



# Rounding out the Risk Discussion & Preparing for the Next Normal

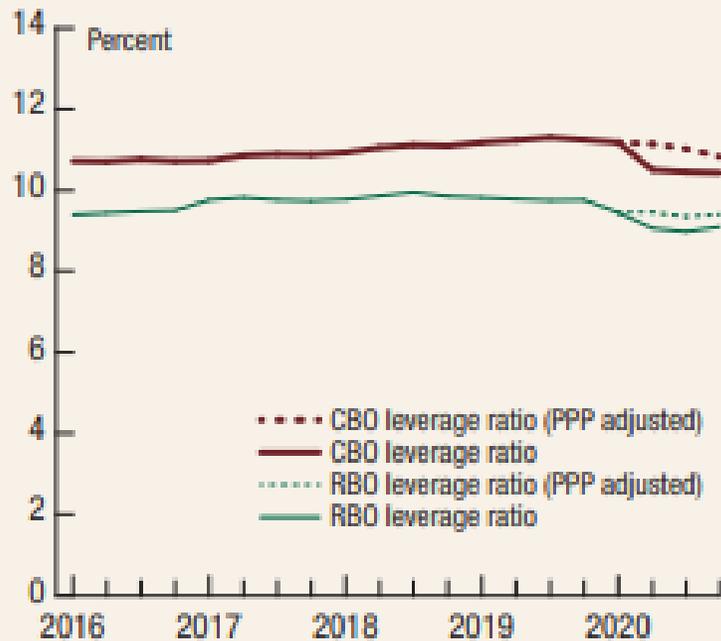


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Disclaimer: The views expressed in this document are those of the speaker and do not necessarily reflect the views of the Federal Reserve Bank of Richmond or the Federal Reserve System

# Banking Conditions

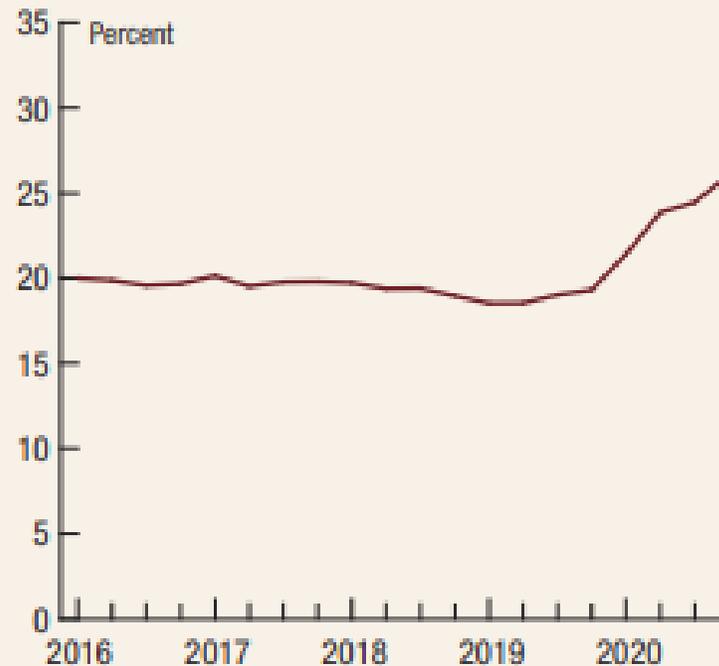
Figure 9. Tier 1 leverage ratio (CBOs and RBOs)



Note: The PPP-adjusted leverage ratio was computed by subtracting PPP covered loans outstanding from the ratio's denominator, and then adding back to the denominator the quarterly average amount of PPP covered loans pledged to the PPPLF that were excluded from total assets for the leverage ratio.

Source: Call Report and FR Y-9C.

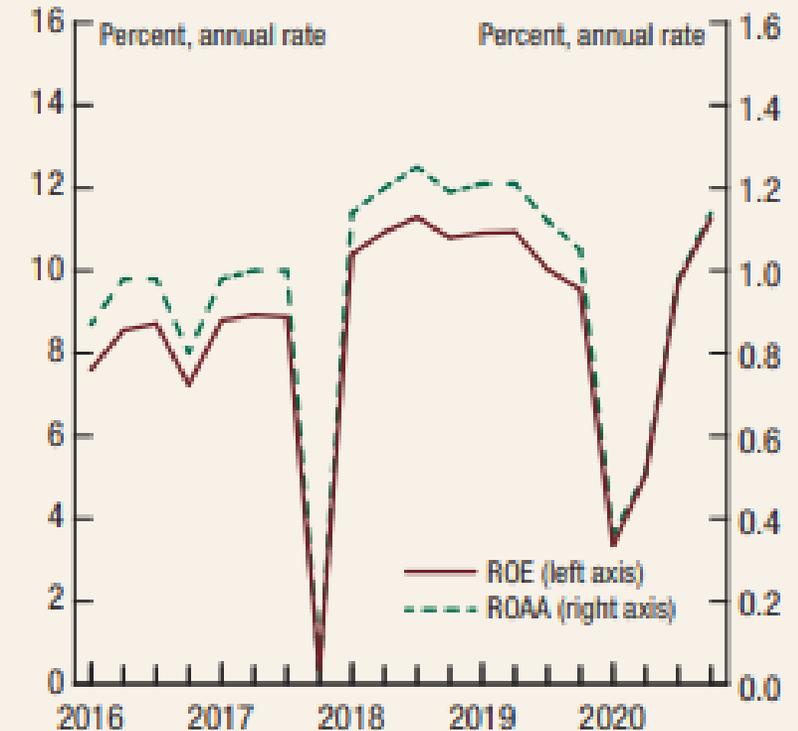
Figure 2. Liquid assets as a share of total assets



Note: Liquid assets are cash plus estimates of securities that qualify as high-quality liquid assets (HQLA) as defined by the liquidity coverage ratio requirement. See the data appendix for further information.

Source: FR Y-9C.

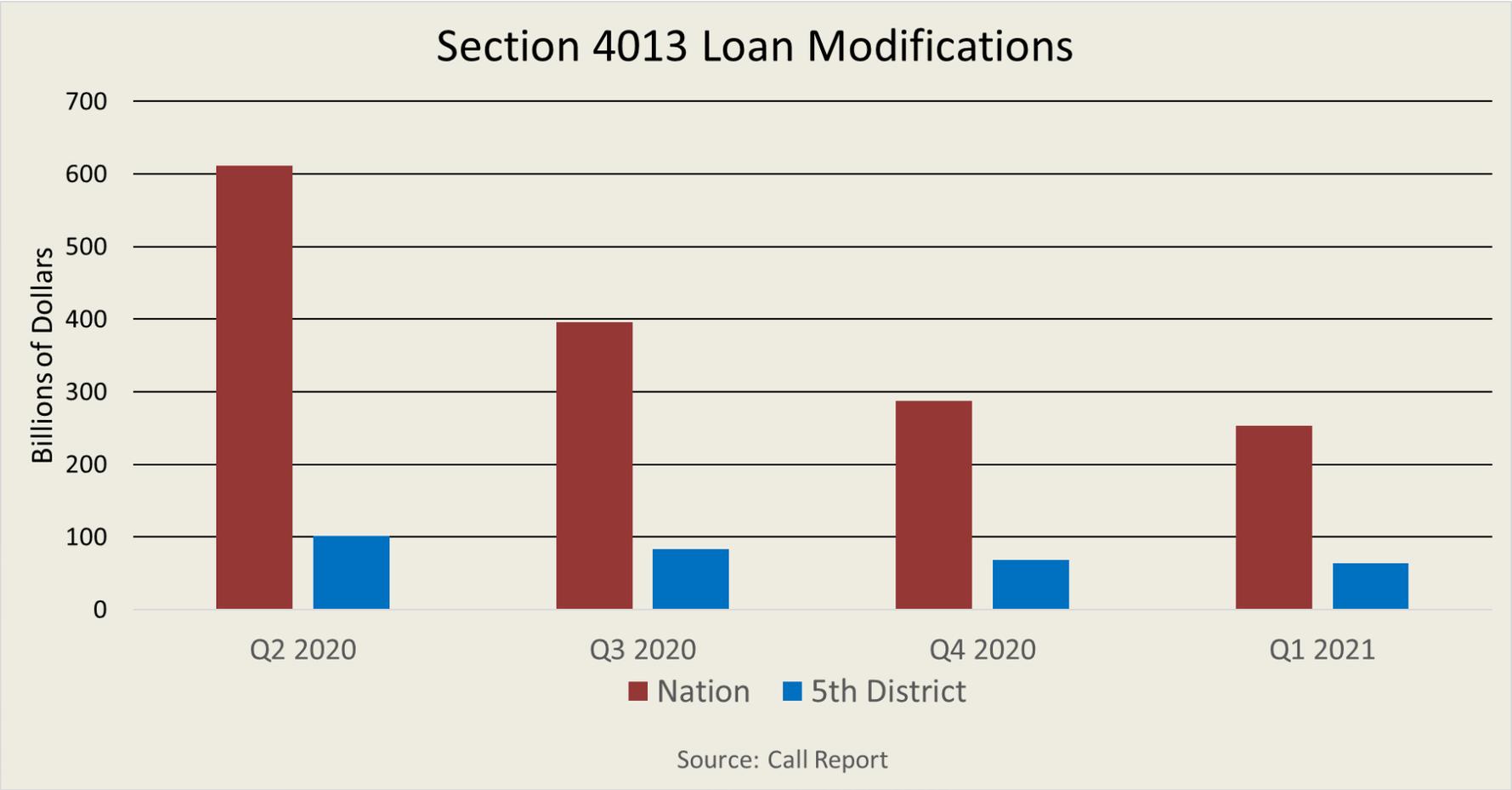
Figure 3. Bank profitability



Note: ROE is net income/average equity capital, and ROAA is net income/average assets.

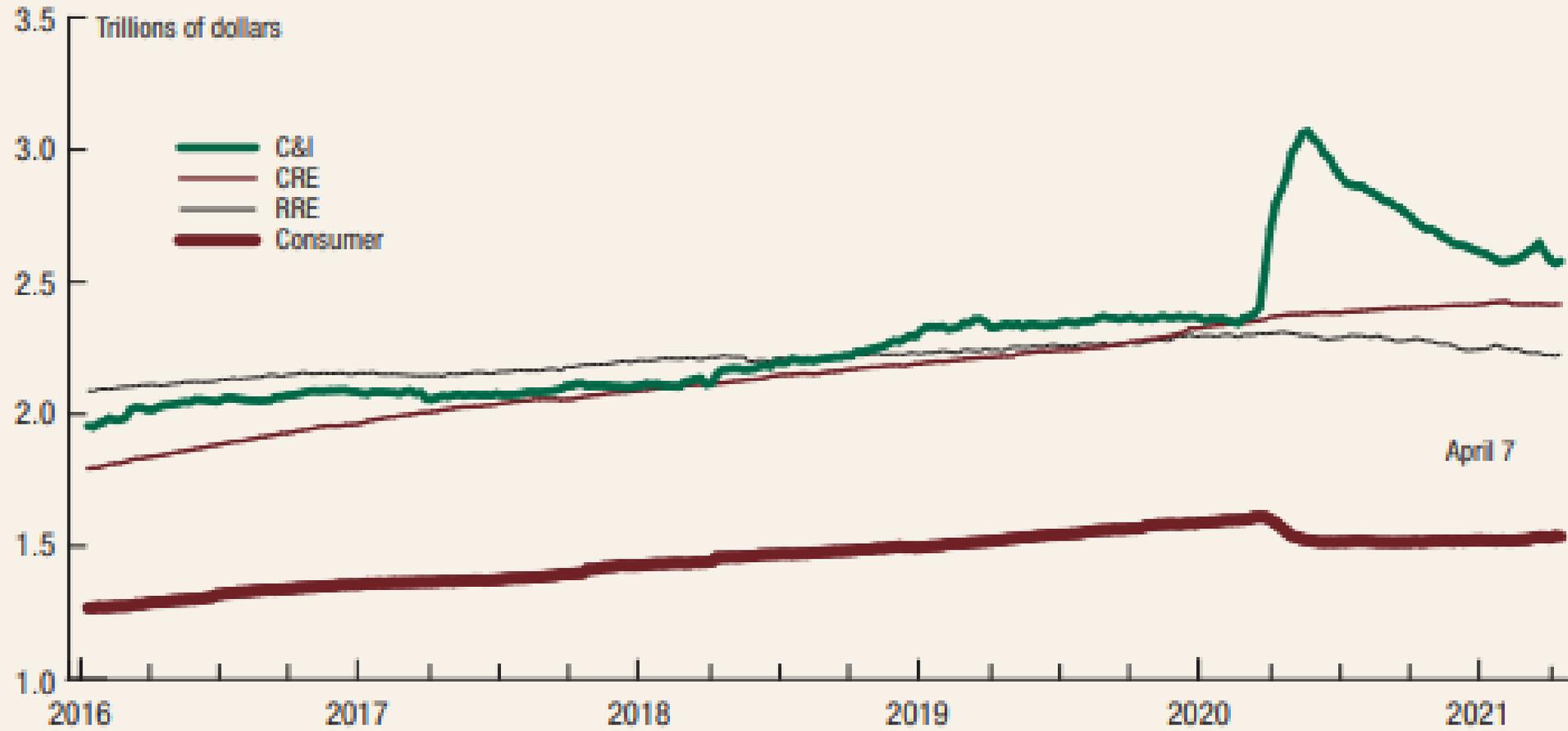
Source: Call Report and FR Y-9C.

# The balance of loans modified under the CARES Act continues to decrease



# Impact of PPP on C&I

Figure 6. Loans by type



Note: Data are for all commercial banks.

Source: H.8, "Assets and Liabilities of Commercial Banks in the United States."

# Consumers are on a credit card diet

Total Quarterly US Credit Card Debt

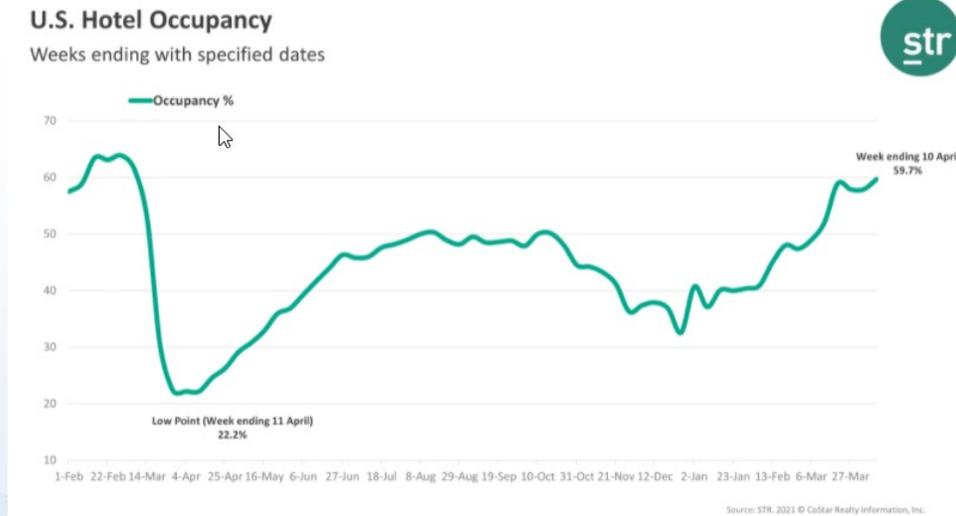


Source: New York Fed Consumer Credit Panel/Equifax

# CRE Landscape

Average CRE / RBC*		
	2012-21**	2021Q1
MD		335.0
NC		317.0
SC		249.3
VA		258.3
WV		183.6
District		260.8
Nation		196.0

\*5% Trimmed mean; includes owner-occupied CRE  
 \*\* Data as of Q1 each year



## Large, Expensive Cities Experiencing More Deterioration in Office Market Fundamentals

	Vacancy Rates Q4 2020	Effective Rents Q4 2020
	YoY Change	YoY Change
<b>National</b>	+ 280 bps	- 3.8%
<b>Major Markets</b>		
SF	+ 650 bps	- 11.3%
NYC	+ 320 bps	- 5.5%
LA	+ 400 bps	- 1.1%
Chicago	+ 260 bps	- 2.1%
Boston	+ 240 bps	- 5.1%
DC	+ 240 bps	- 3.2%
<b>Secondary Markets (median)</b>	+ 240 bps	- 0.9%
<b>Tertiary Markets (median)</b>	+ 190 bps	- 0.4%

Red text represents deterioration exceeding the national trend.  
 Source: CBRE EA.

## The Federal Reserve Bank of Richmond

At the Richmond Fed, we supervise and regulate state-chartered banks that have elected to become members of the Federal Reserve System as well as all bank holding companies, savings and loan holding companies, and operations of foreign banks conducting business in our District. Through our supervision programs, which include on-site and off-site examinations and inspections, we assess and monitor the safety and soundness of these entities and evaluate compliance with consumer protection laws and regulations. These activities support our mission to promote a safe, sound and stable banking and financial system that supports the growth and stability of the U.S. economy and fair and transparent consumer financial services.

### **Richmond Fed's Supervision, Regulation and Credit Team**

Our experienced team with diverse skills is located in Richmond, Baltimore and Charlotte. Together, we serve the 5<sup>th</sup> District, which includes the Carolinas, Virginia, most of West Virginia, Washington, D.C. and Maryland.

### **Our Supervision is built on strong relationships.**

We provide:

- Fair, consistent and tailored supervision with dedicated points of contact
- Knowledgeable and responsive examination staff and risk specialists
- Committed outreach and education programs
- One local Federal Regulator for your bank AND holding company
- Fed Stock dividend, supervision without fees, access to Fed services and a voice in district board representation

**Our state member banks enjoy a consolidated supervision approach, effectively consolidating regulatory oversight into one federal regulator in a holding company structure. We partner closely with state regulators across our District to ensure supervisory oversight is consistent and efficient.**

We welcome your questions about state membership and the efficiencies in supervision we can provide. Please contact Vice President Jeff Deibel at (804) 697-8286 or Vice President Joan Garton at (804) 697-7966 for more information. We also have more information on our website [richmondfed.org](http://richmondfed.org) under the Banking tab.