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# Industry Trends in Financial Services

April 16, 2024



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# Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- 4 Polling Questions will be launched during this session. You must respond to a minimum of 3 to receive the full 1 CPE credit.

**\*\*Both requirements must be met to receive CPE credit\*\***



# Learning Objectives



Recognize the current regulatory pressures surrounding commercial real estate and asset liability management (ALM)



Recall how financial institutions can evaluate their portfolios in the current market



Identify ways to use your ALM reporting for strategic purposes





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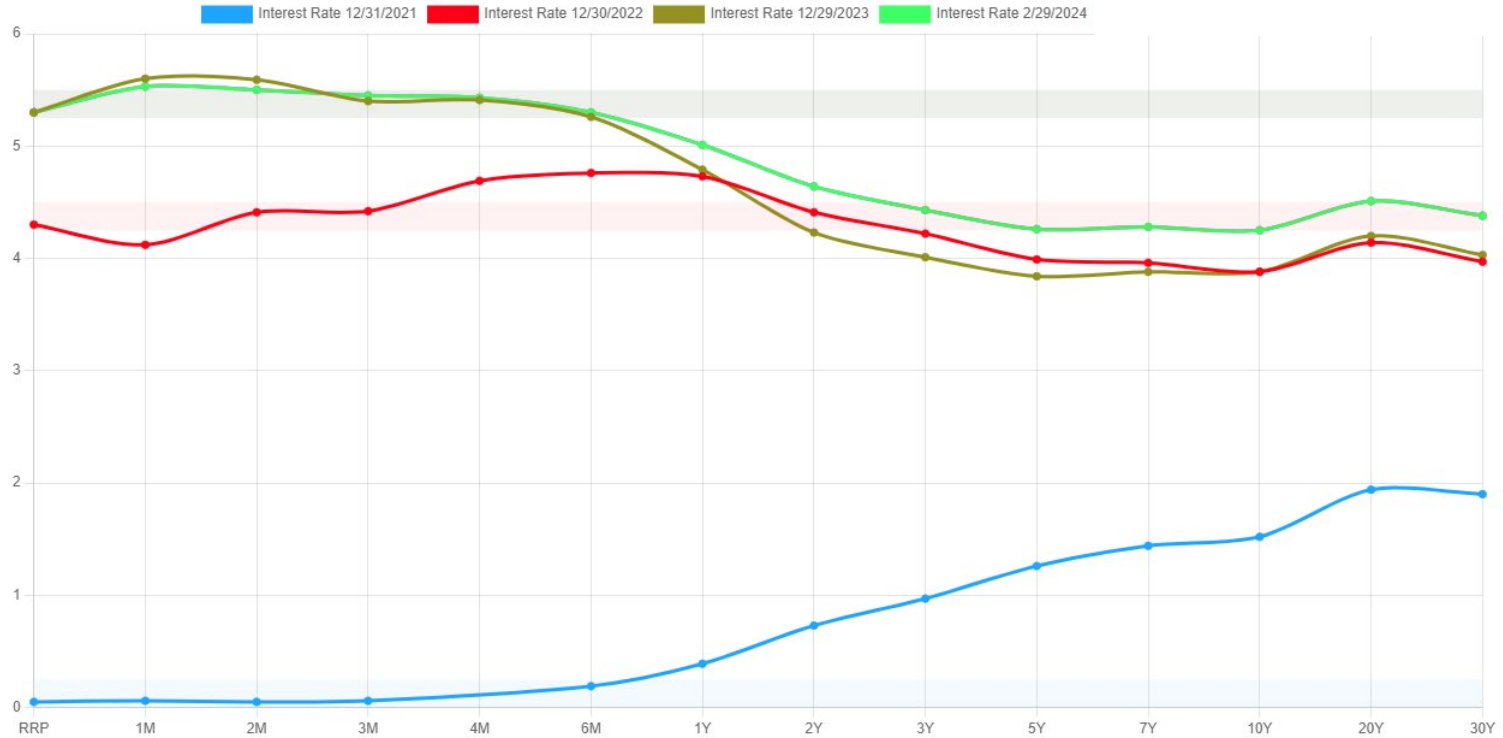
# Your Presenters



# Current State of the Industry

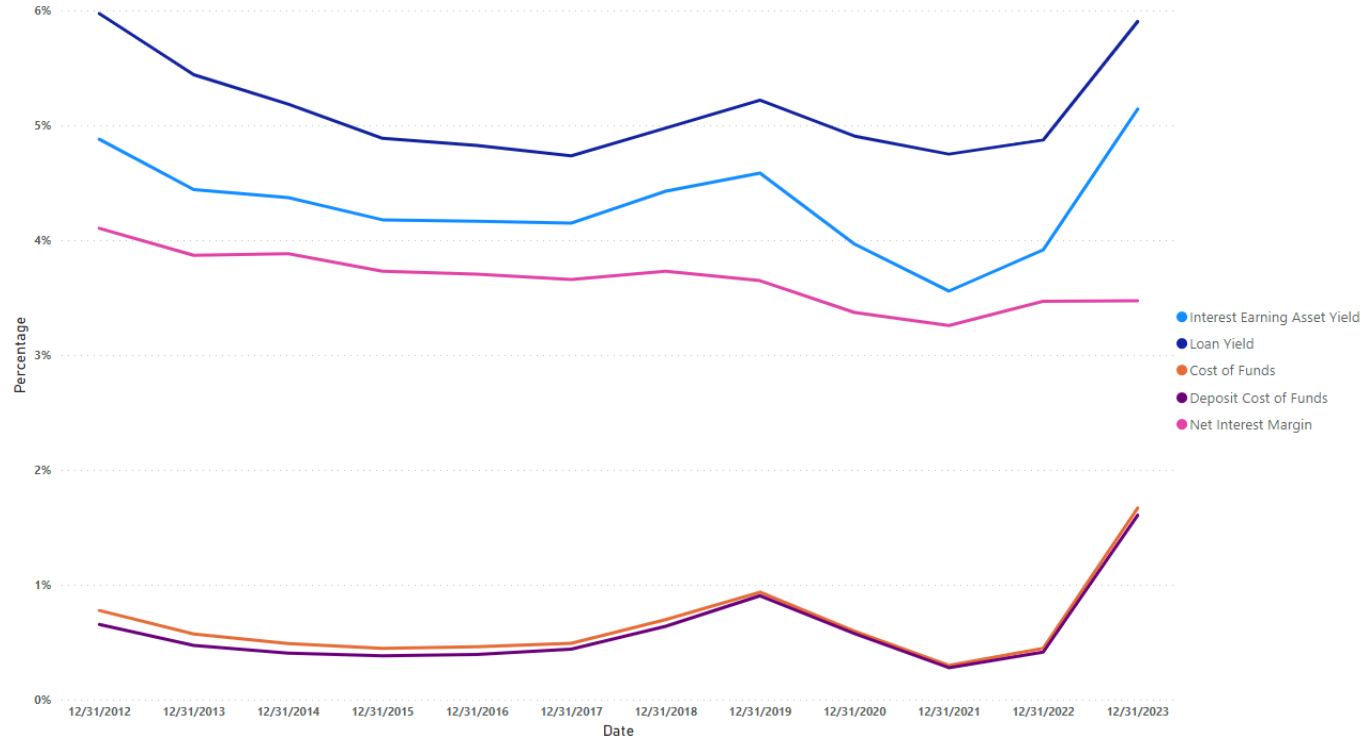


# Yield Curve Constraints



# What has happened to margins?

Yield and Cost of Funds Analysis





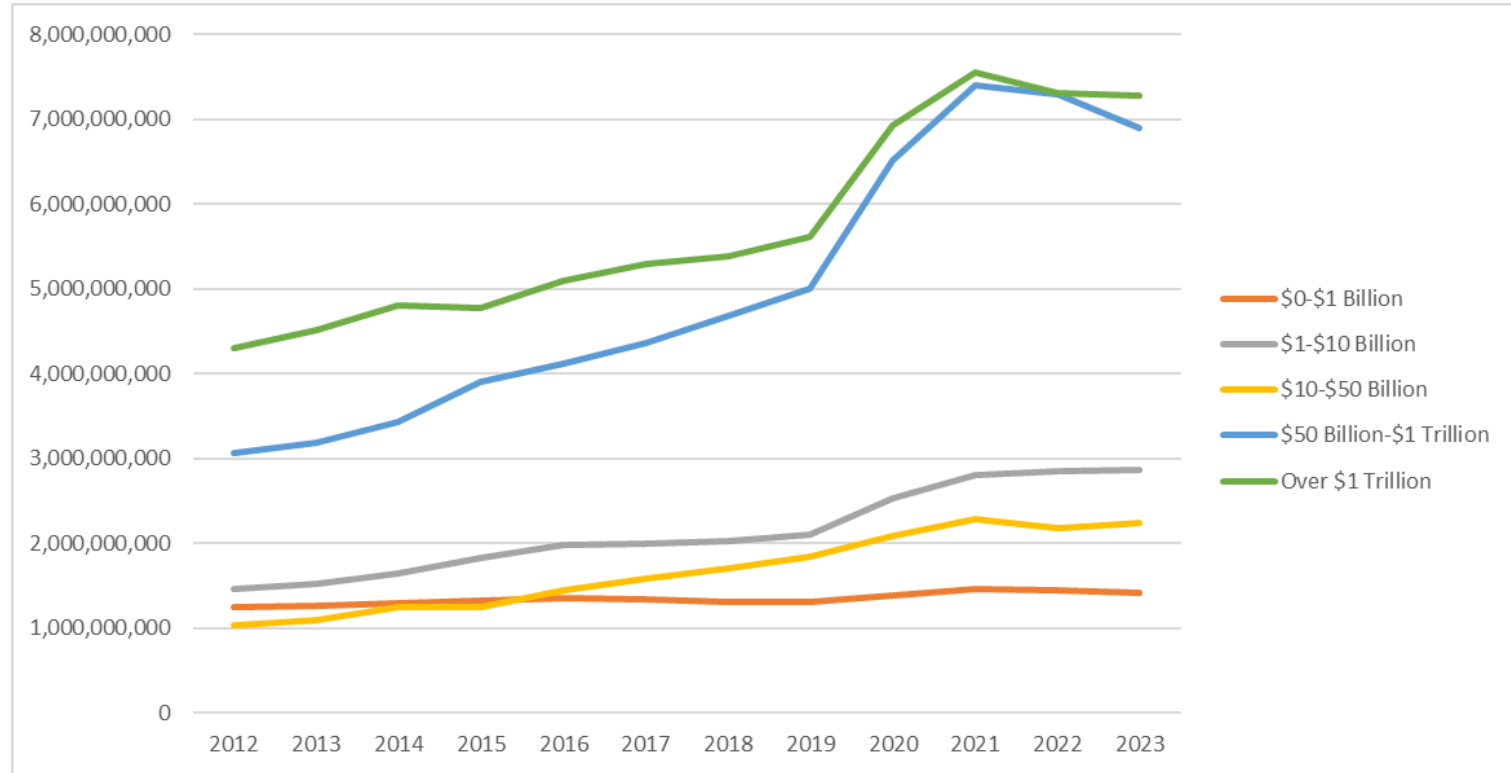
# Polling Question #1

Which of these strategies is your organization most likely to utilize to manage liquidity in 2024?

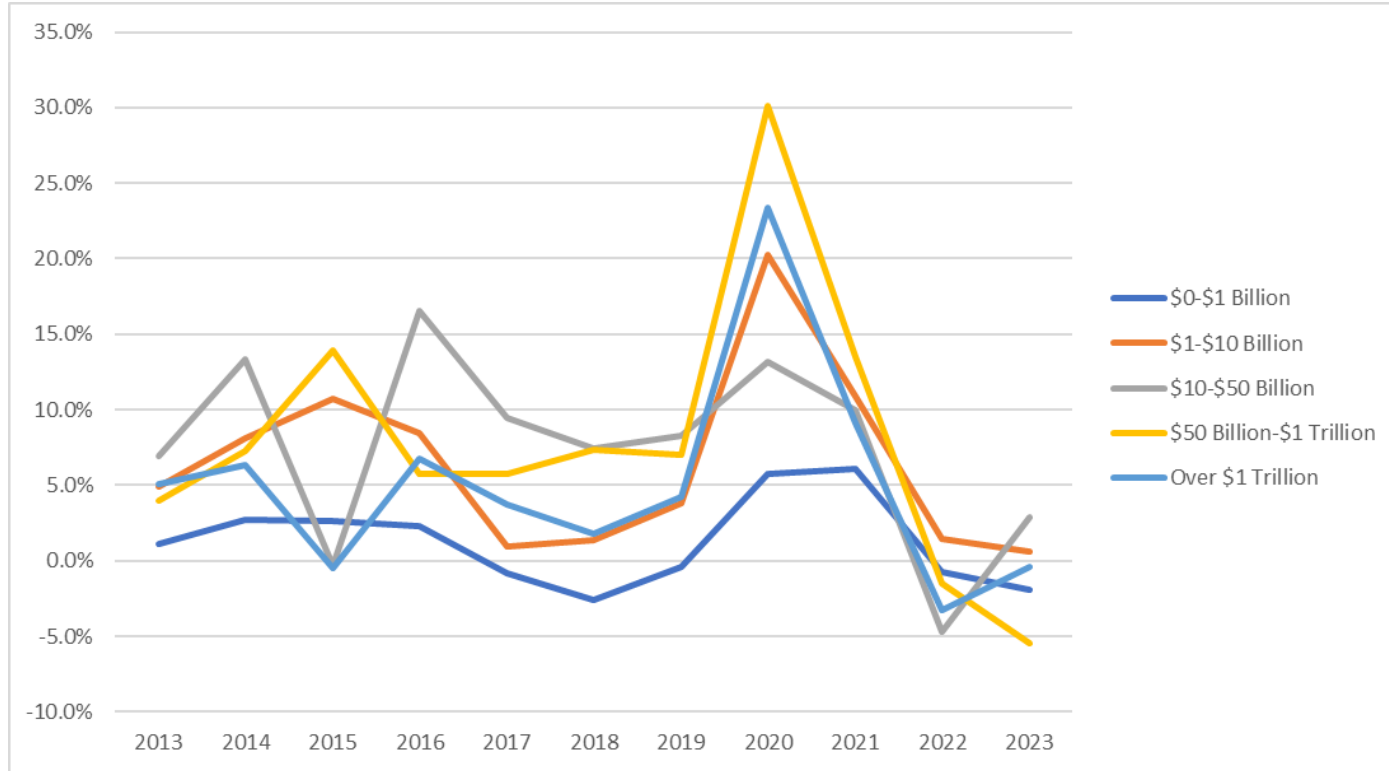
- Advances/borrowings
- Raise rates on deposits
- Brokered deposits
- Tighten credit standards/slow lending



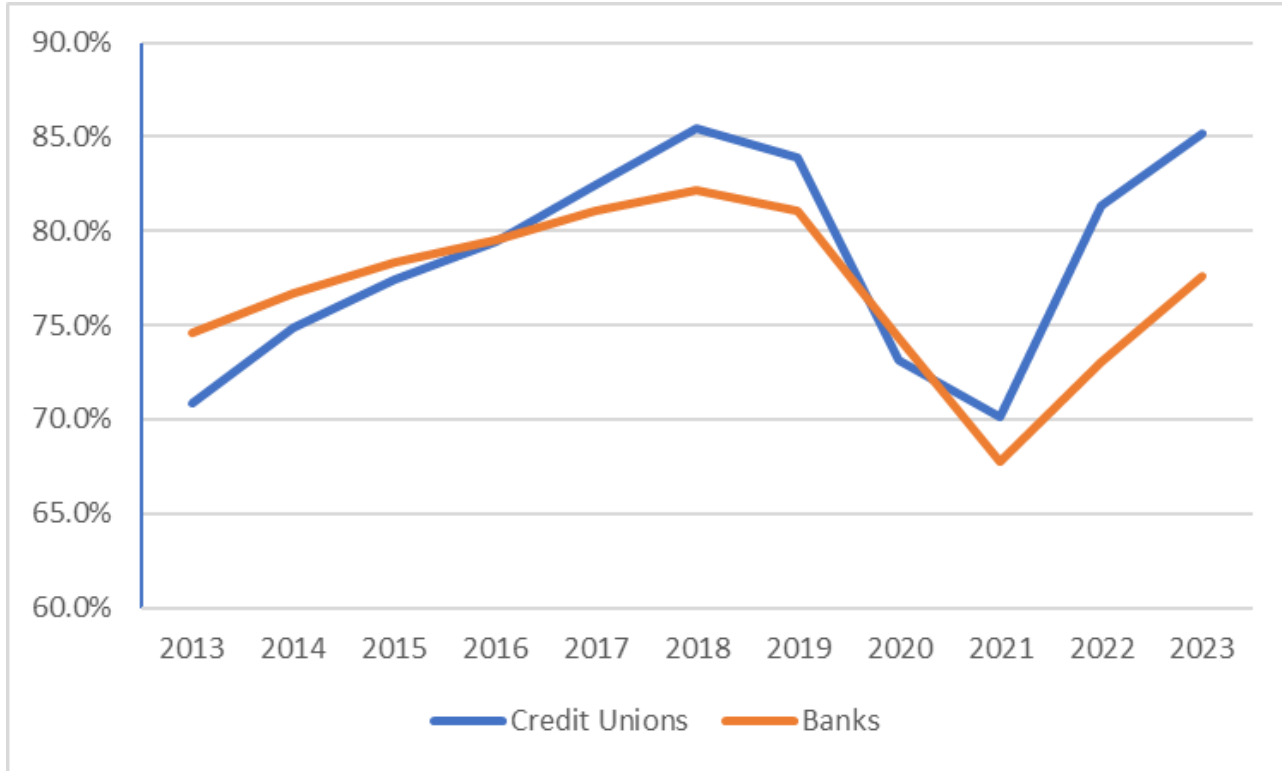
# Current Trends in Deposit Balances



# Current Trends in Deposit Balances (Cont.)



# Loan to Deposit Trends



# Polling Question #2

What is the primary risk facing your organization over the next 12-24 months?

- Deposit pricing
- Liquidity management
- Credit demand/quality
- Regulatory/compliance requirements



# Regulatory Perspective on Credit Risk

## OCC Key Risk Themes

- Credit Risk is increasing due to higher interest rates, increasing risk in **commercial real estate** lending, prolonged inflation...key performance indicators are beginning to show signs of borrower stress

## NCUA Supervisory Priorities for 2024

- Economic conditions continue to change the credit risk environment in the credit union industry, as inflation, high interest rates and borrowing costs, etc. has negatively impacted some members' ability to repay their debt



# U.S. Banks exceeding 2006 CRE thresholds

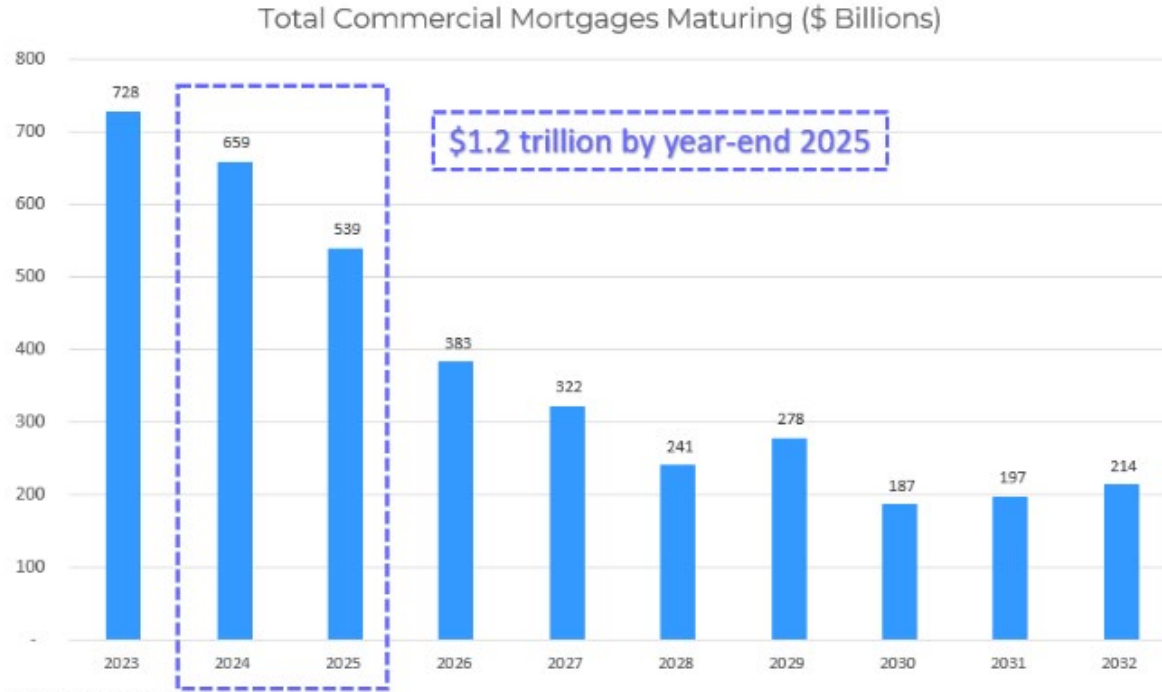


# CRE Delinquencies & Composition





# CRE Maturities and Refinance Risk



Source: CRED IQ, MBA



# Polling Question #3

In your most recent regulatory examination, which area received the most attention?

- Liquidity planning
- Interest rate sensitivity
- Credit risk
- Capital planning
- Other



# Three Things



# Actions You Can Take Today



Assess and review your current ALM model inputs and quantitative and qualitative components



Review your liquidity plans: operating & contingency



Assess your credit risk management for underwriting, monitoring, and stress testing considerations



# It takes balance.™

It's our job to engage in conversations, listen to what you really want, and apply our talents and experience to make extraordinary impact on your organization and life.

