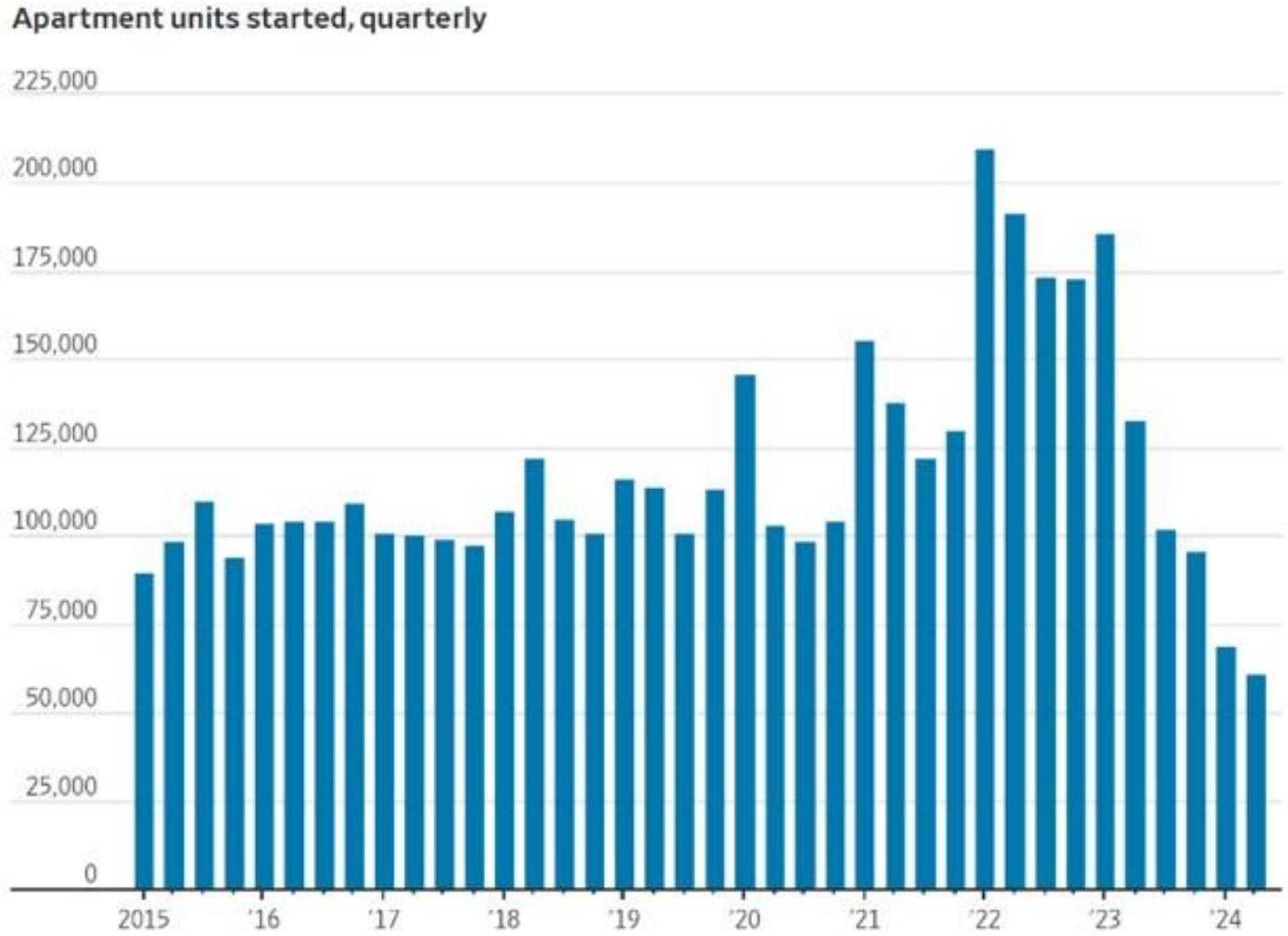
Office vacancies isolated to relatively small share of properties



Multifamily delinquencies also edged up

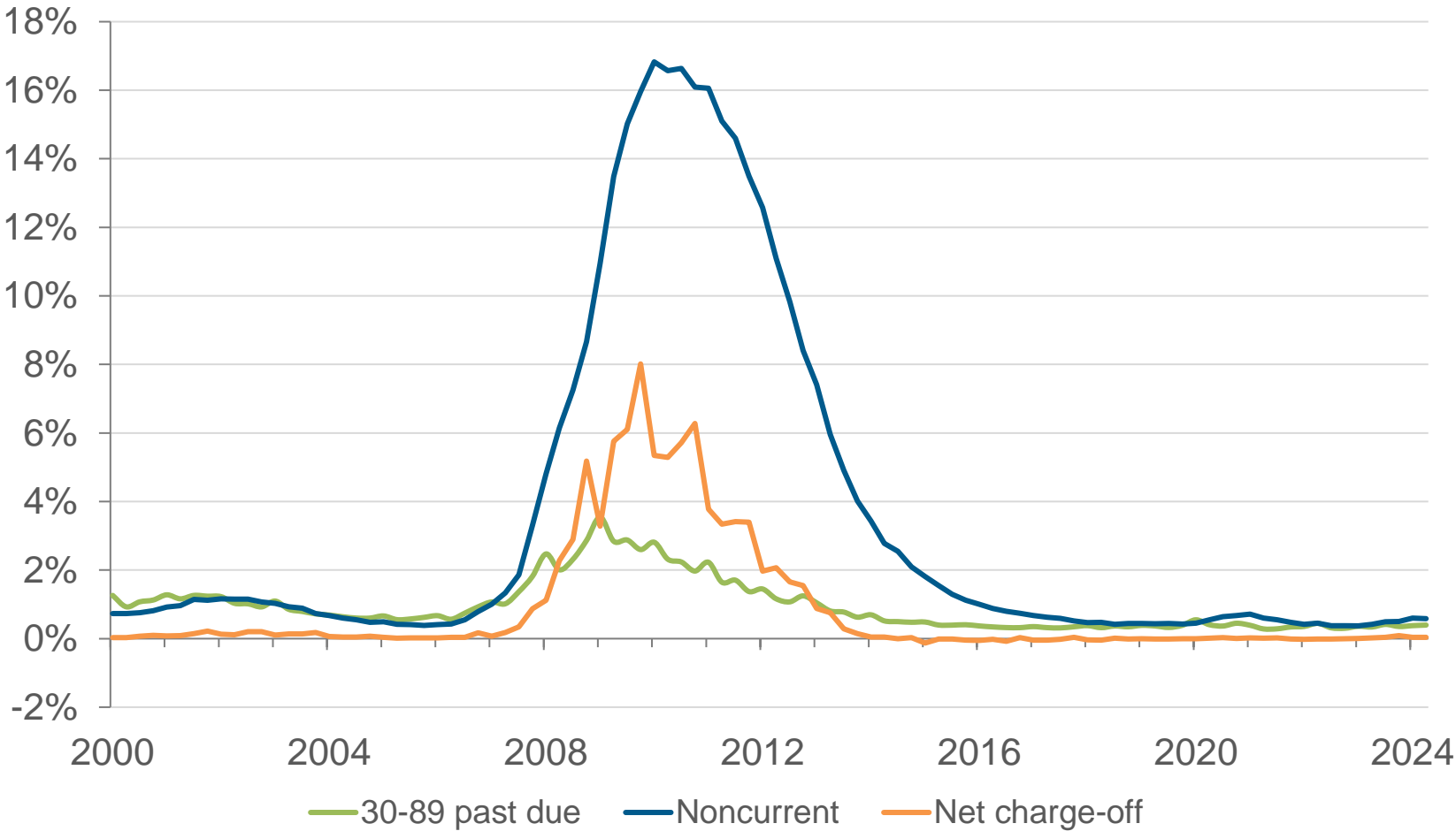


Multifamily construction continues to slow

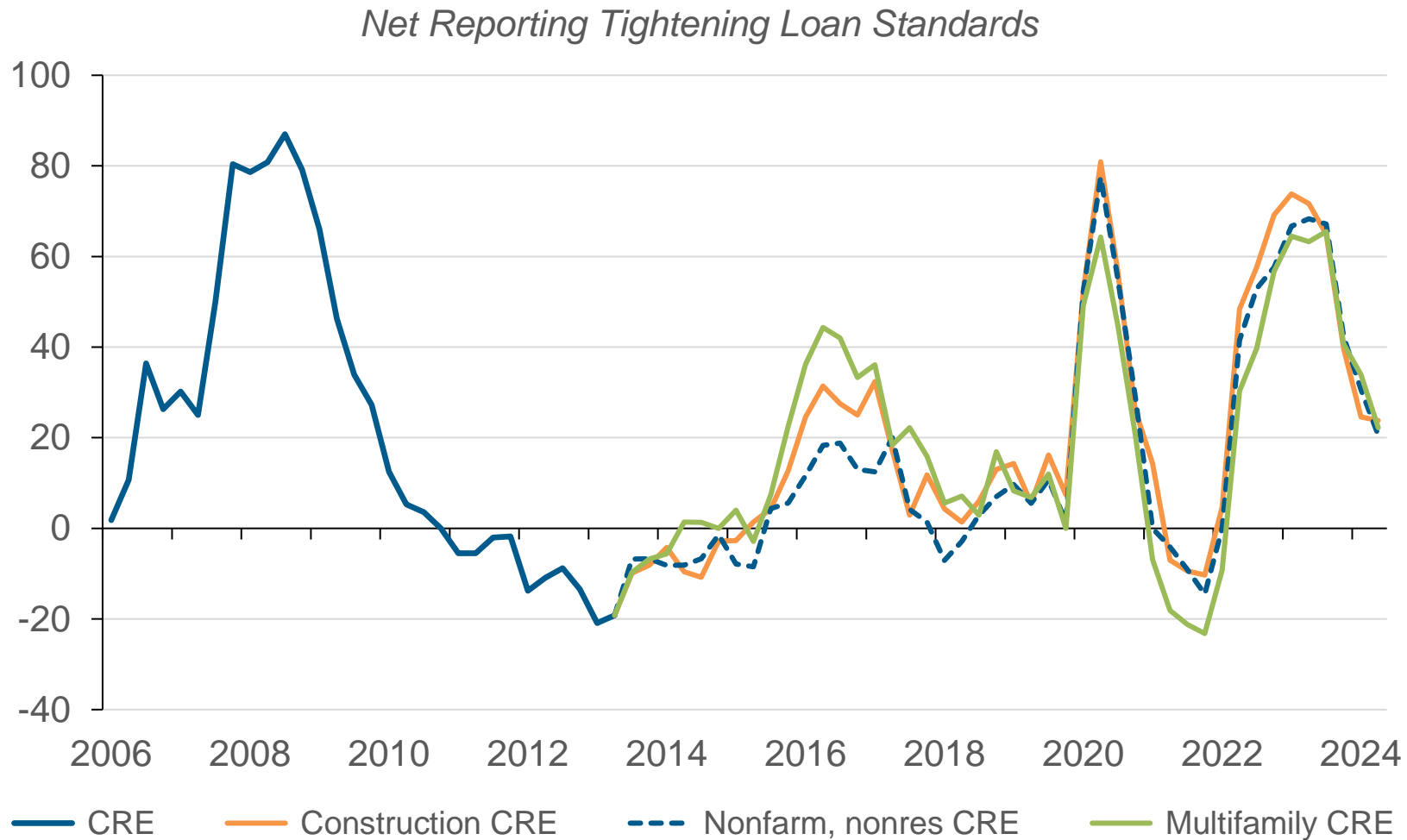


Source: CoStar

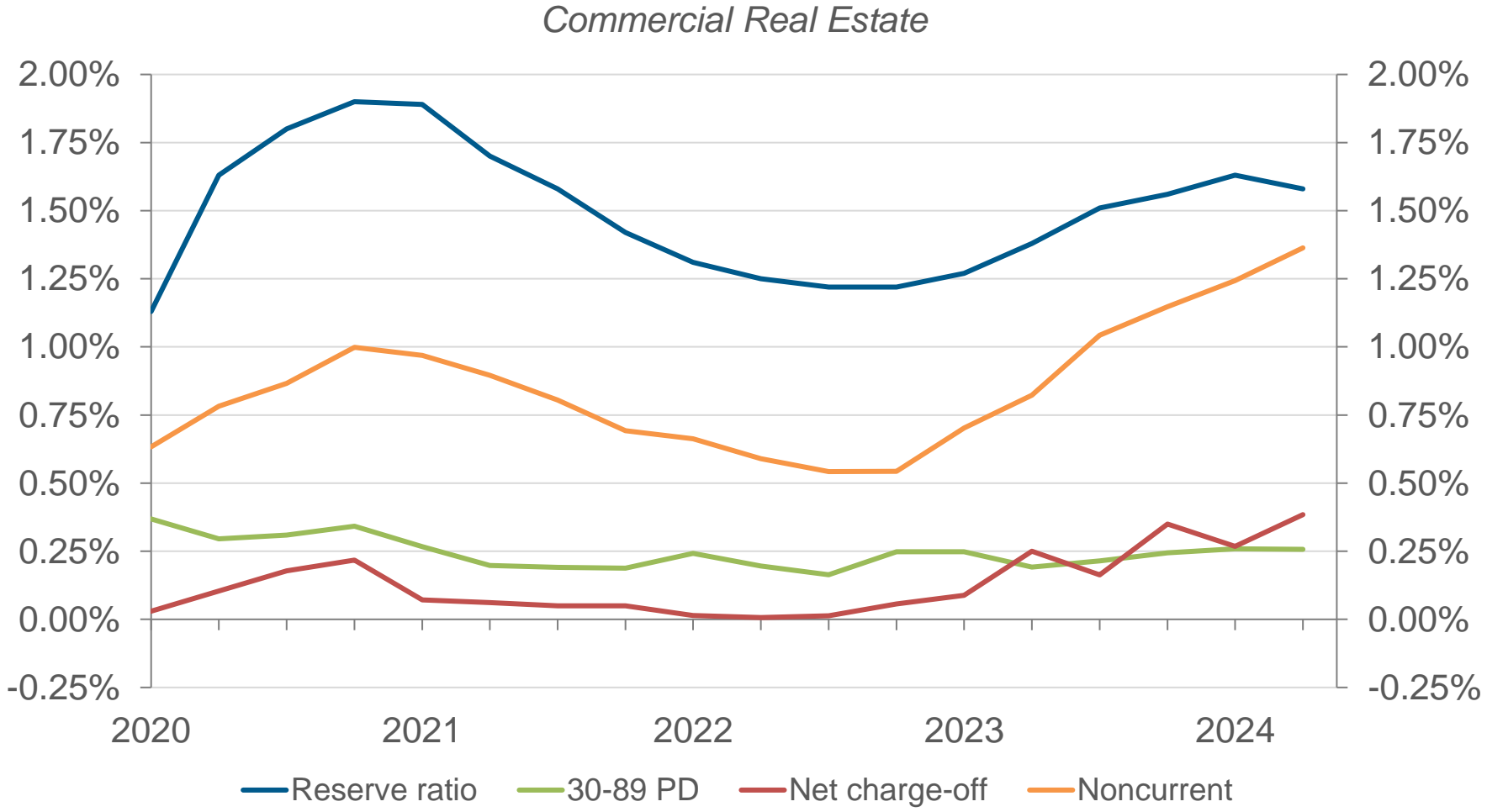
Construction credit quality remains strong



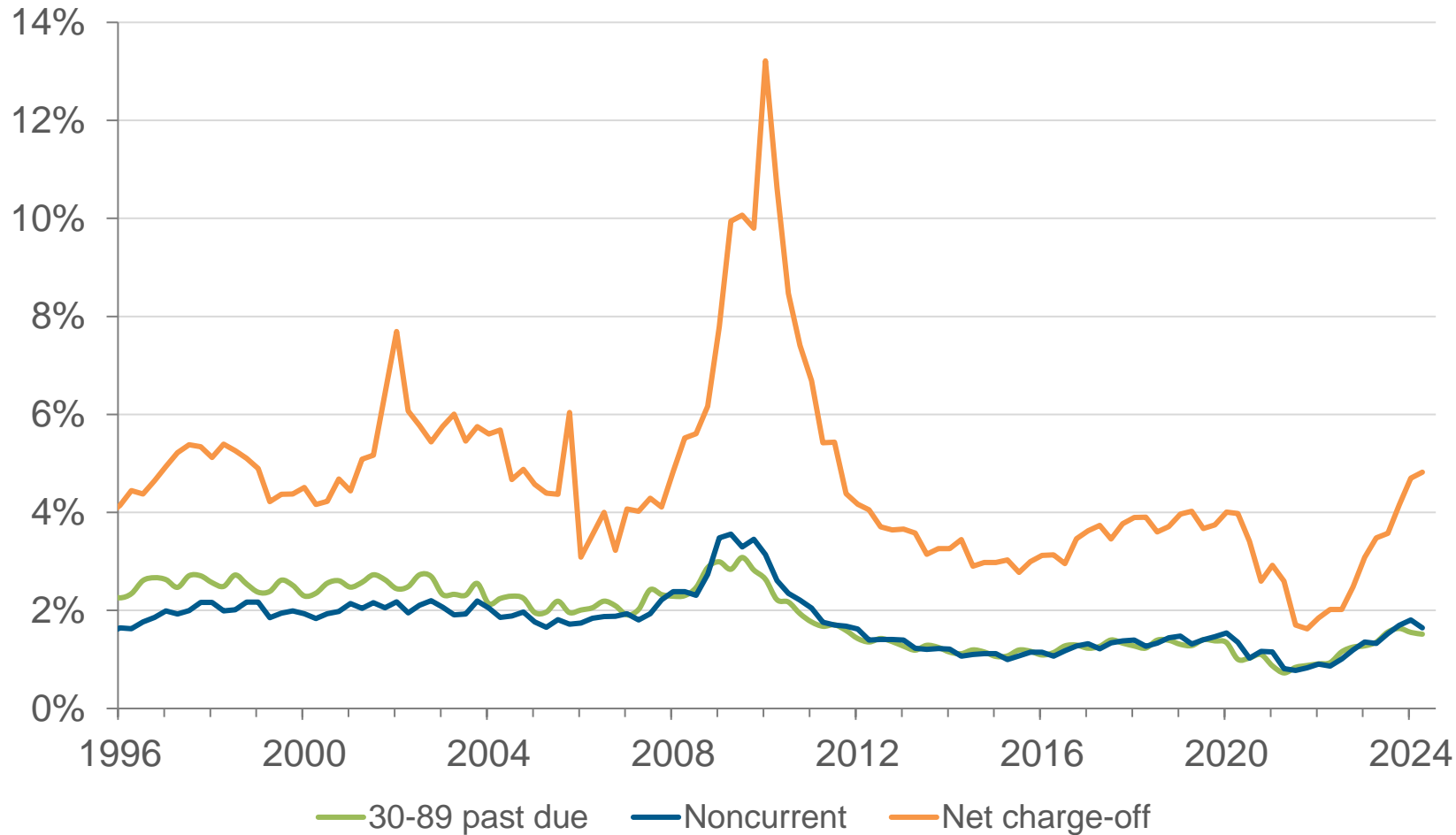
Banks have been tightening CRE standards for over 2 years



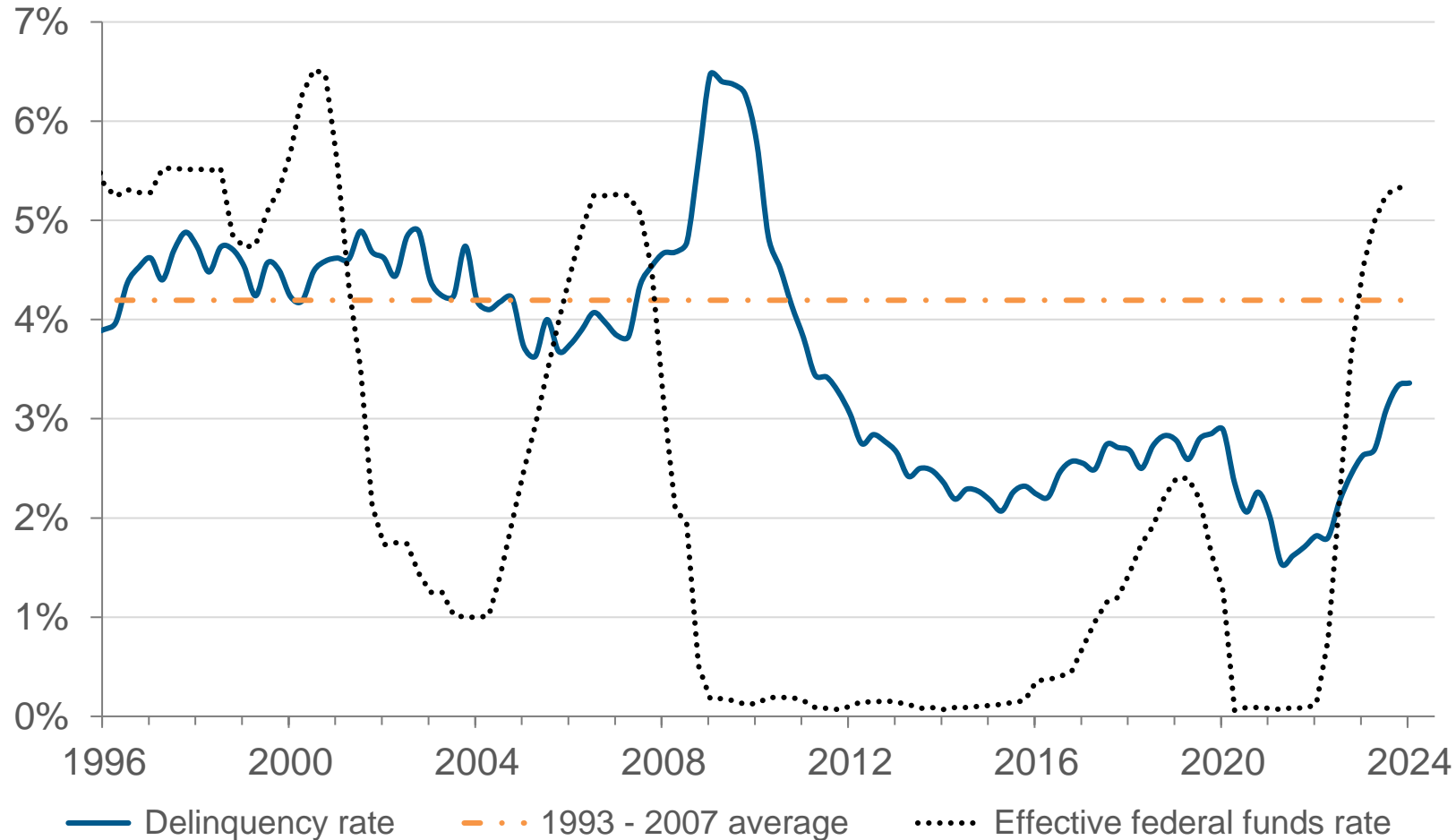
CRE reserve ratio well above 2022 levels



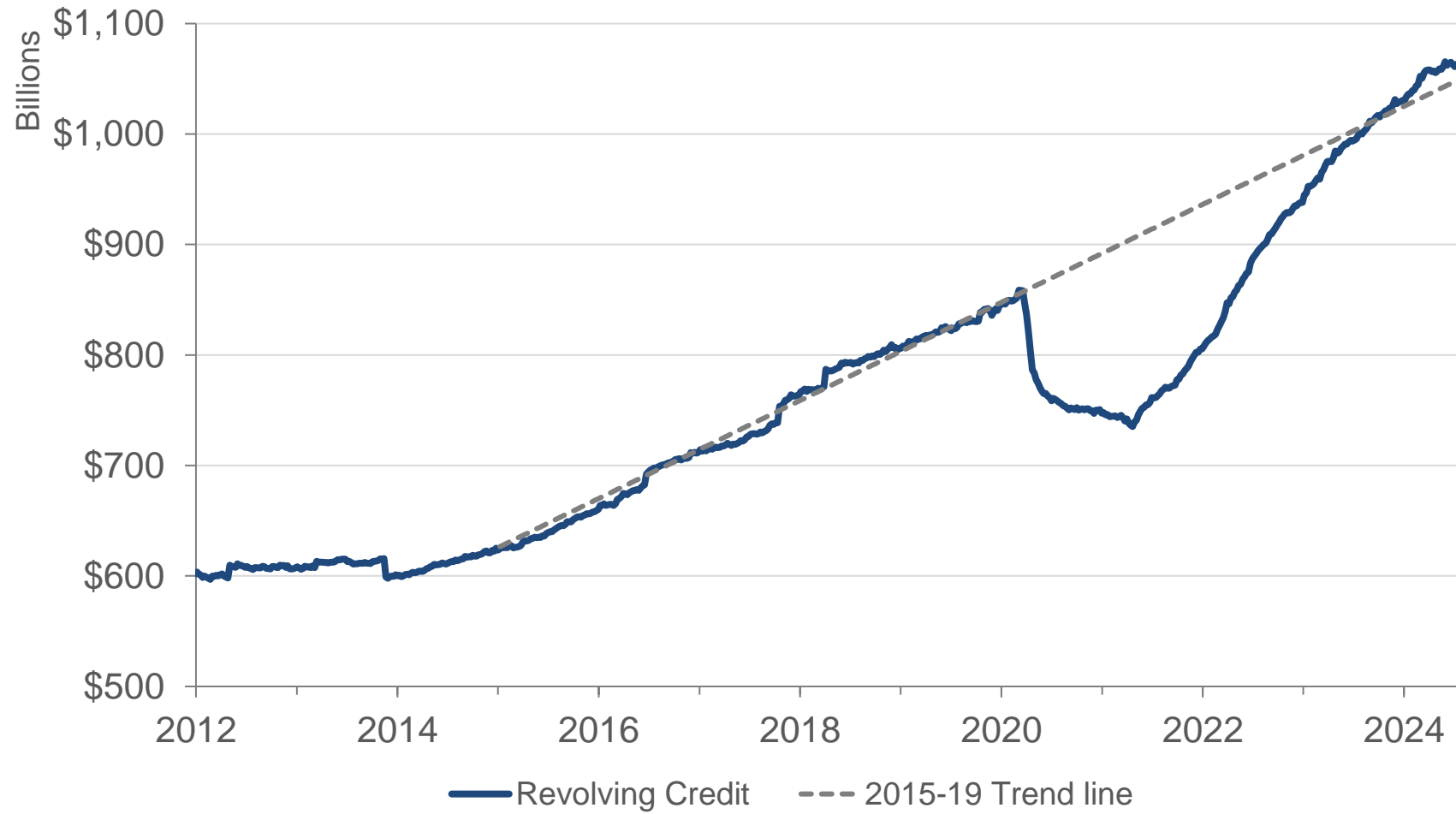
Credit Card Quality Deteriorates Past Pre-pandemic Levels...



Card delinquencies remain well below 15-year pre-Great Recession average

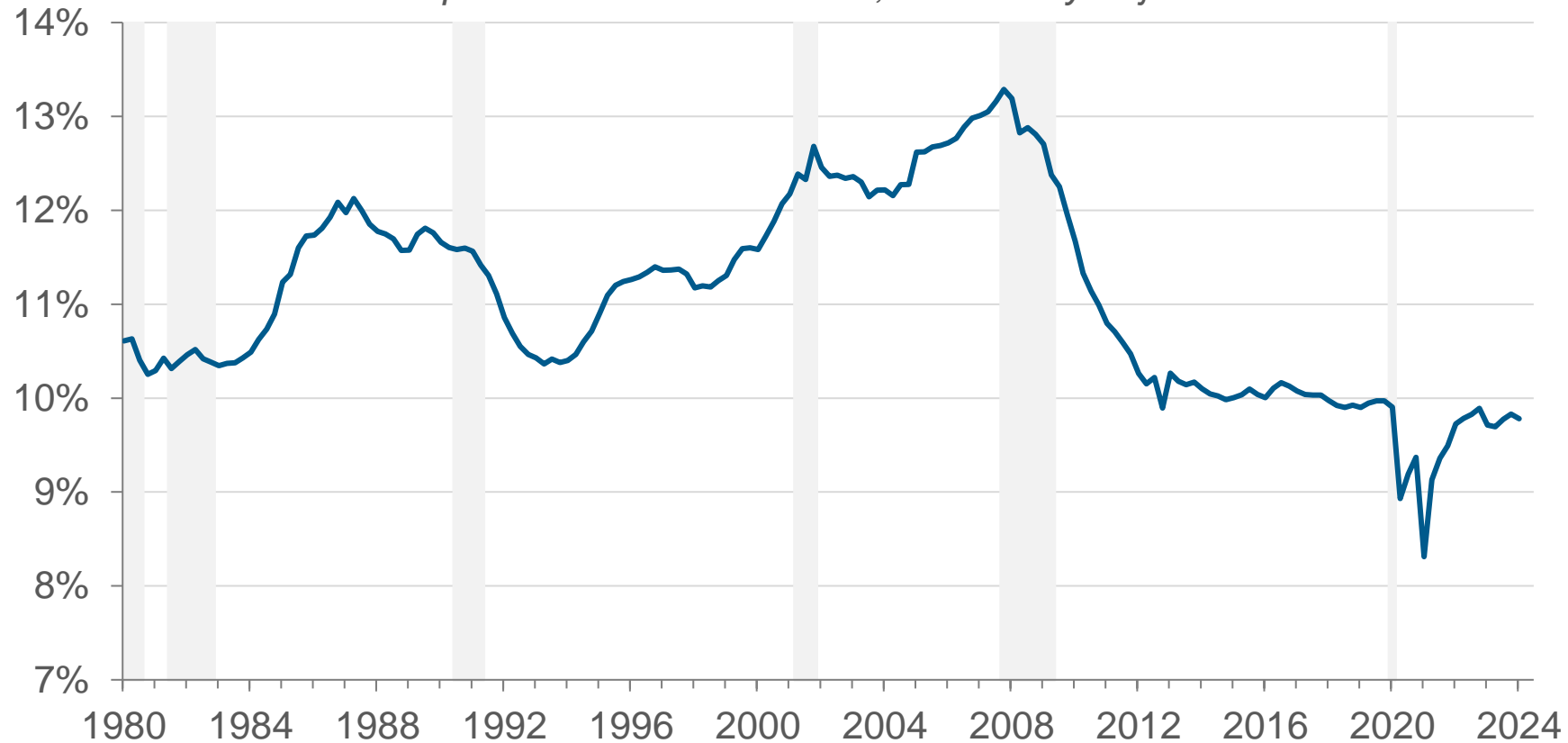


Revolving consumer credit to trend *and beyond*?

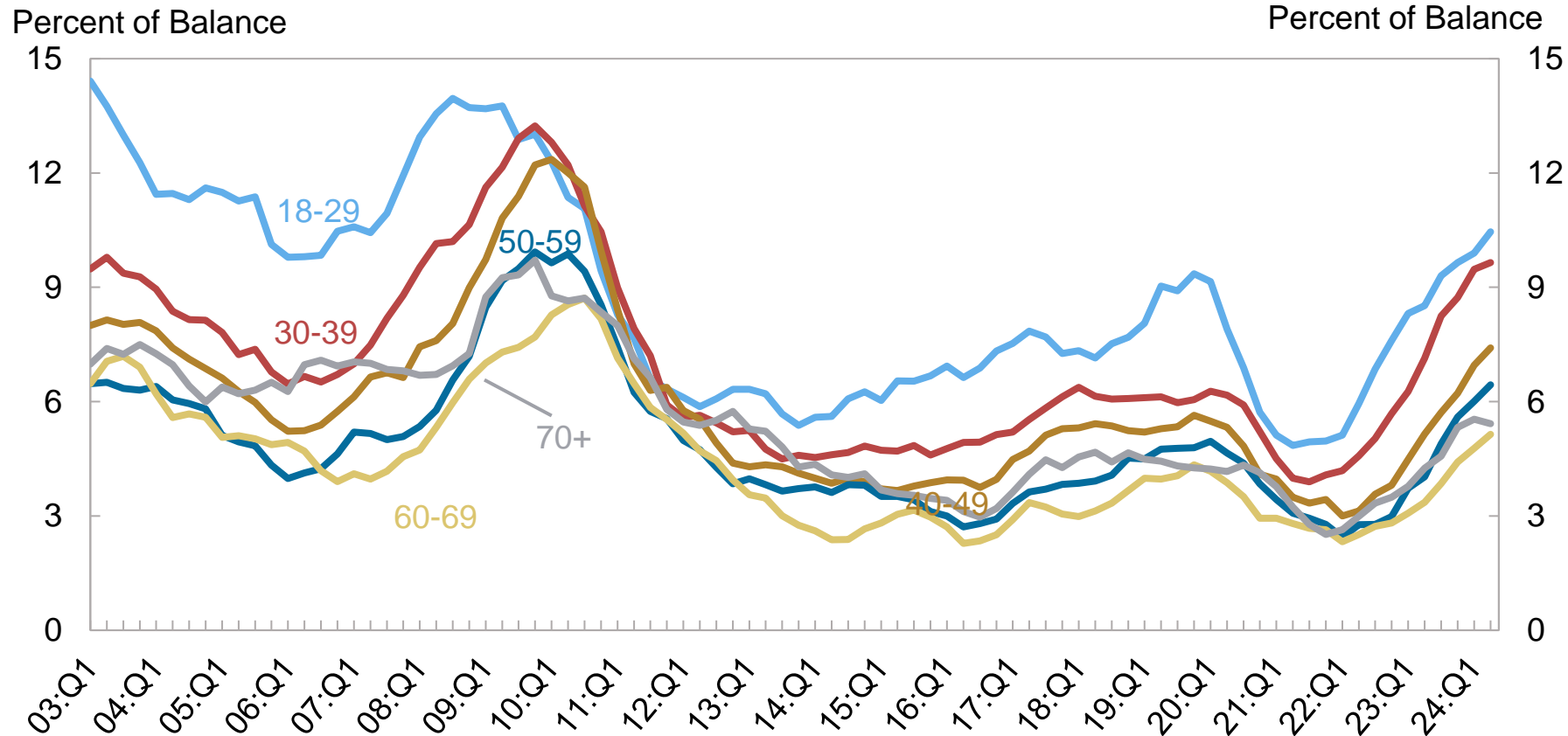


Household debt servicing remains manageable

Household Debt Service Payments as a Percent of Disposable Personal Income, Seasonally Adjusted



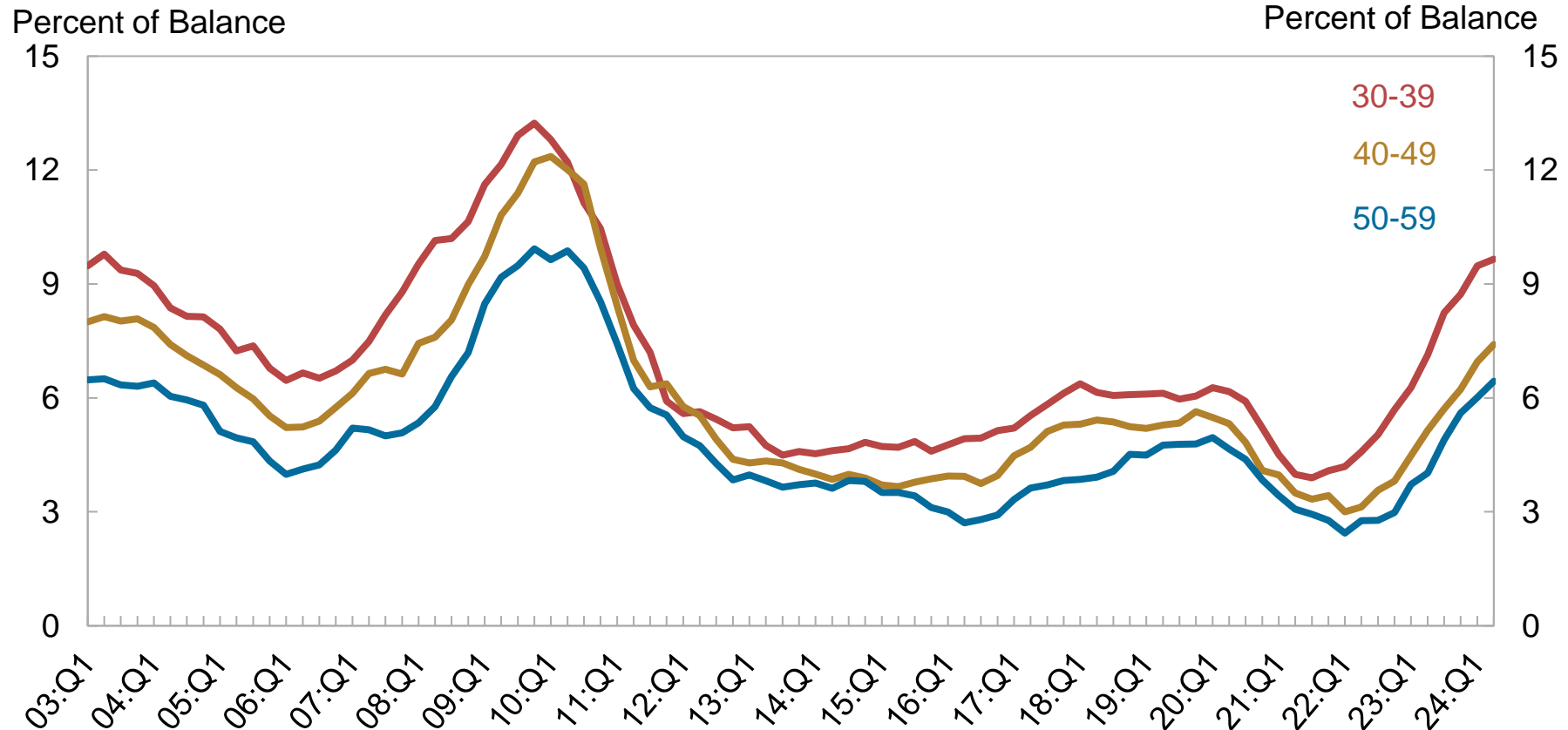
Transition into Serious Delinquency (90+) for Credit Cards by Age



Note: 4 Quarter Moving Sum.
 Age is defined as the current year minus the birthyear of the borrower. Age groups are re-defined each year.

Source: New York Fed Consumer Credit Panel/Equifax

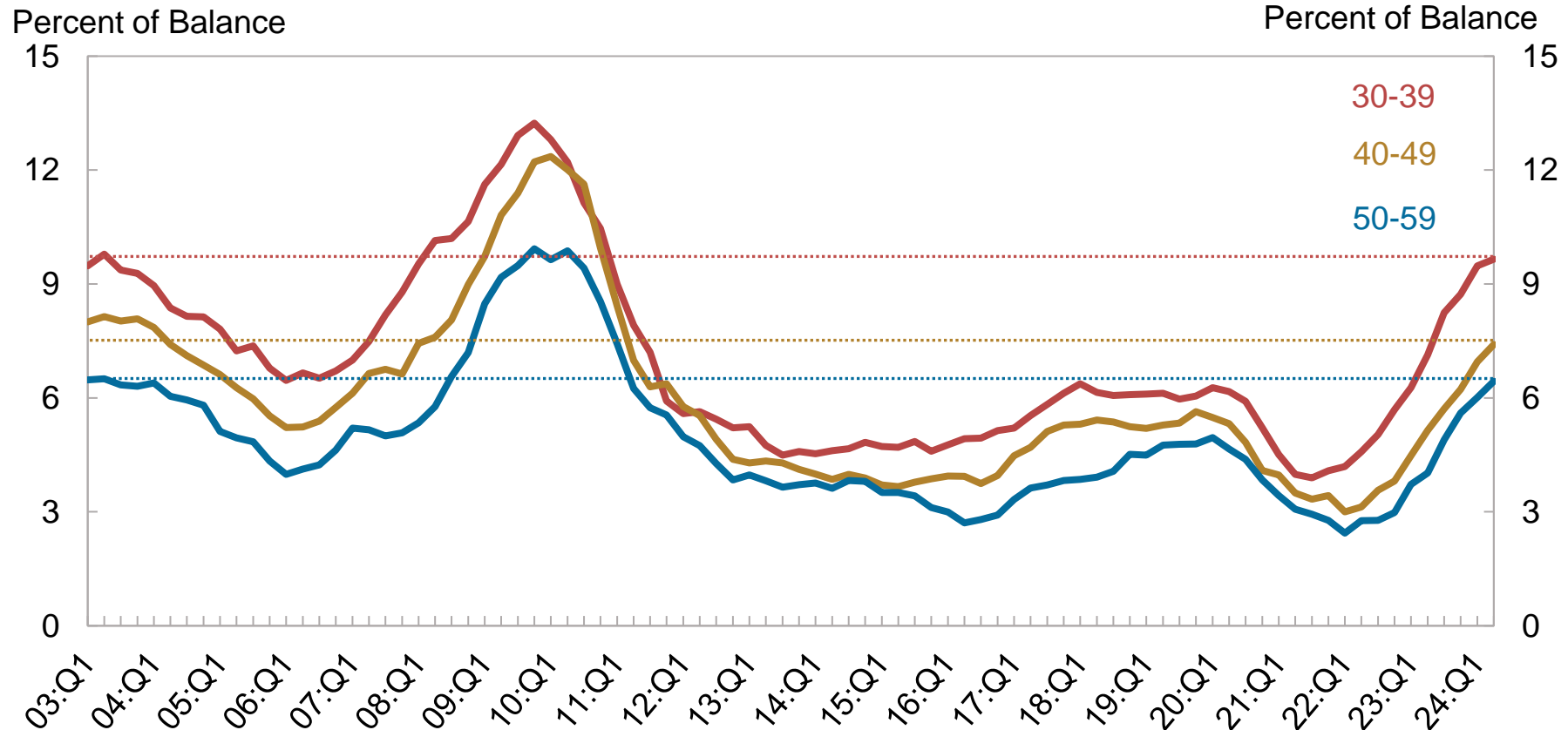
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Transition into Serious Delinquency (90+) for Credit Cards by Age

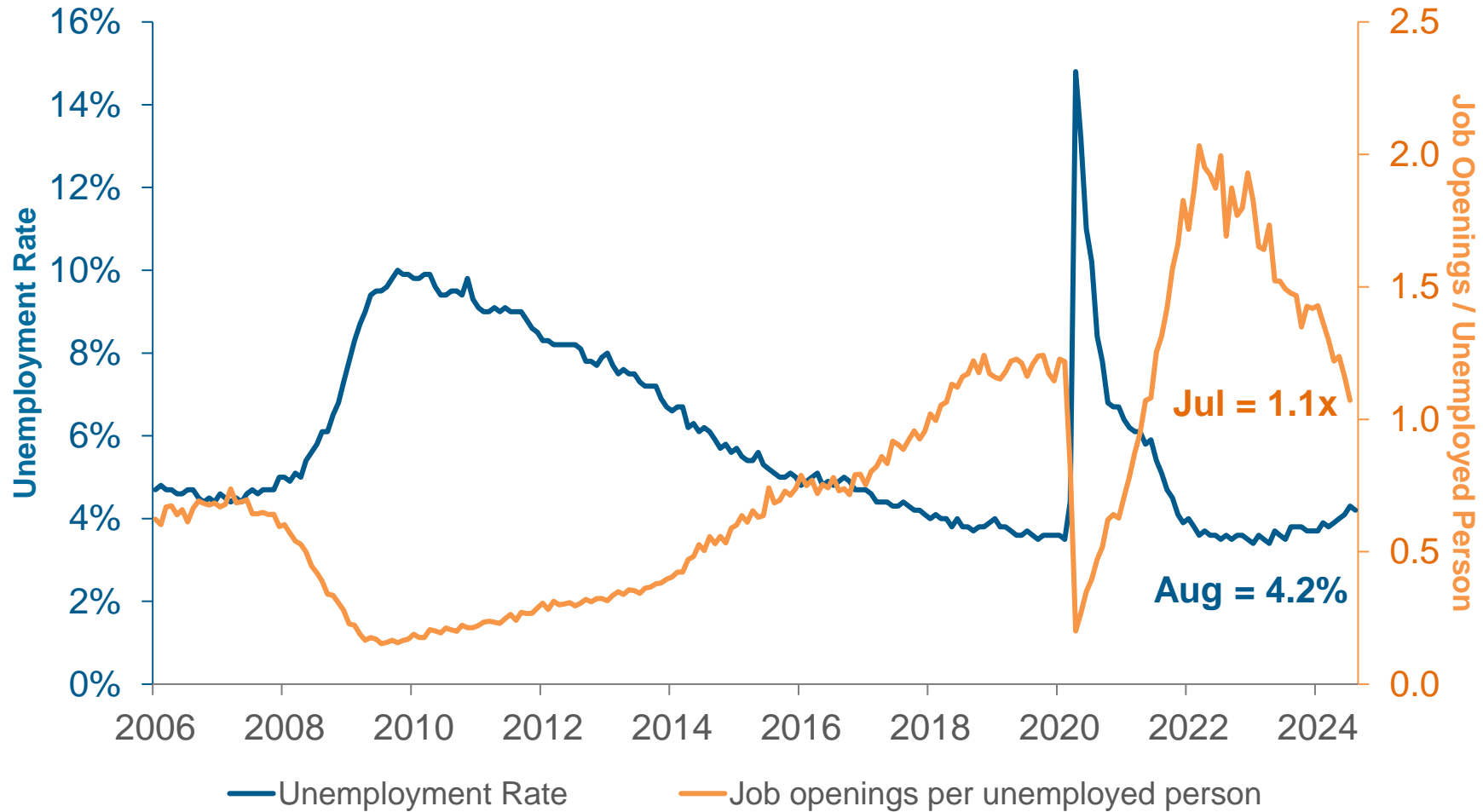


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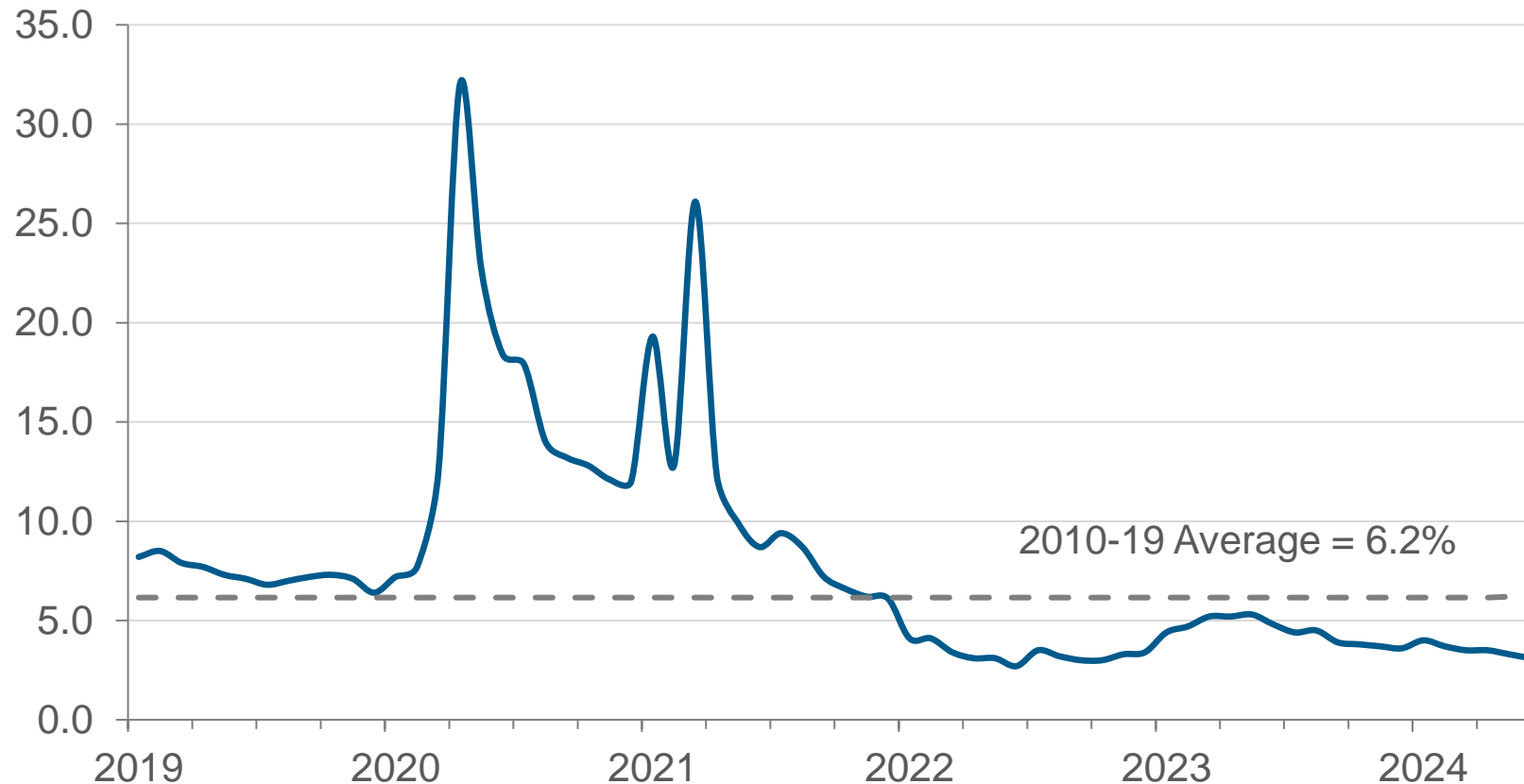
Source: New York Fed Consumer Credit Panel/Equifax

Labor market coming into better balance



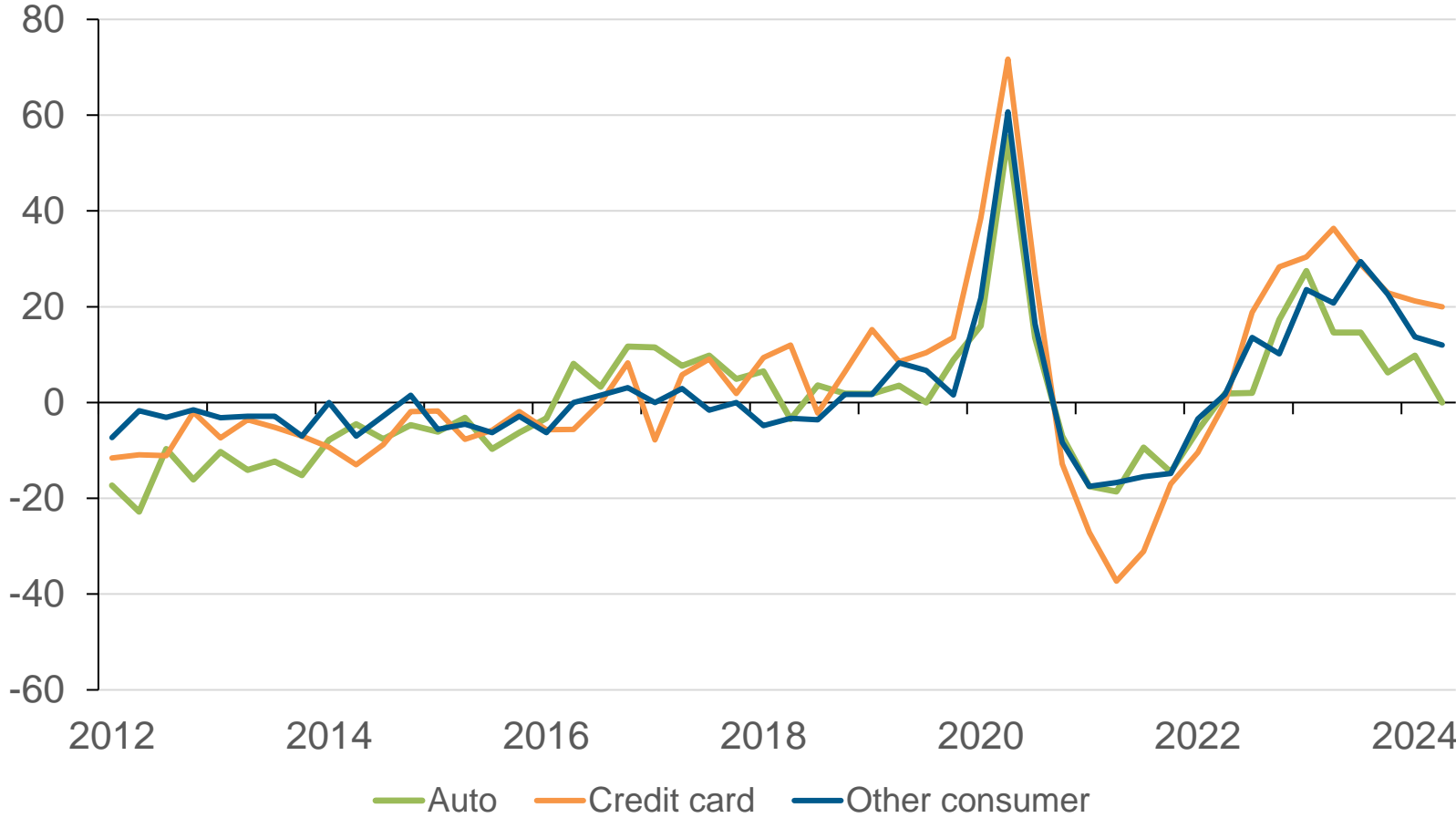
Personal savings rate below pre-pandemic average

Personal Savings Rate (%)

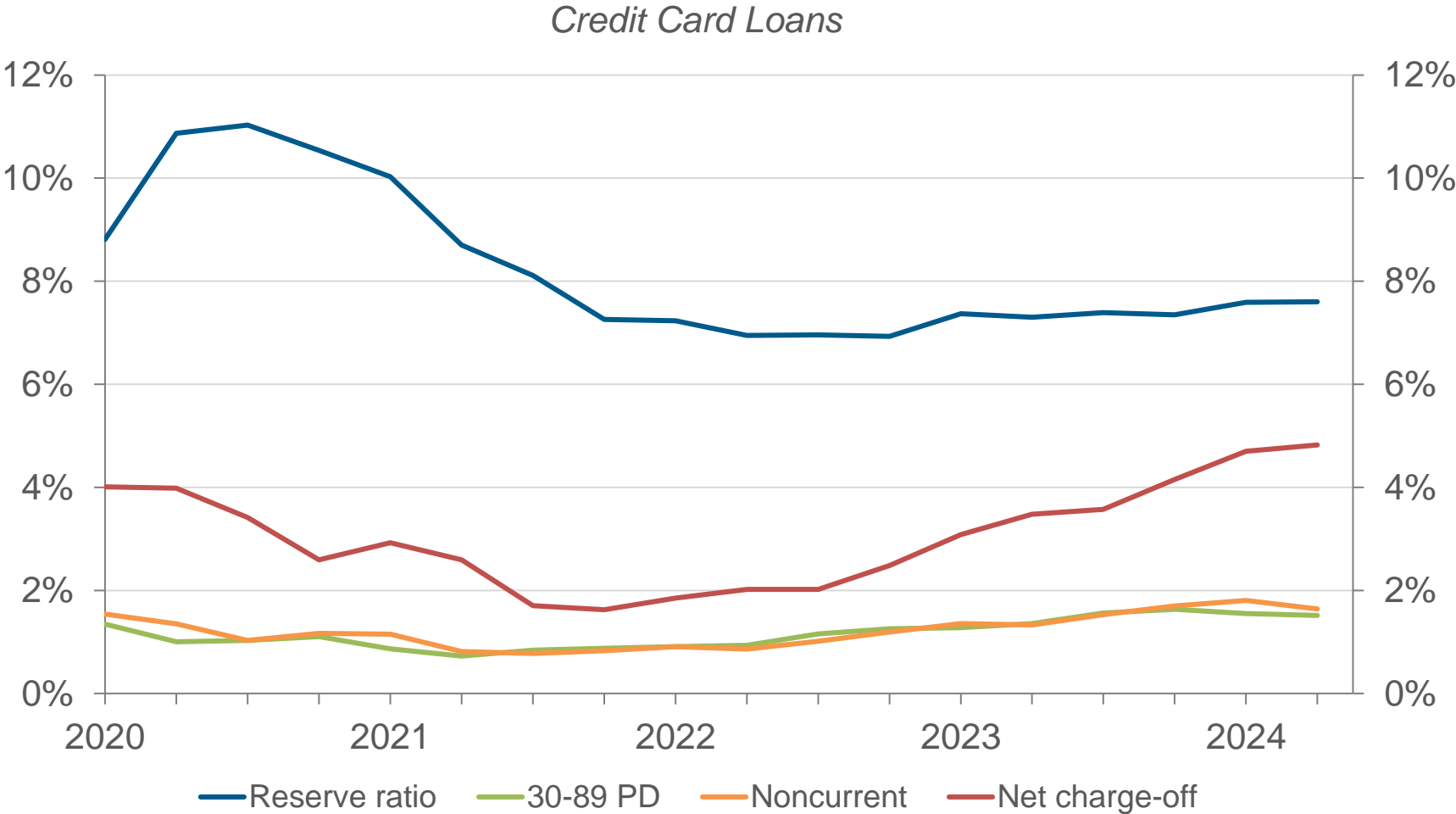


Banks continue to tighten consumer loan standards, but at a slower pace

Net Reporting Tightening Loan Standards

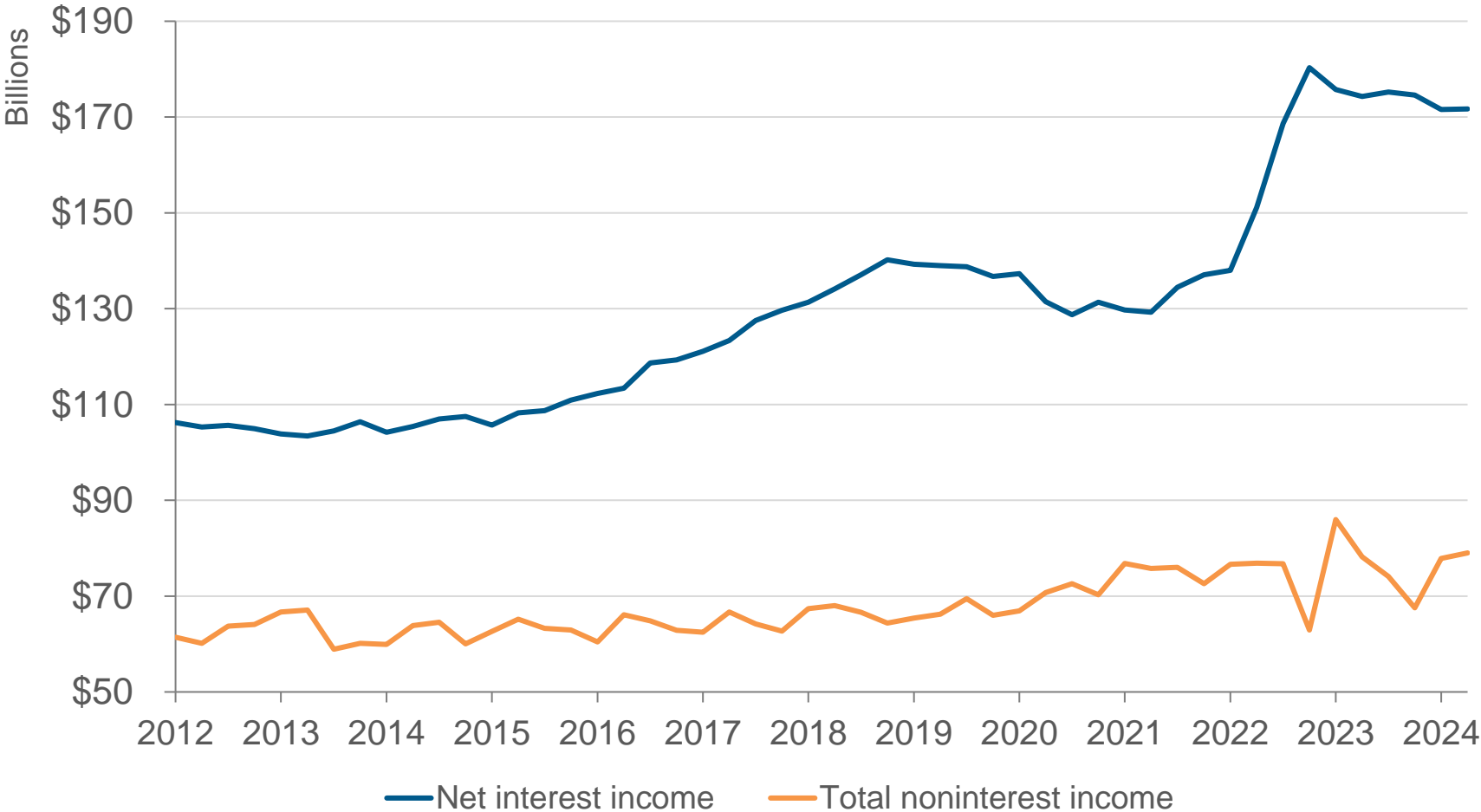


Credit card reserve ratio remains stable

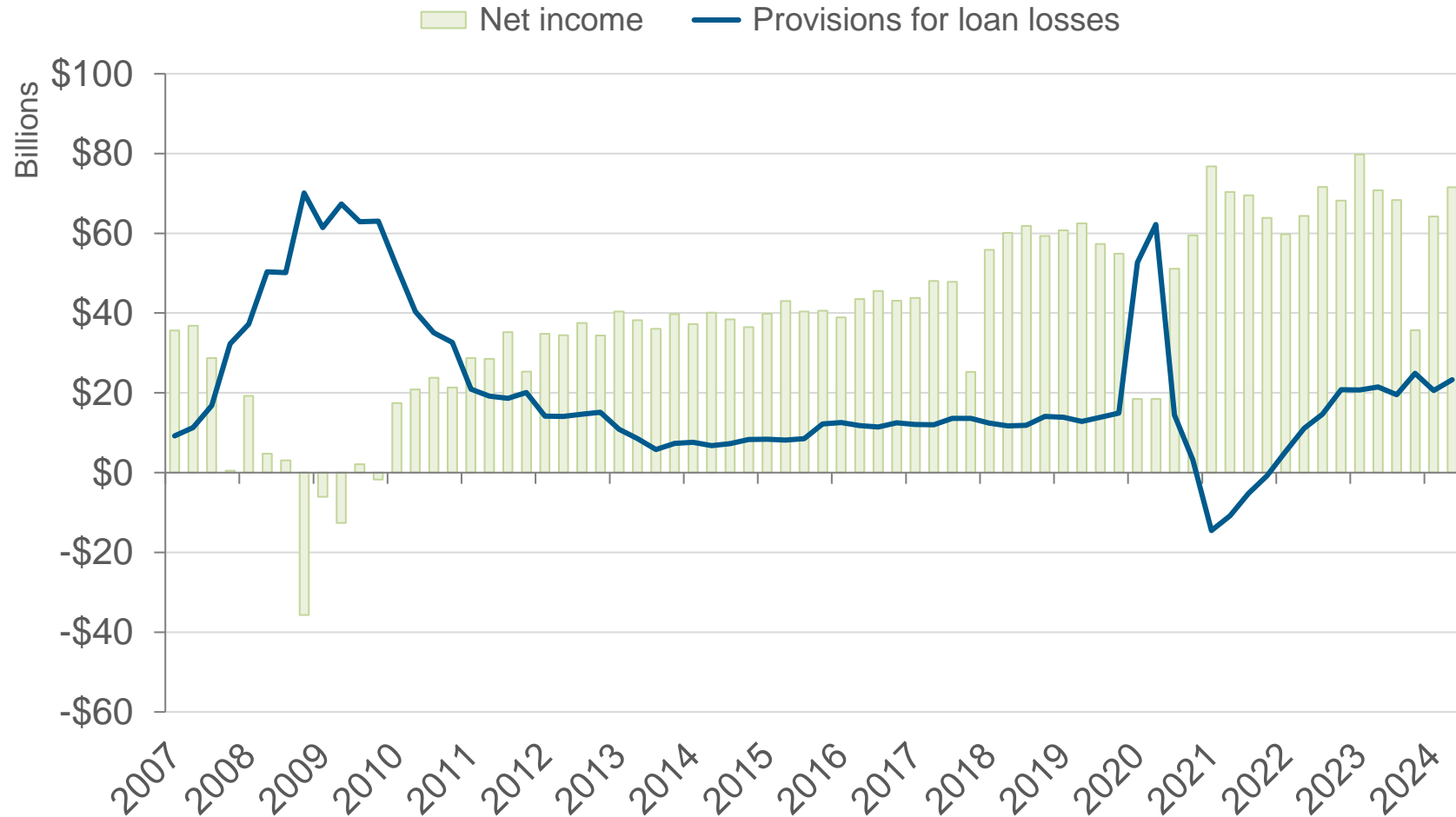


Industry is healthy and prepared for headwinds

Bank operating revenue remains strong



Strong net income growth amid continued provisioning

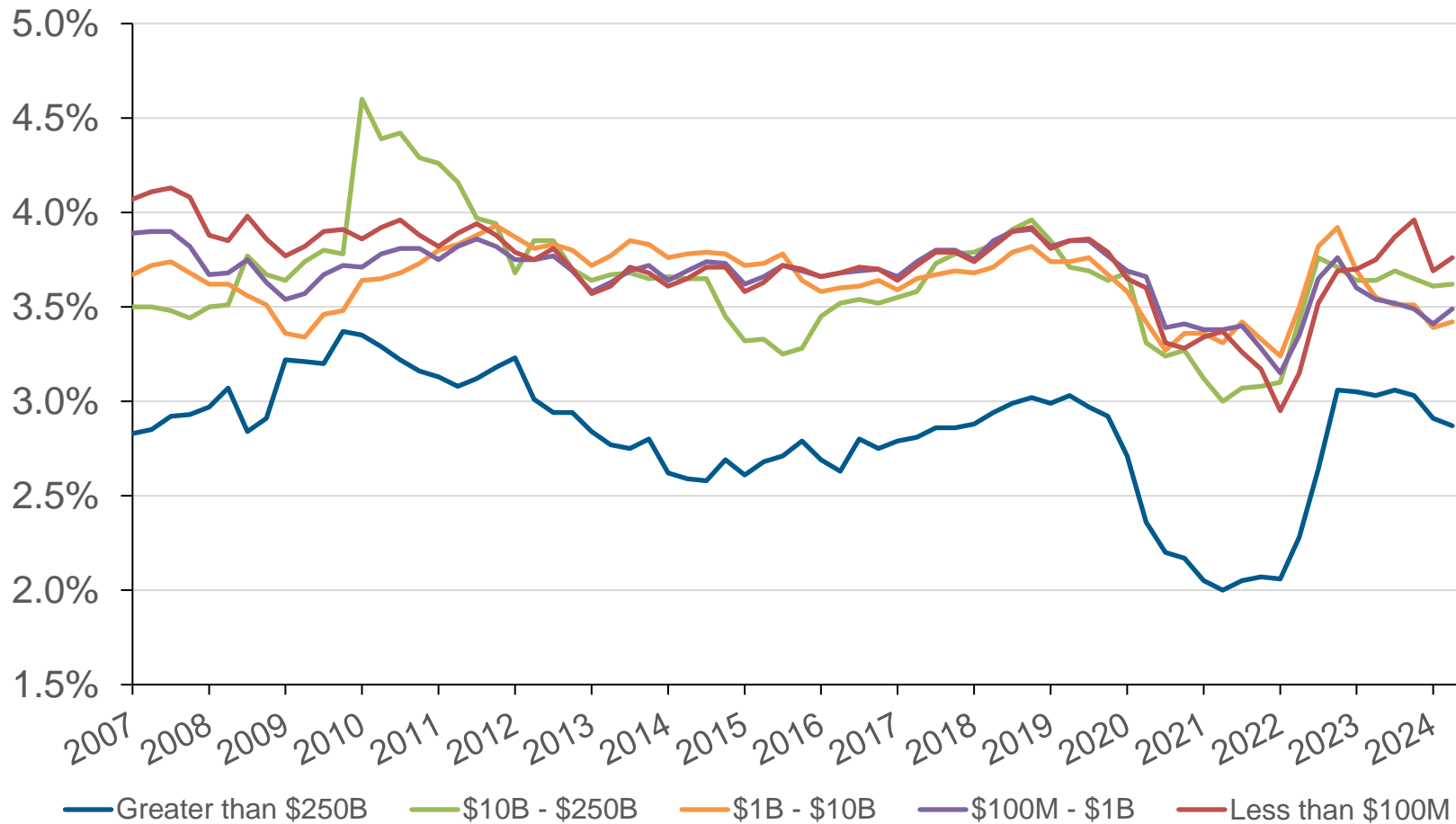


Extraordinary gains bolstered 2024Q2 net income

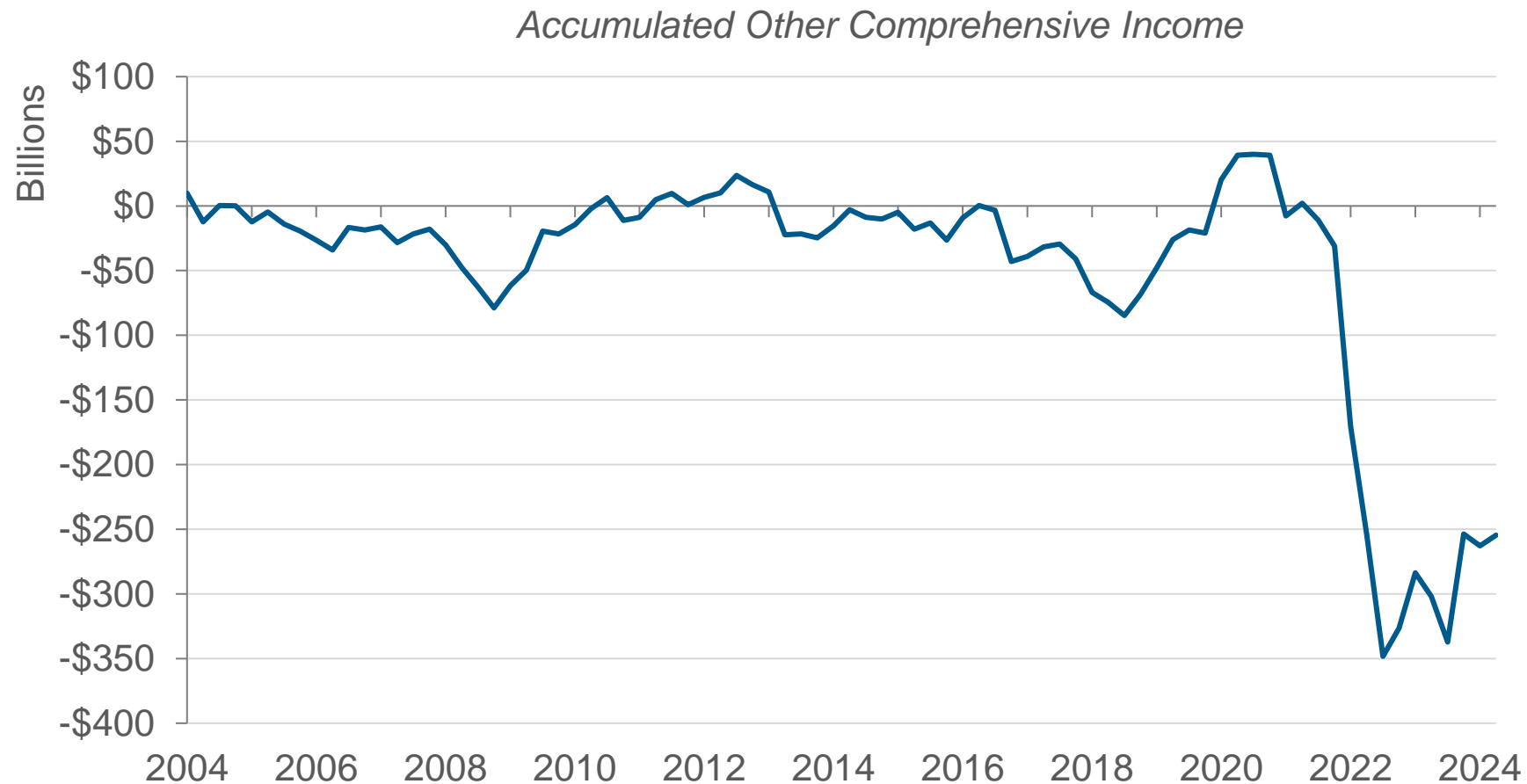


NIM edges up for most banks

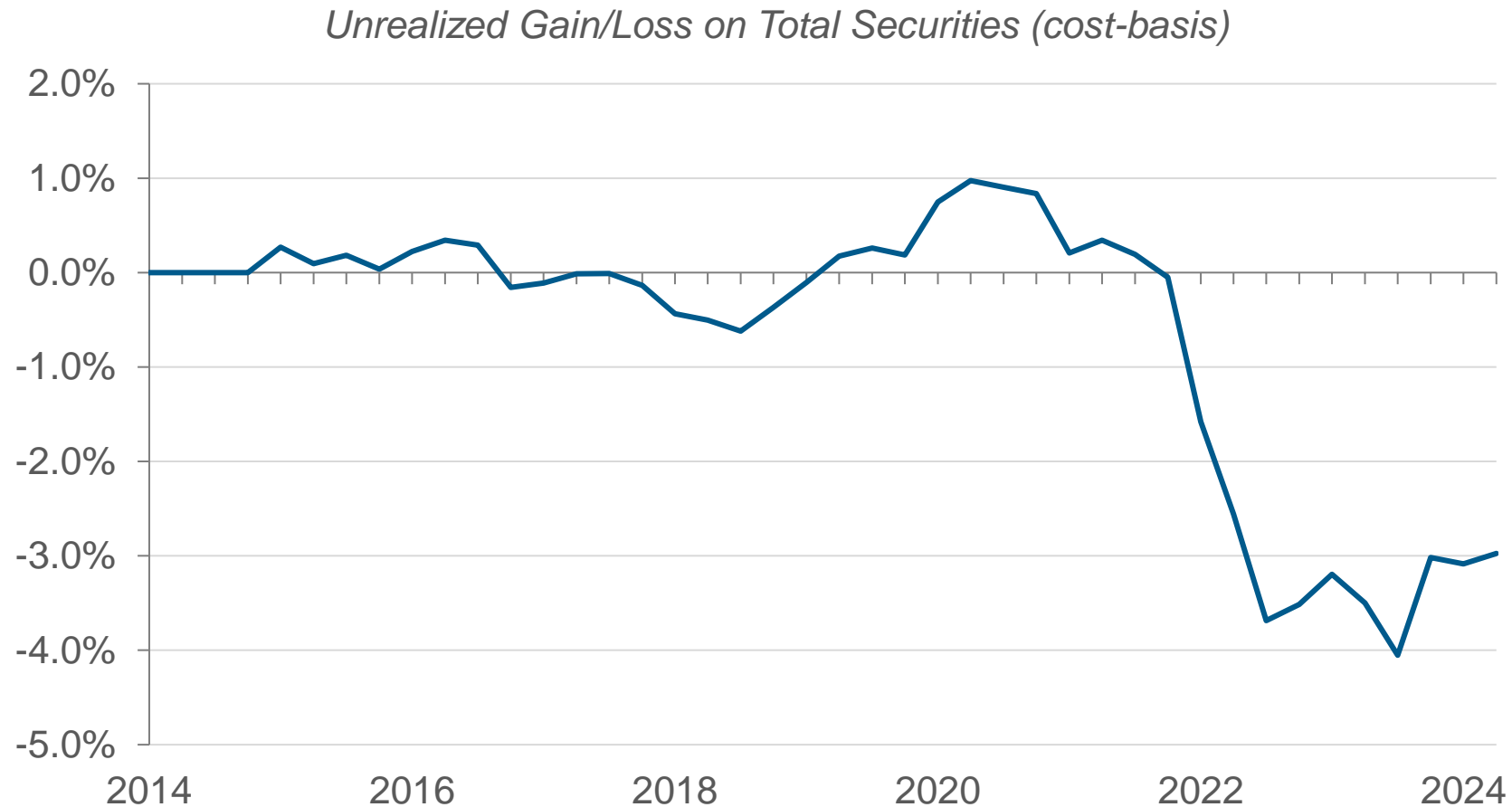
Quarterly Net Interest Margin, by Asset Size



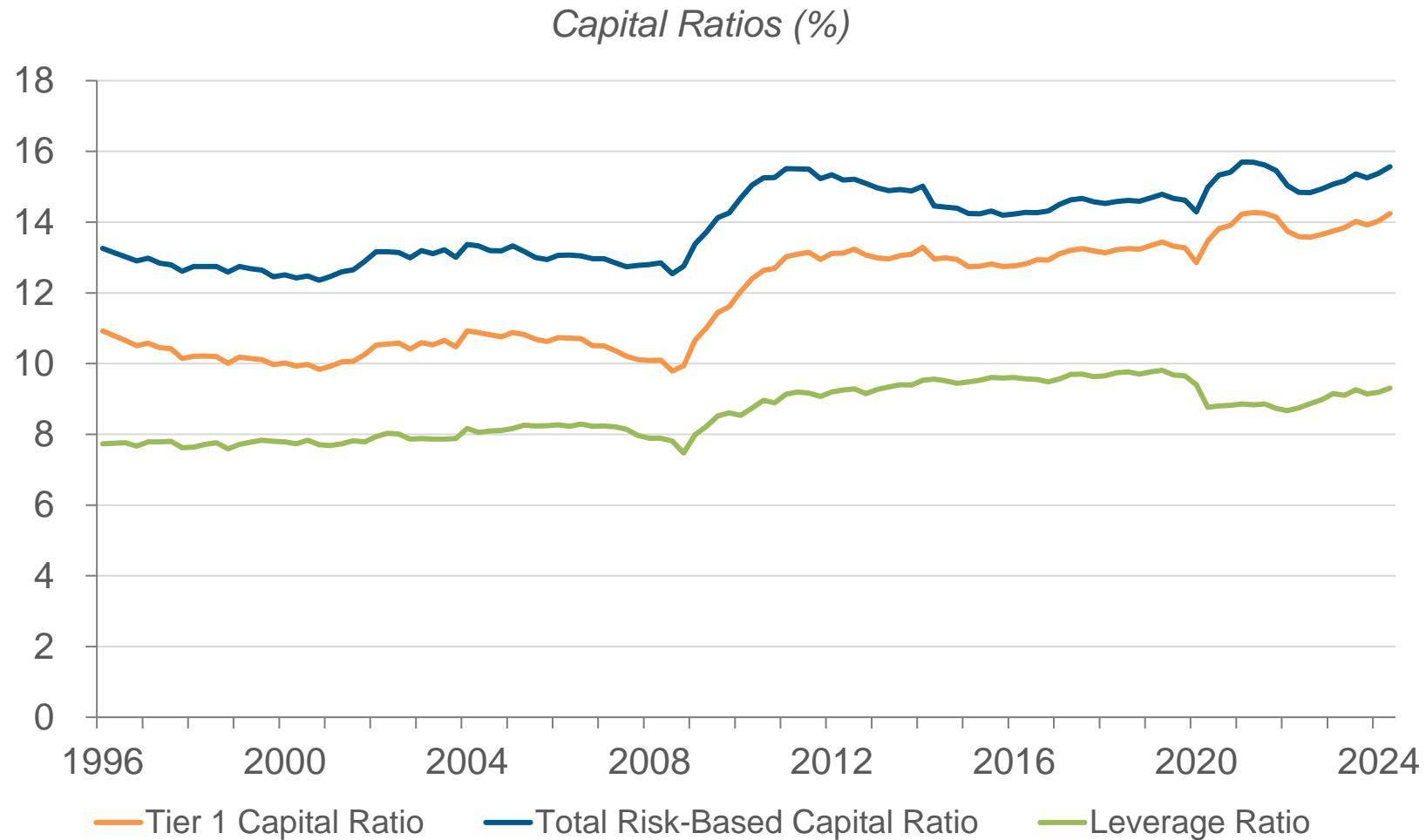
AOCI losses improve in second quarter but remain deeply negative



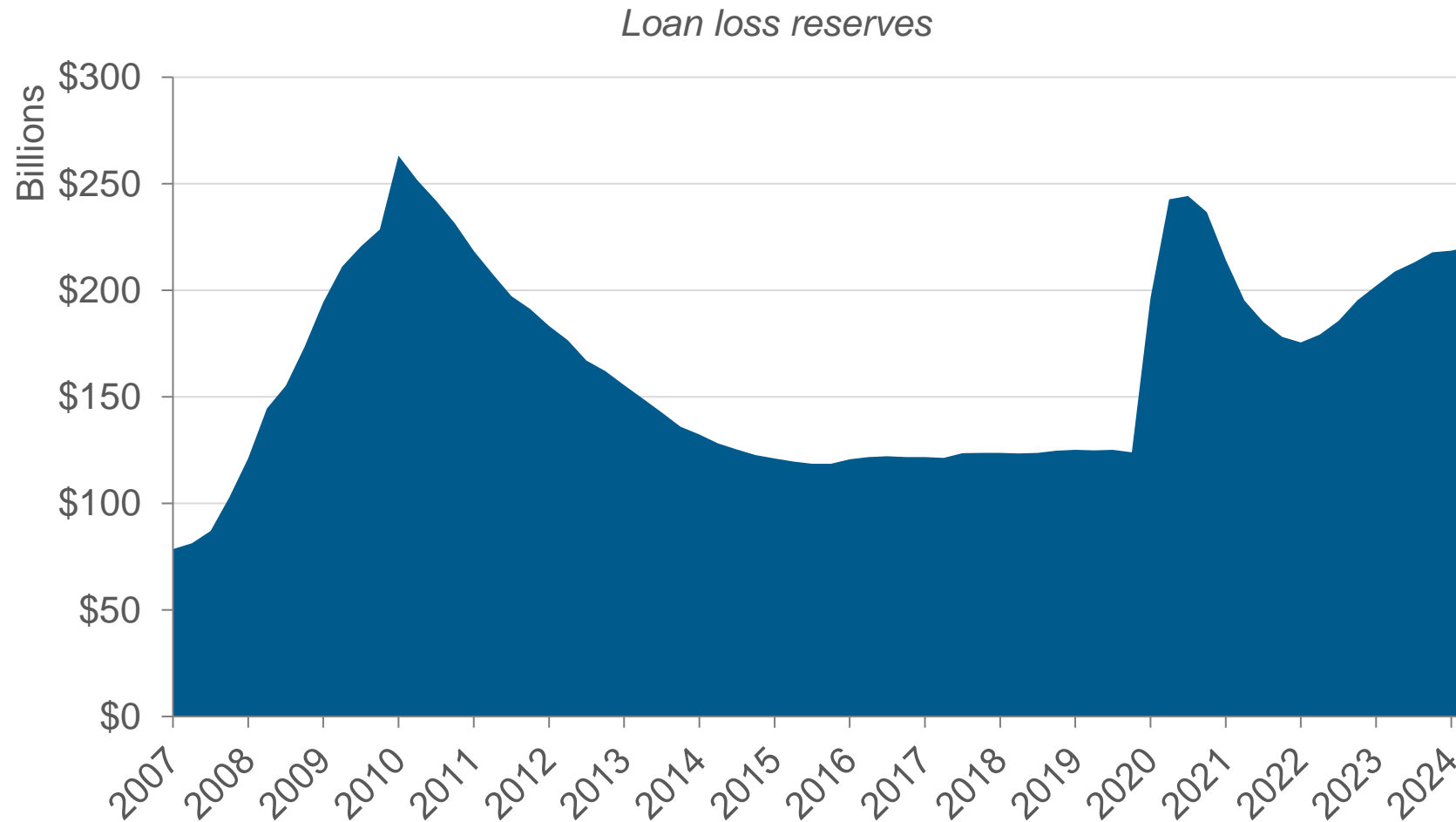
Unrealized losses on securities drive AOCI



Industry capital ratios remain robust



Loan loss reserves ahead of the curve



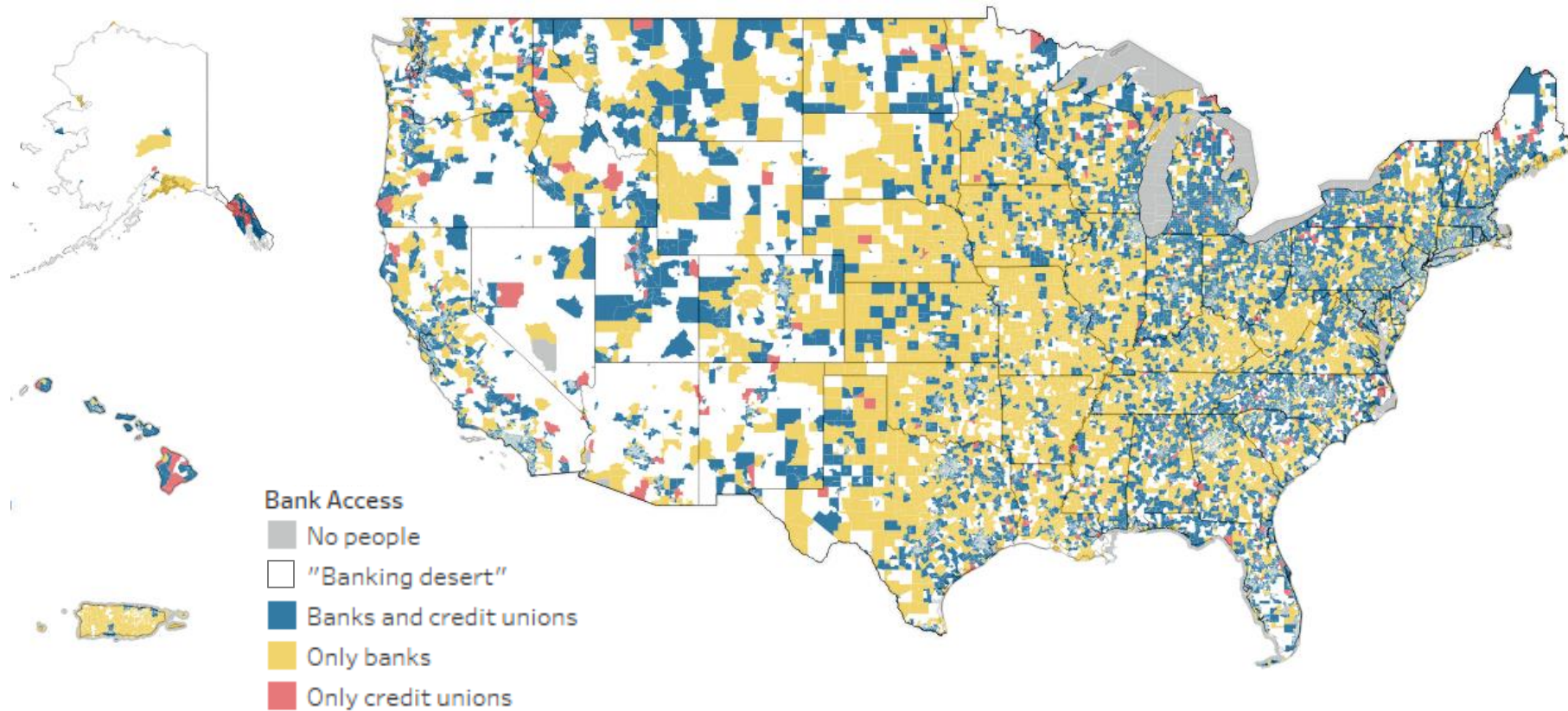
Questions

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Access to financial services, 2023



Source: FDIC, NCUA, Census, ABA analysis

Note: Proximity to branch defined as a branch within a 2-mile radius of the population weighted center of an urban census tract, 5-mile radius for a mixed tract, and a 10-mile radius for a rural tract.

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