

Mutual Savings Association Advisory Committee Meeting

March 21, 2018

Mutual Overview and Trends

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Mutual Overview and Trends

1. Portfolio Demographics

- Federal Savings Associations (FSAs) trends by form of organization, lender peer, state, asset distribution, and charter age.

2. Financial & Rating Metrics

- **Composite Rating, Capital** (including PCA categories), **Asset Quality** (including loan mix and loan growth), **Management, Earnings** (including efficiency ratio detail), **Liquidity, Sensitivity to Market Risk**, and **Specialty** areas. Some breakouts by mutual peer groups.

3. Supervisory Information

- Risk Assessment Information, Examination Cycle, Matters Requiring Attention (MRAs), Violations of Law (VOLs), and Supervisory Rating Changes.

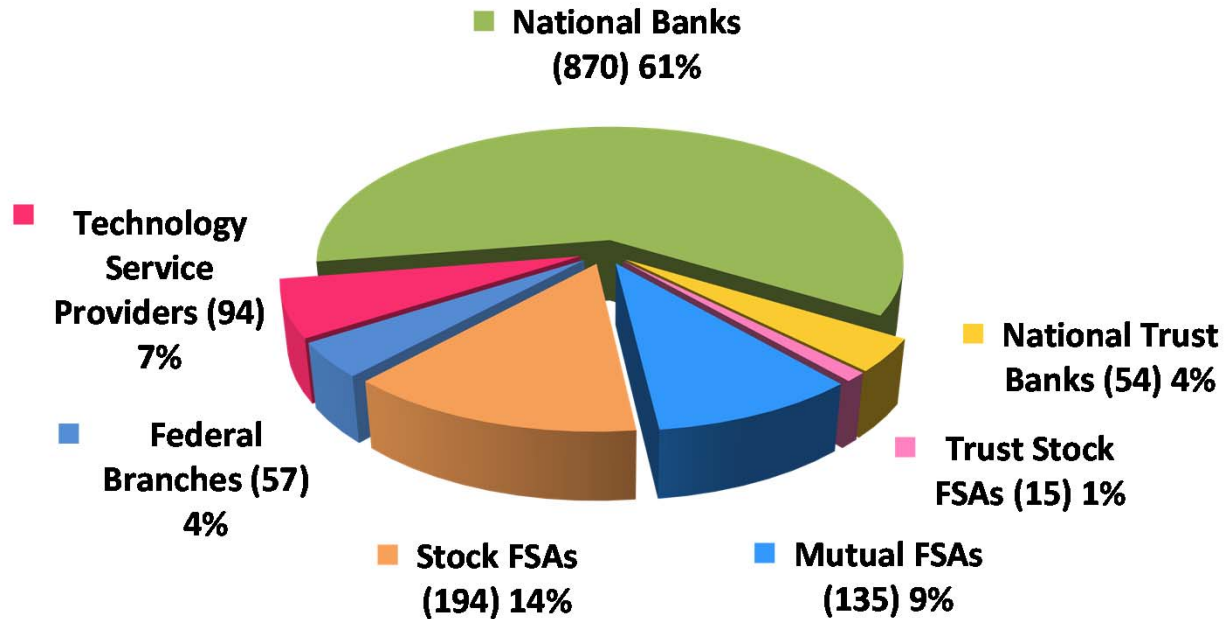
4. OCC Supervisory Tools

- Canary FSA Benchmarks, Thrift Analysis Report, Mutual Peer Bank Performance Report, Quarterly FSA Briefing Package, and Customized Mutual Q Book.



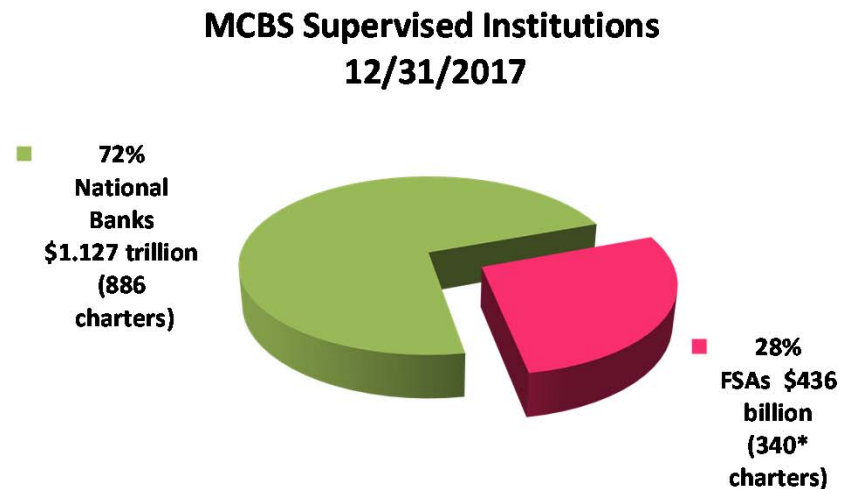
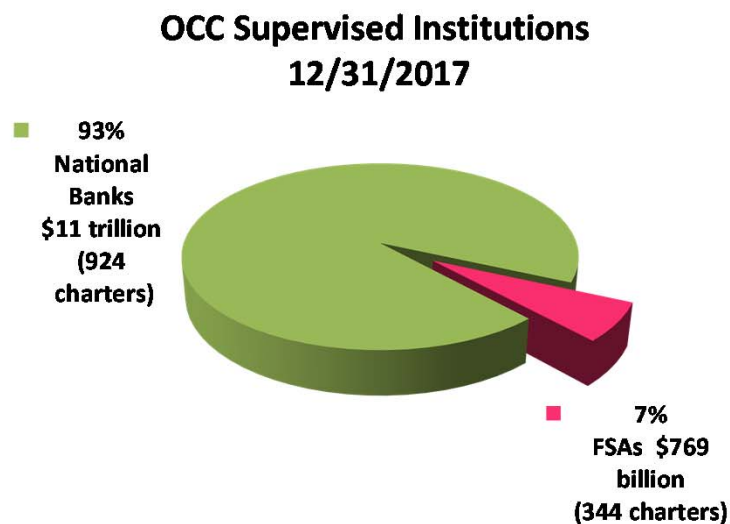
OCC Supervised Institutions by Type

OCC supervised 1,419 institutions as of December 31, 2017. Federal Savings Associations represent 24 percent of OCC charters.



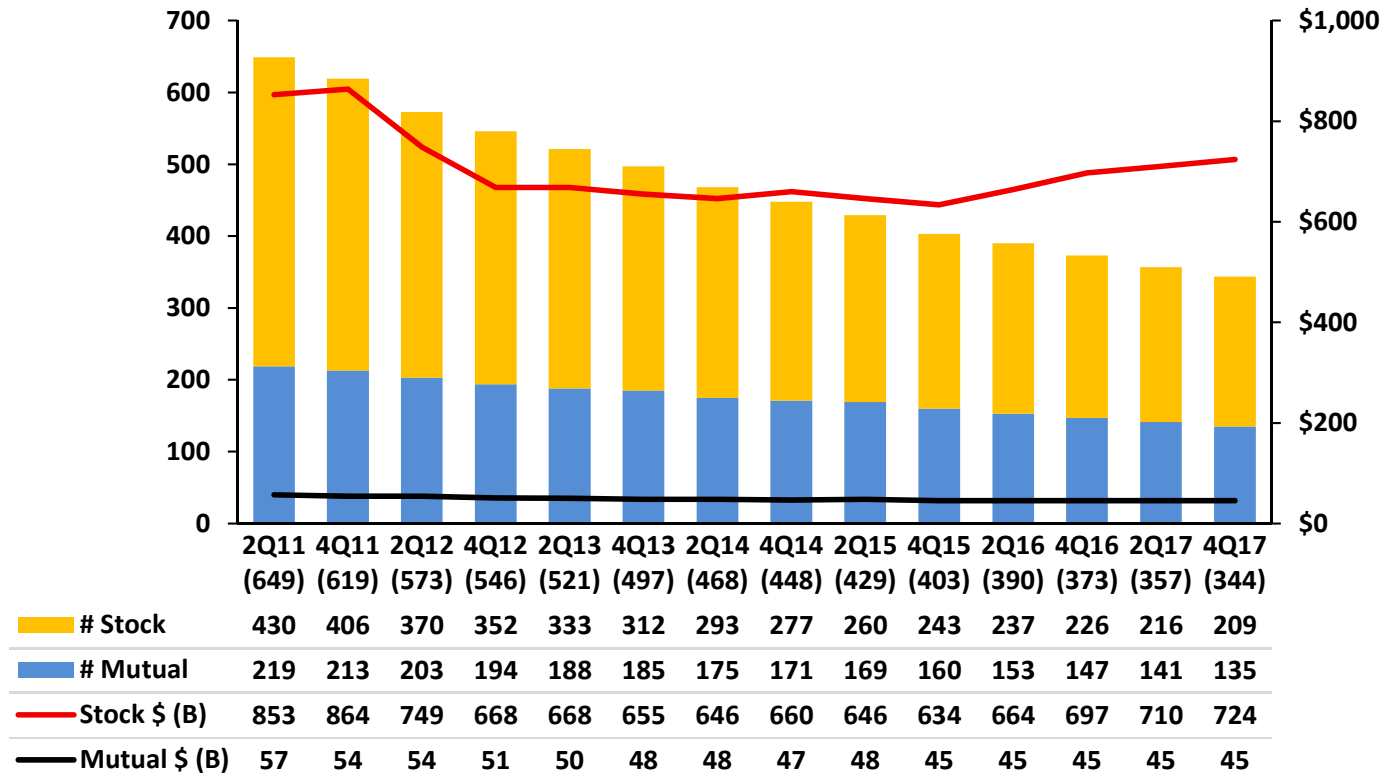
OCC and MCBS Supervised Assets

Federal Savings Associations (FSAs) represent 7 percent of OCC supervised assets and 28 percent of Midsize and Community Bank Supervision (MCBS) supervised assets. All mutual FSAs are supervised by MCBS.



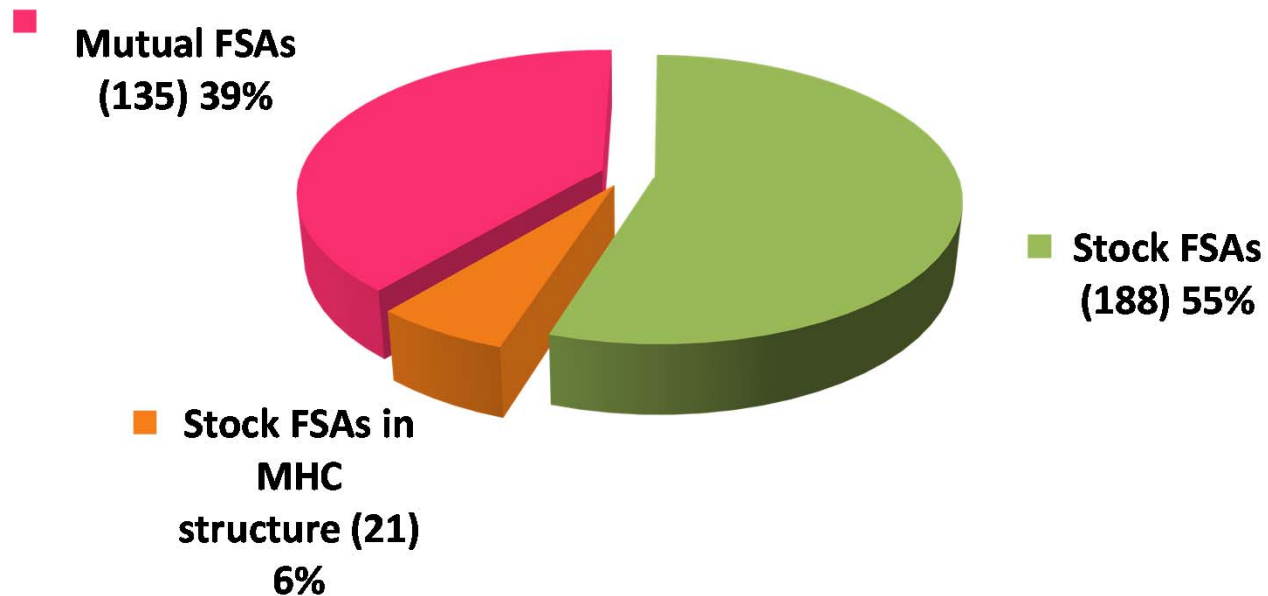
Trends in OCC Supervised FSAs

The number of mutual FSAs continue to decline but not as rapidly as stock FSAs. Aggregate assets held by mutual FSAs of \$45 billion remained fairly stable over the last year.



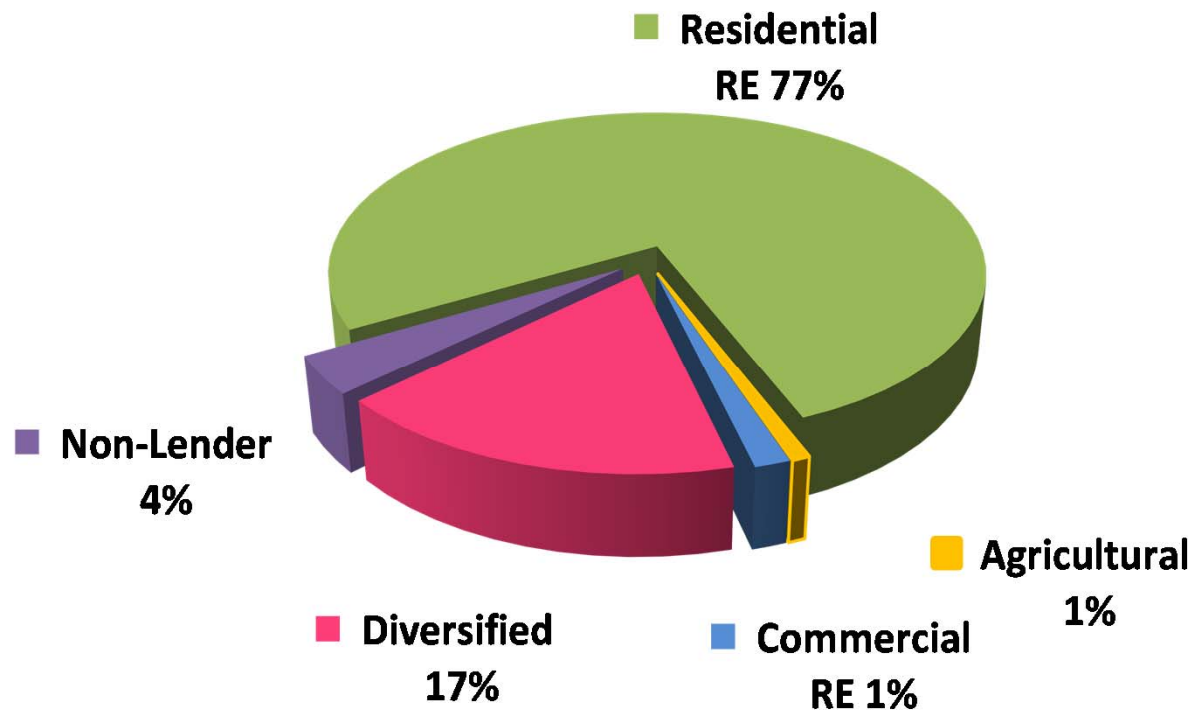
FSAs by Charter Type

Mutual FSAs and stock FSAs mutually-owned (that have not issued shares) represent 45 percent of OCC-regulated FSAs.



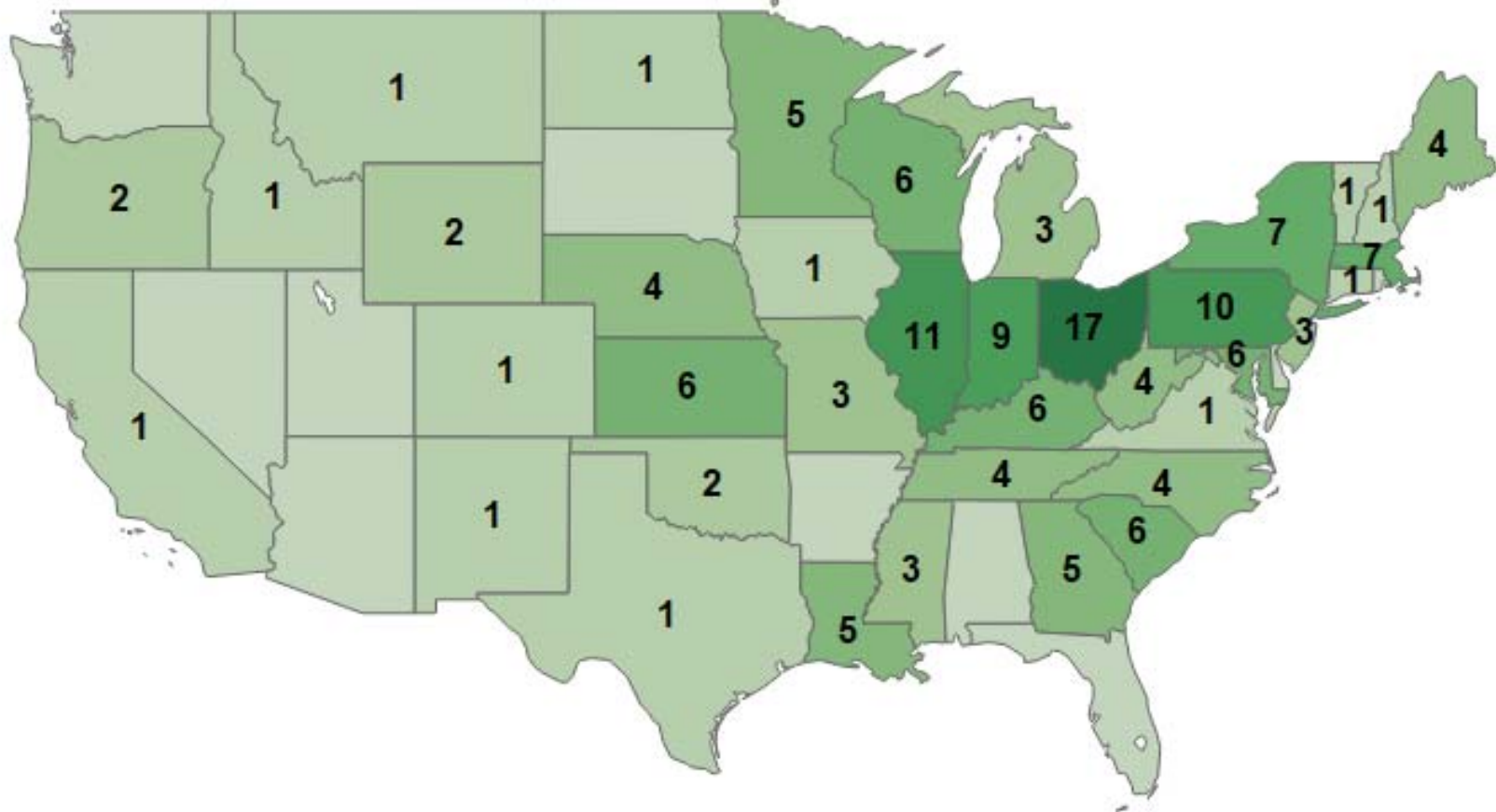
FSAs by Lender Peer

Most mutual FSAs are classified as residential real estate lenders followed by diversified lenders.



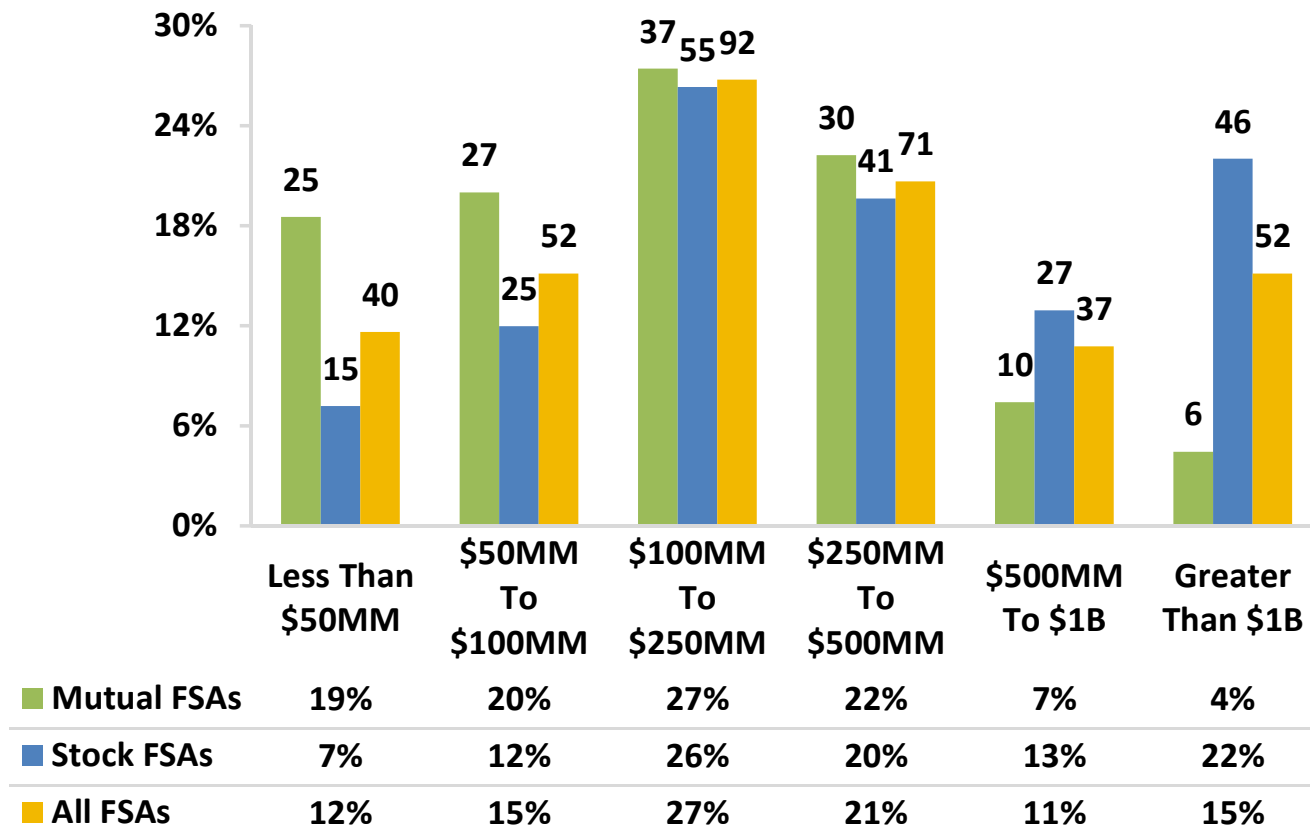
Mutual FSAs by State

Mutual FSAs are concentrated in the Midwest and Northeastern states. There are three states with 10 or more mutual FSAs: Ohio (17); Illinois (11); and Pennsylvania (10).



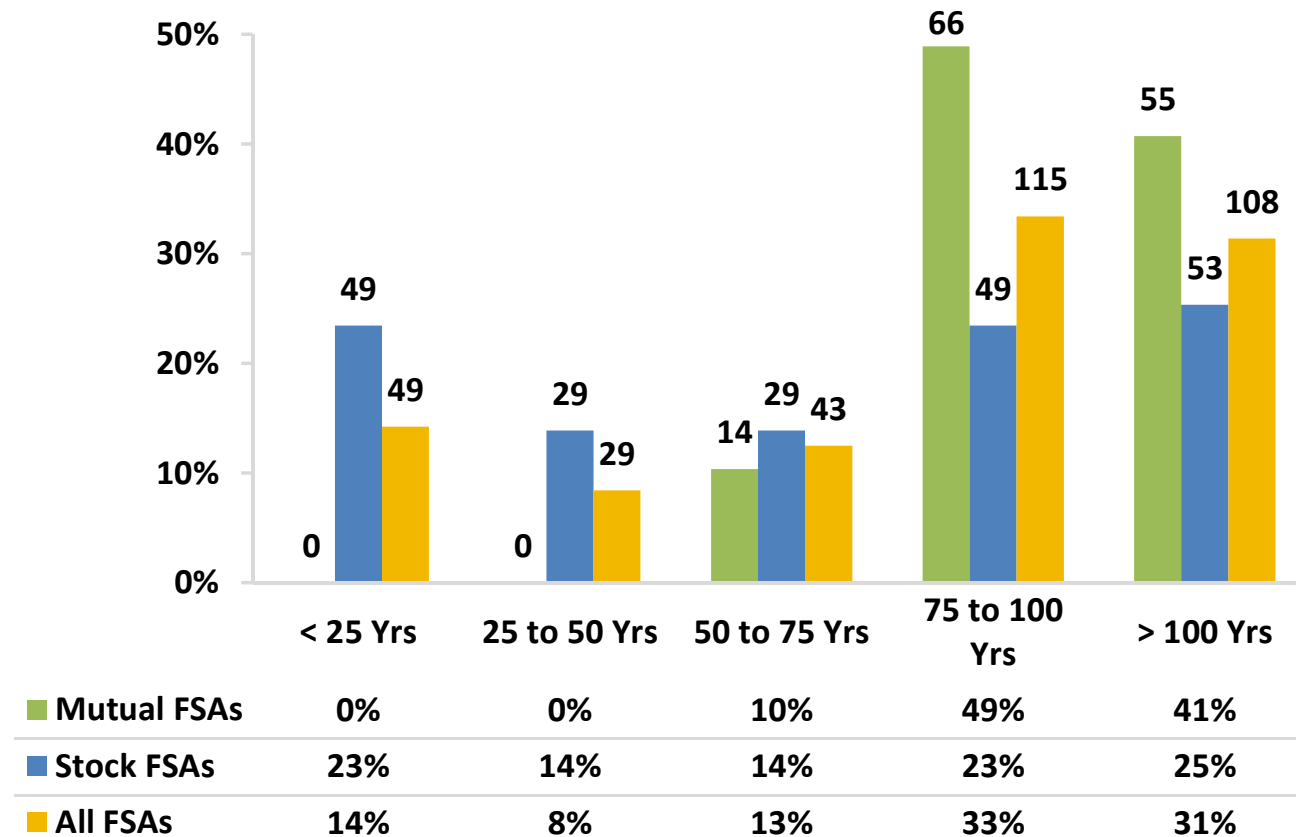
FSAs by Asset Buckets

Mutual FSAs are typically smaller in size than their stock counterparts. Only 4 percent of mutual FSAs have total assets greater than \$1 billion versus 22 percent of stock FSAs.



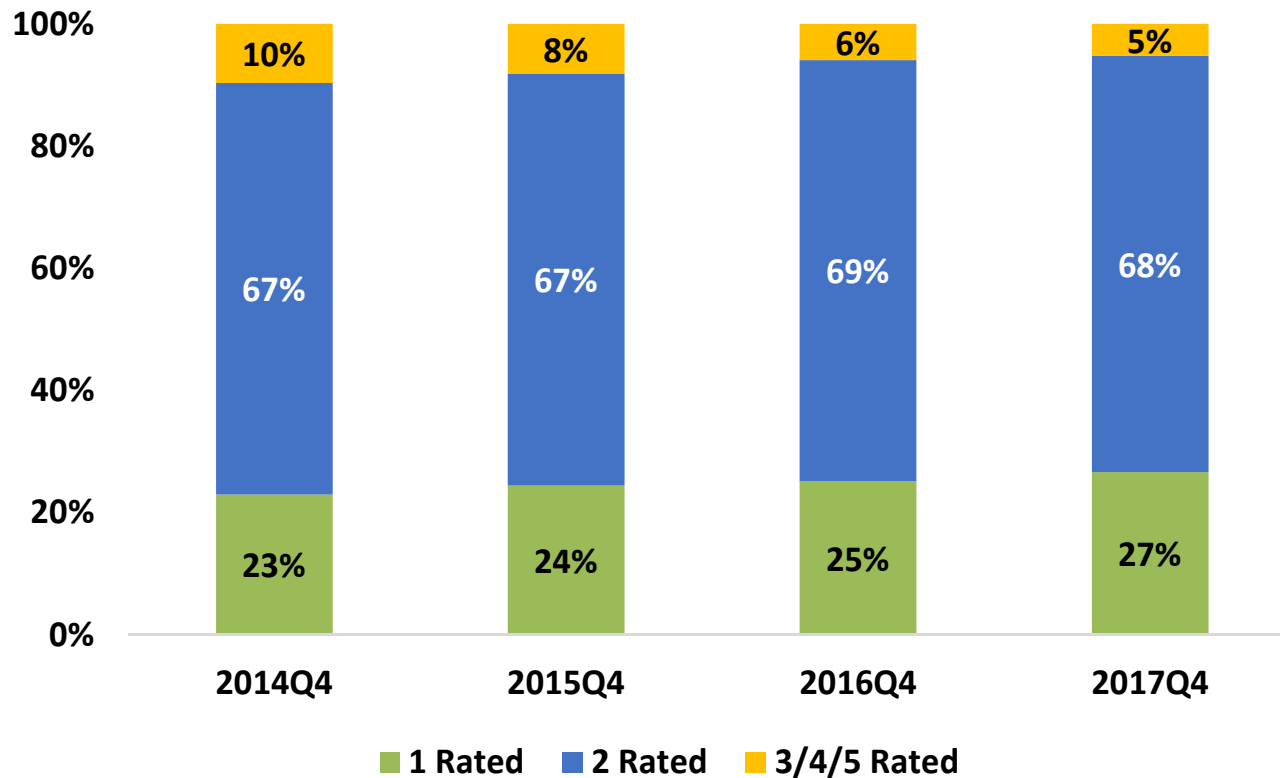
FSA Age Distribution

Mutual FSAs represent some of the oldest financial institutions in the United States. 41 percent of mutual FSAs were formed more than 100 years ago. 90 percent have operated for 75 years or more.



Mutual FSA Composite Ratings

Composite ratings at mutual FSAs improved since last year. 95 percent of all mutual FSAs are satisfactorily rated with a composite 1 or 2.



Mutual FSA Peer Groups

Mutual FSAs are placed into four peer groups and four supplemental peer groups based on quarterly average assets from the call report.

Peer Group Number	Institution Type and Assets*
101	FDIC insured savings banks in excess of \$1 billion
102	FDIC insured savings banks between \$300 million and \$1 billion
103	FDIC insured savings banks between \$100 million and \$300 million
104	FDIC insured savings banks less than \$100 million

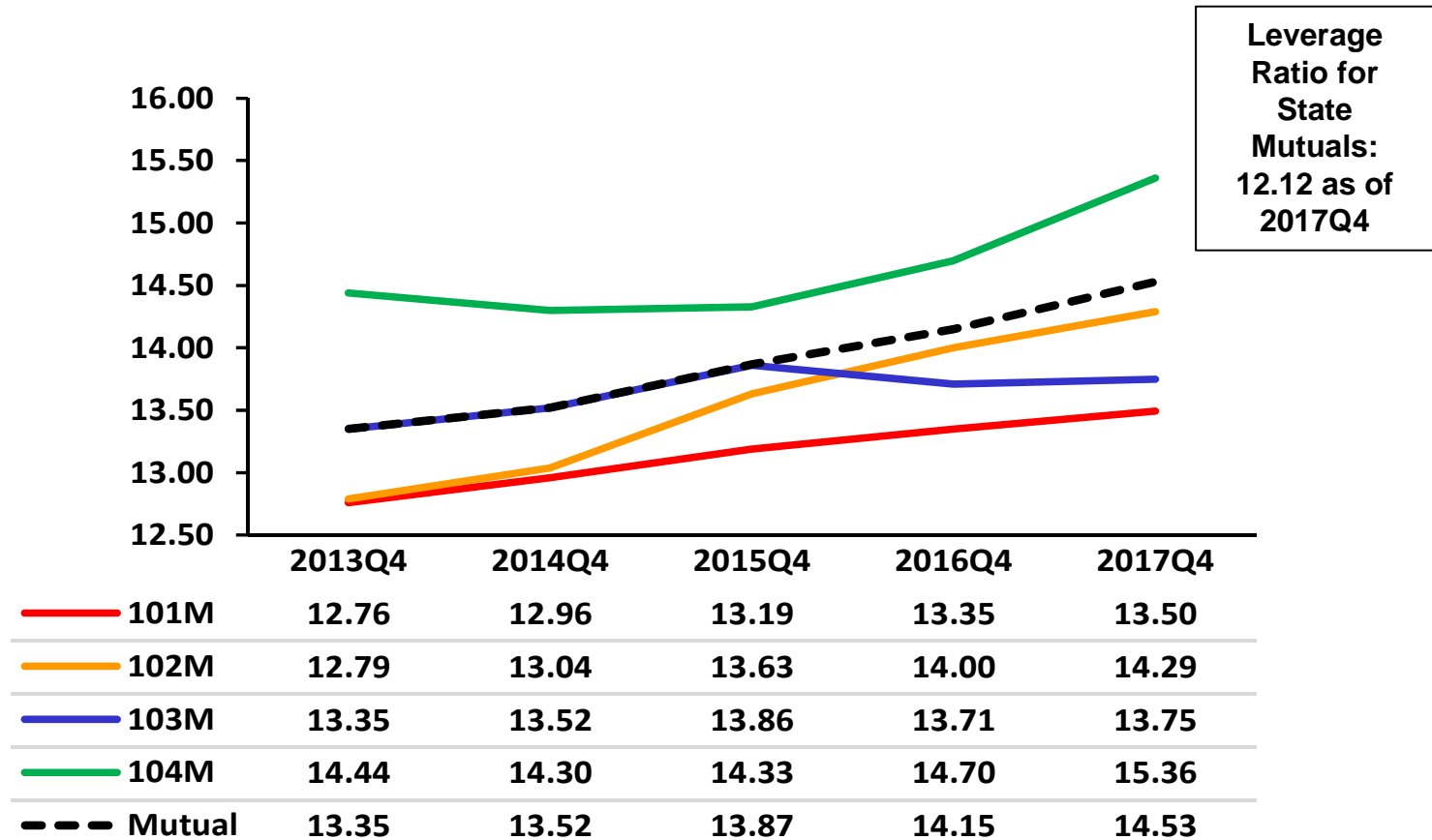
Peer Group Number	Ownership Type and Assets*
101M	Mutually-owned savings banks in excess of \$1 billion
102M	Mutually-owned savings banks between \$300 million and \$1 billion
103M	Mutually-owned savings banks between \$100 million and \$300 million
104M	Mutually-owned savings banks less than \$100 million

*Asset figure used in latest quarterly average assets (from FFIEC Call Report Schedule RC-K)



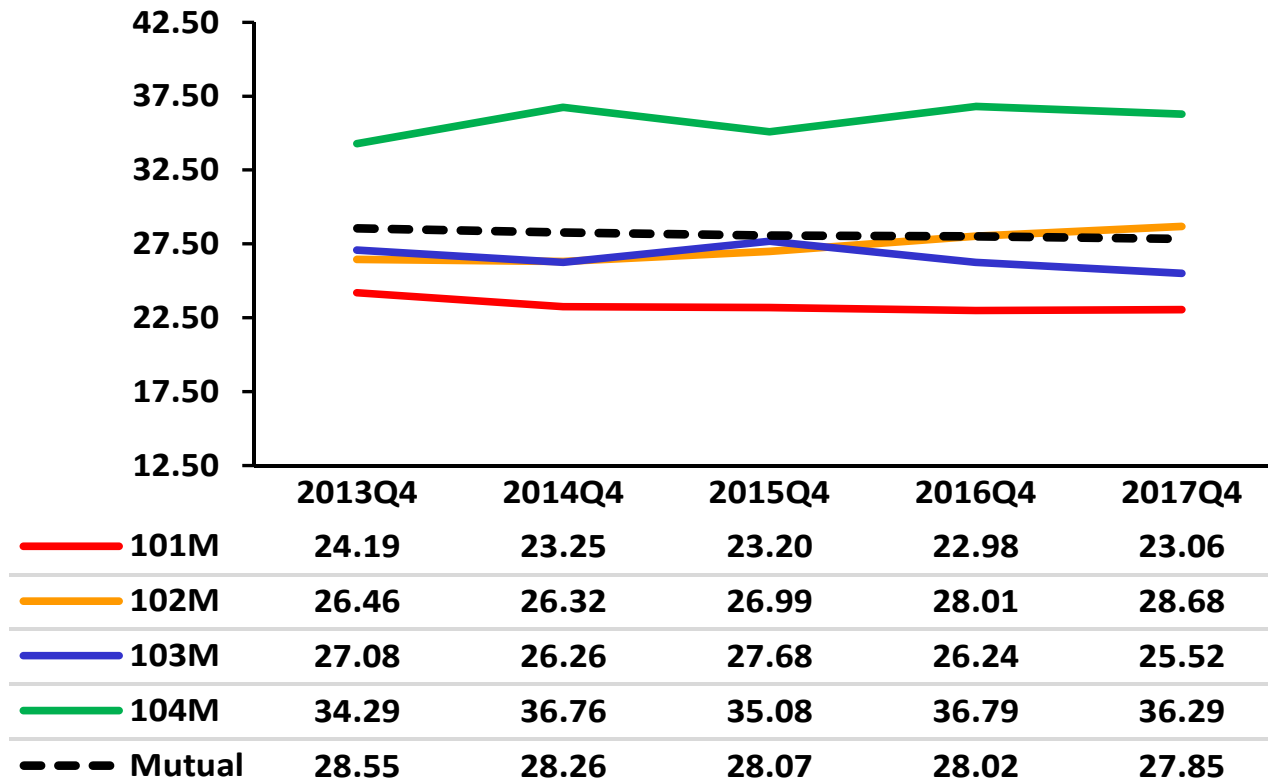
Tier 1 Leverage Capital Ratio

Mutual tier 1 capital levels continue on an upward trajectory under OCC supervision.



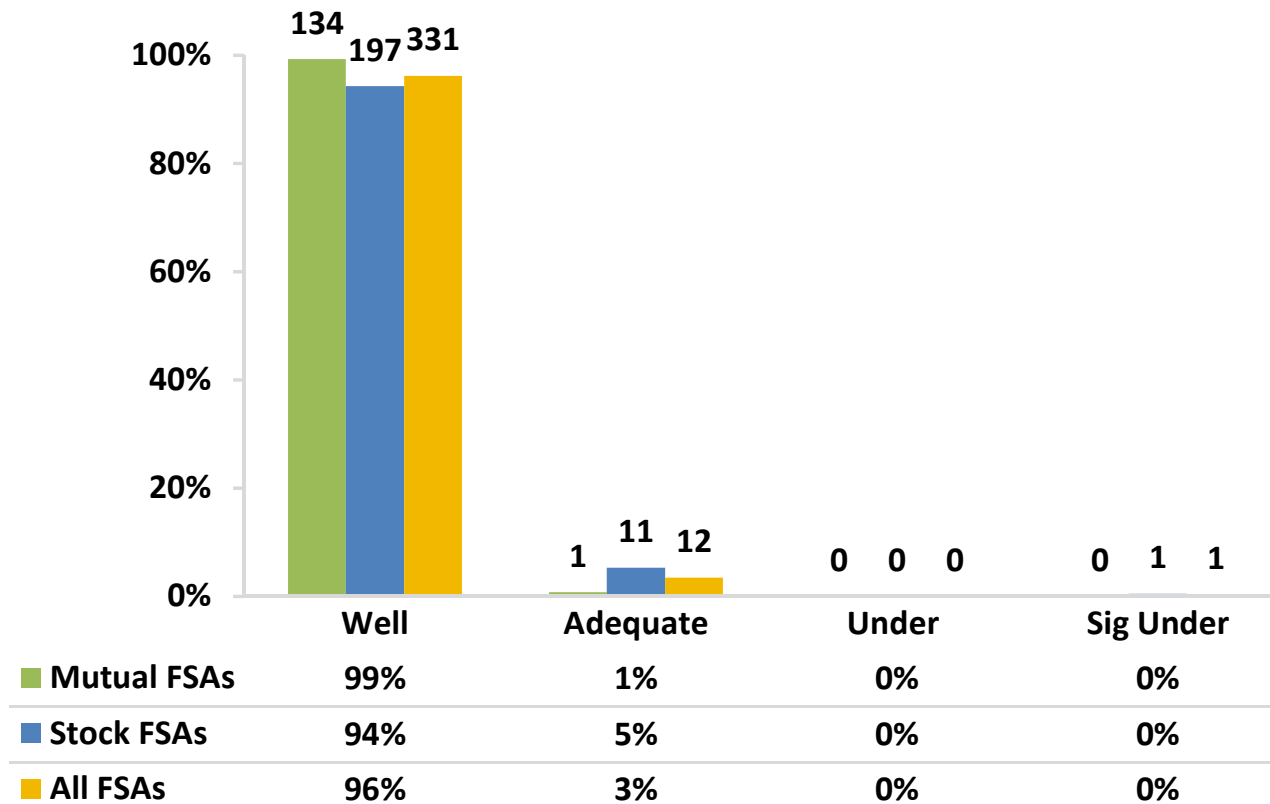
Total Risk-based Capital Ratio

Mutual total risk-based capital levels remain strong and stable, hovering around 28 percent.



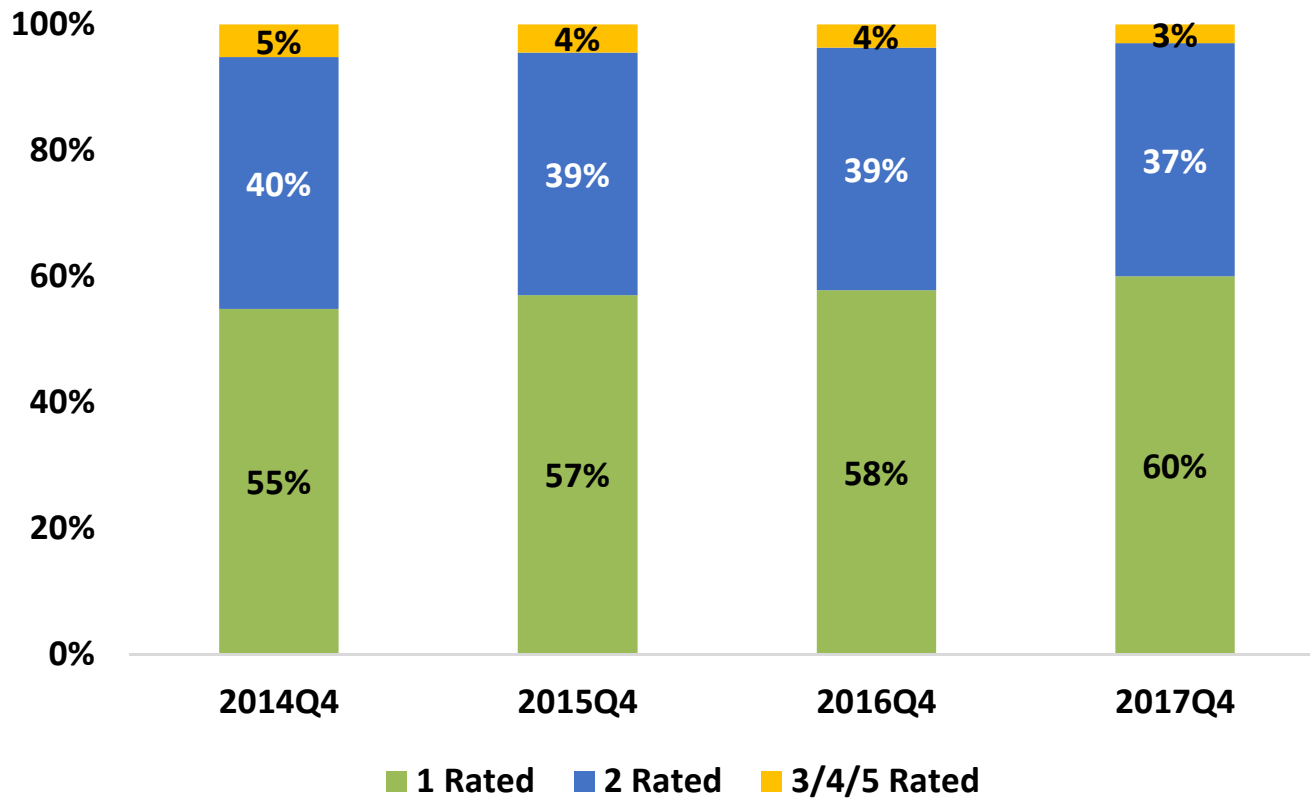
FSA PCA Categories

99 percent of all mutual FSAs are well-capitalized per the Prompt Corrective Action (PCA) provisions of FDICIA.



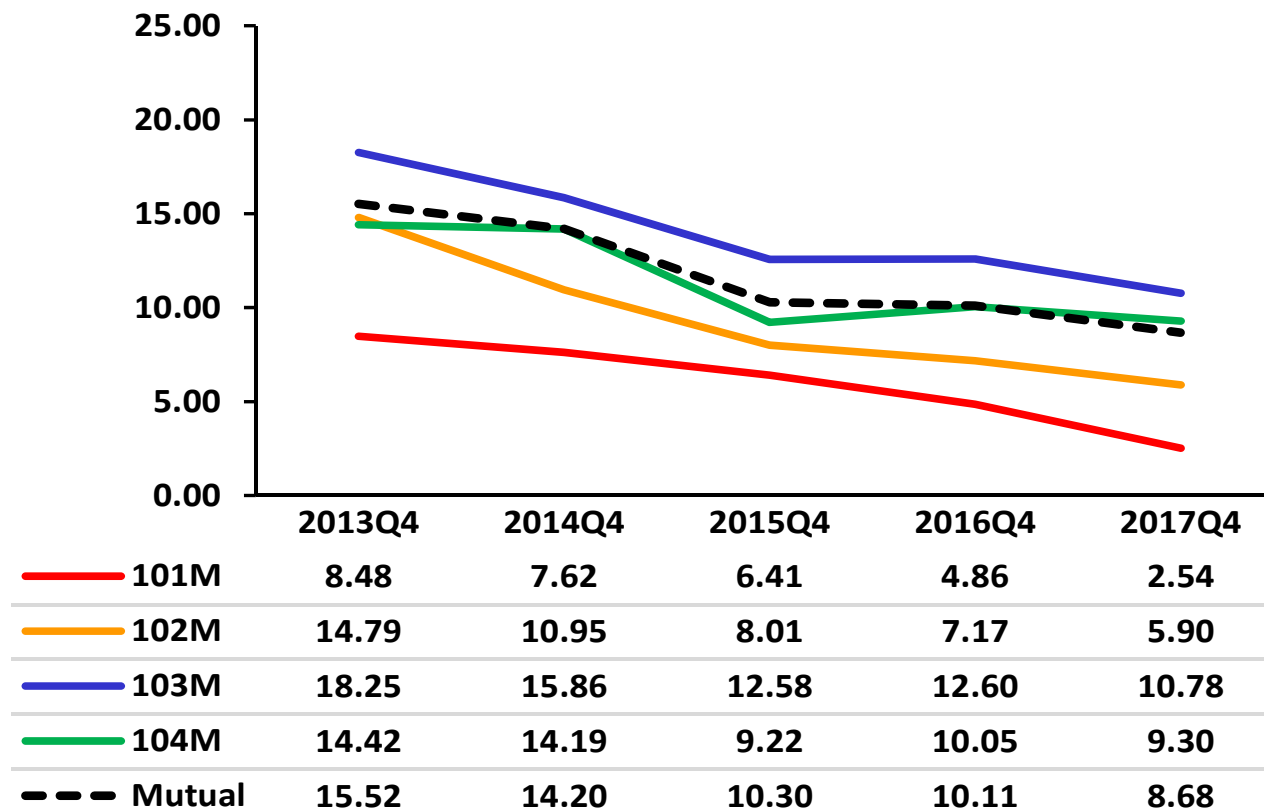
Mutual FSA Capital Ratings

Mutual FSA capital ratings improved in 2017. 97 percent of mutual FSAs are rated 1 or 2 for capital.



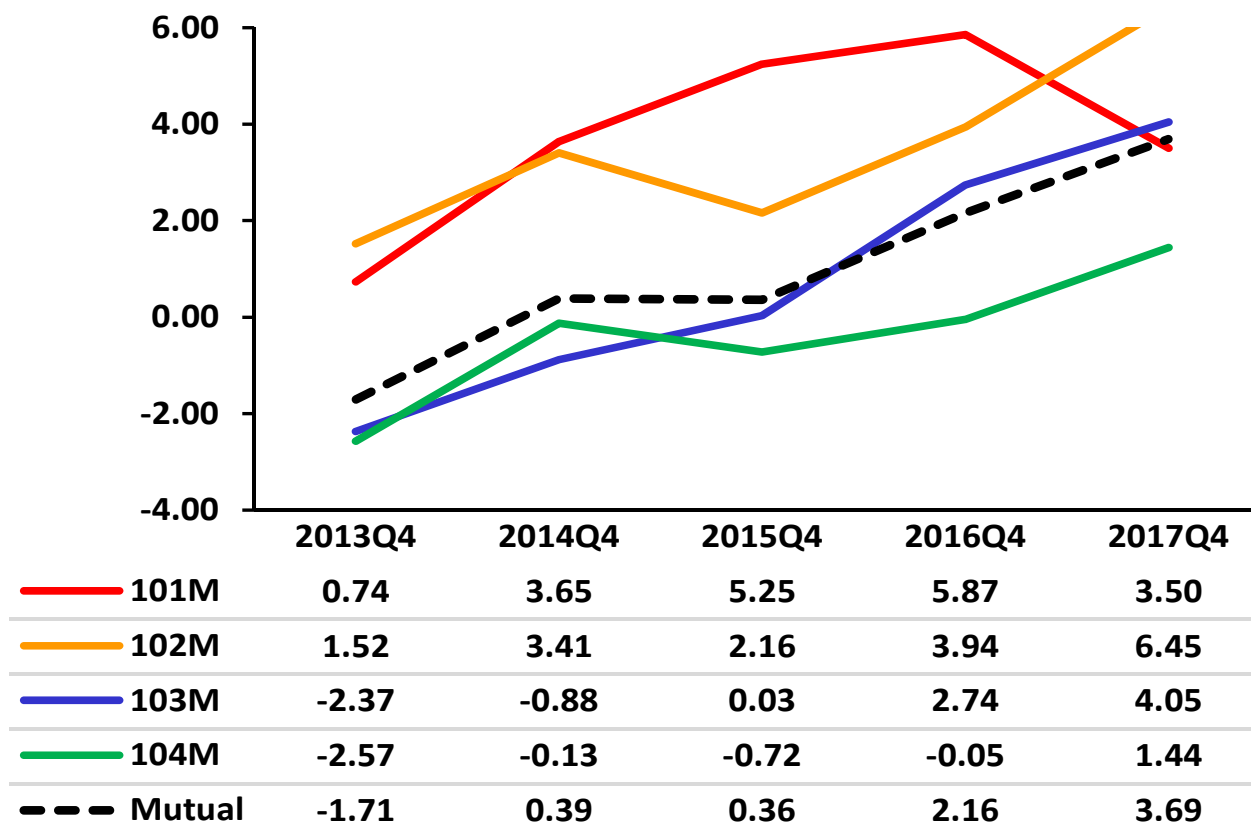
Classified Assets to Tier 1 Capital + ALLL

Classified levels continue to decline for mutual FSAs.



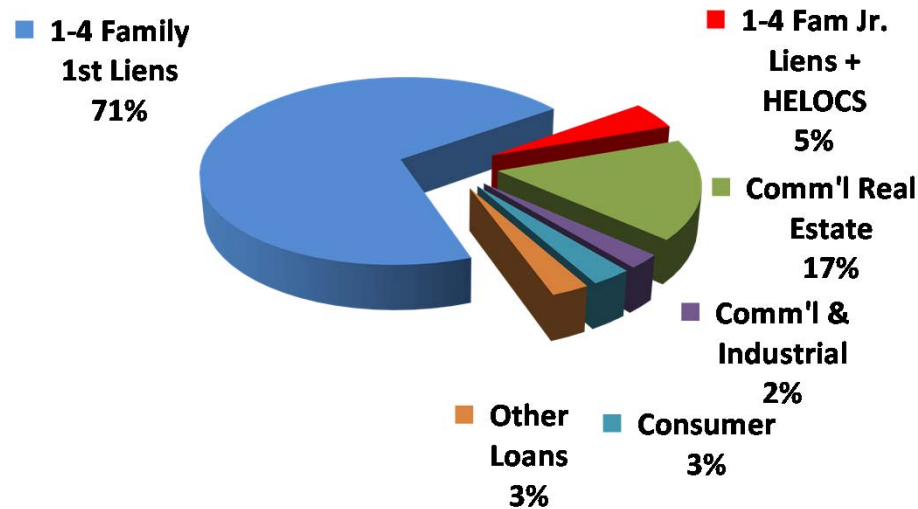
Net Loans & Leases - 1 Year Growth Rate

Mutual FSA loan growth continues to be slow but in positive territory for 2017. Loan growth is strongest for the 102M peer group.



Mutual FSA Loan Distribution

Loan portfolios held by mutual FSAs are heavily concentrated in residential mortgages.



Loan Distribution by FSA Type-Straight Average

Charter Type	\$ Loans (000's) 12/31/2017	% of Total Loans					
		1-4 Family 1st Liens	1-4 Fam Jr. Liens + HELOCS	Comm'l Real Estate	Comm'l & Industrial	Consumer	Other Loans
Mutual	31,871,025	71%	5%	17%	2%	3%	3%
Stock	367,007,896	49%	6%	30%	6%	6%	3%
All FSAs	398,878,921	58%	5%	25%	5%	5%	3%



Mutual Growth Rates by Loan Category

The highest loan growth for mutual FSAs has been in the land and development loan category.

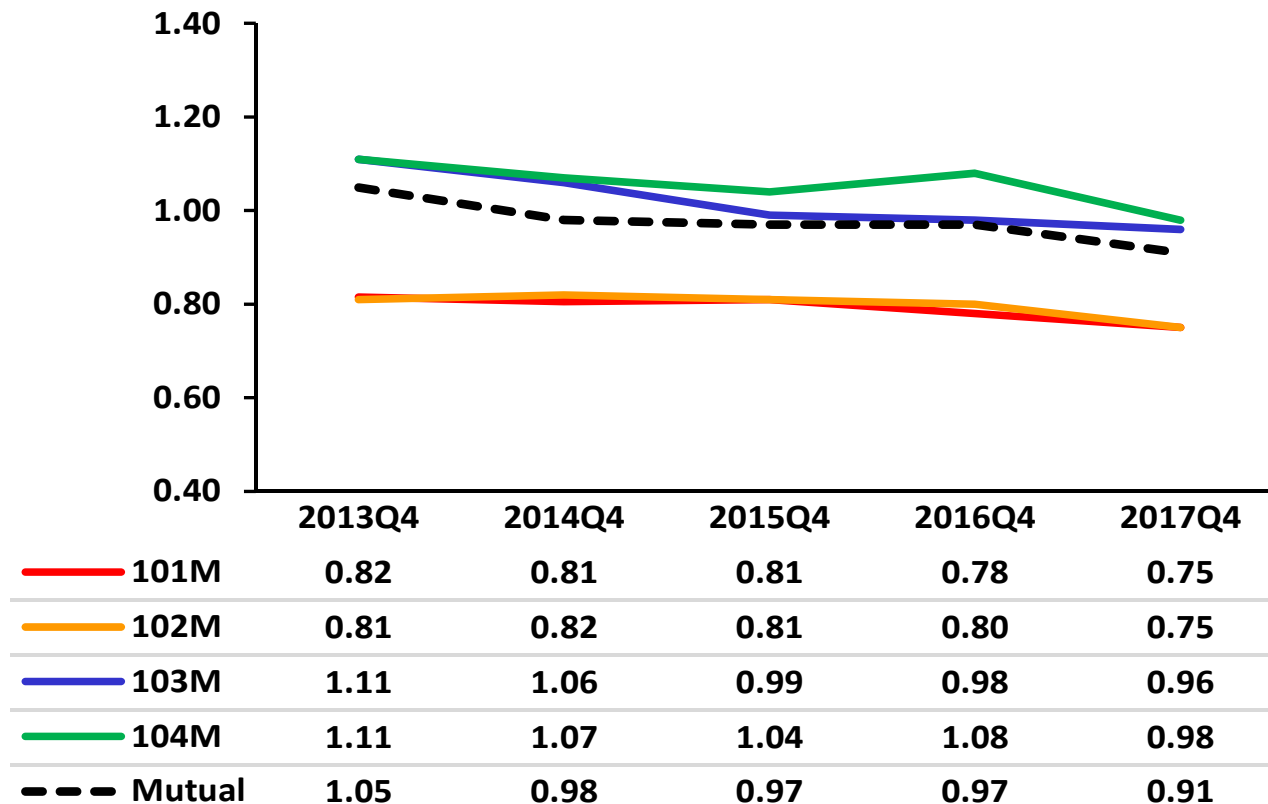
Loan Category	% of Total Loans	% of Mutuals That Offer Product	Median Year-over-year Growth Rate	# with growth rates > 10% (a)
1-4 Family 1st Lien Loans	71%	100%	1.70	20
1-4 Family Jr Lien Loans	5%	87%	-4.32	2
Home Equity Lines of Credit		79%	1.15	11
CRE: Multifamily Loans		79%	-1.19	15
CRE: Land & Development Loans	17%	87%	9.76	23
CRE: NonFarm Nonresi Loans		93%	-1.14	26
Commercial & Industrial Loans	2%	56%	4.17	14
Lns to Indivs: Other Revolving		93%	3.45	0
Lns to Indivs: Auto Loans	3%	67%	1.63	5
Lns to Indivs: Other Consumer Loans		27%	-3.03	0
Lns to Indivs: Credit Cards		9%	6.44	0
Other: Lns to Finance Ag Production		19%	-2.00	0
Other: Lns Secured by Farmland	2%	44%	-2.91	12
Other: Other Loans in Domestic Offices		41%	-16.94	0

(a) - for mutual FSAs that have exposure to capital > 25% for the loan category



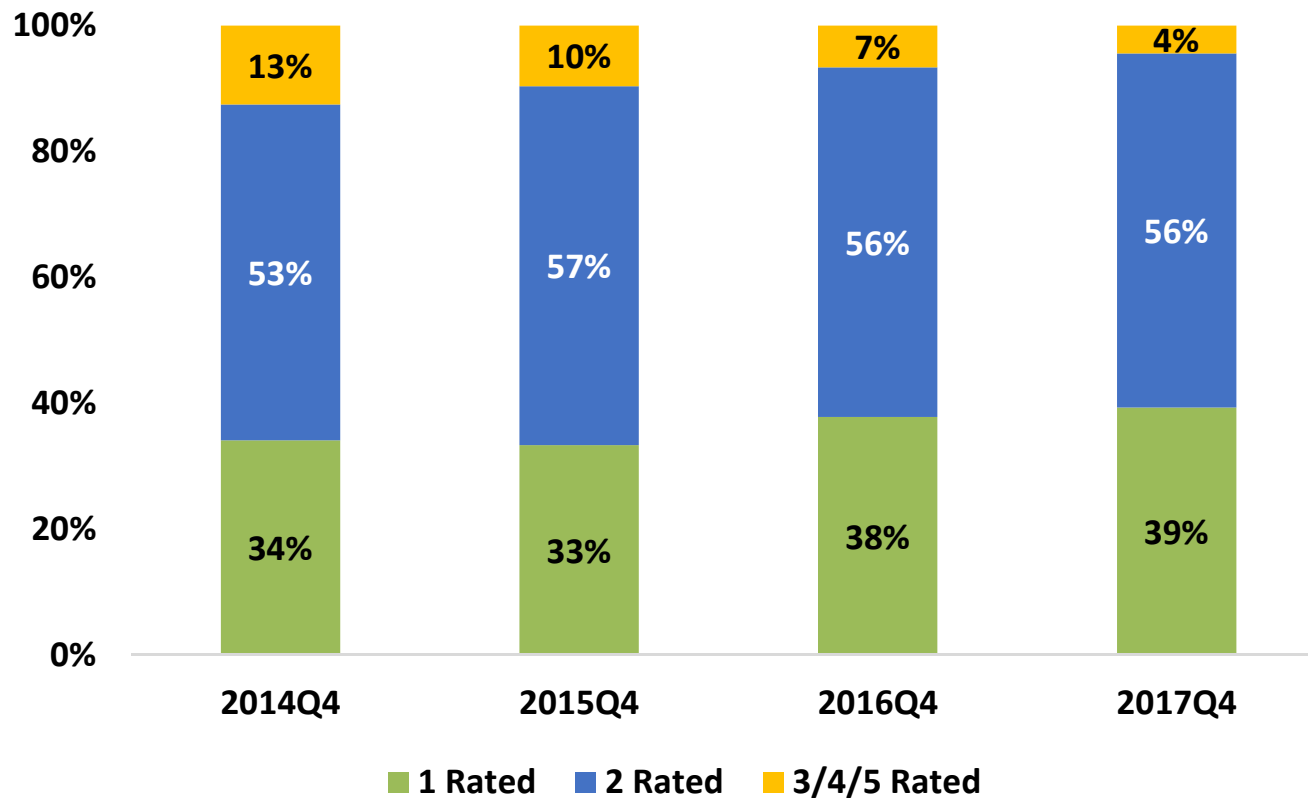
Allowance for Loan and Lease Losses

ALLL levels for mutual FSAs have been decreasing in recent years and now represent 0.91 percent of total loans.



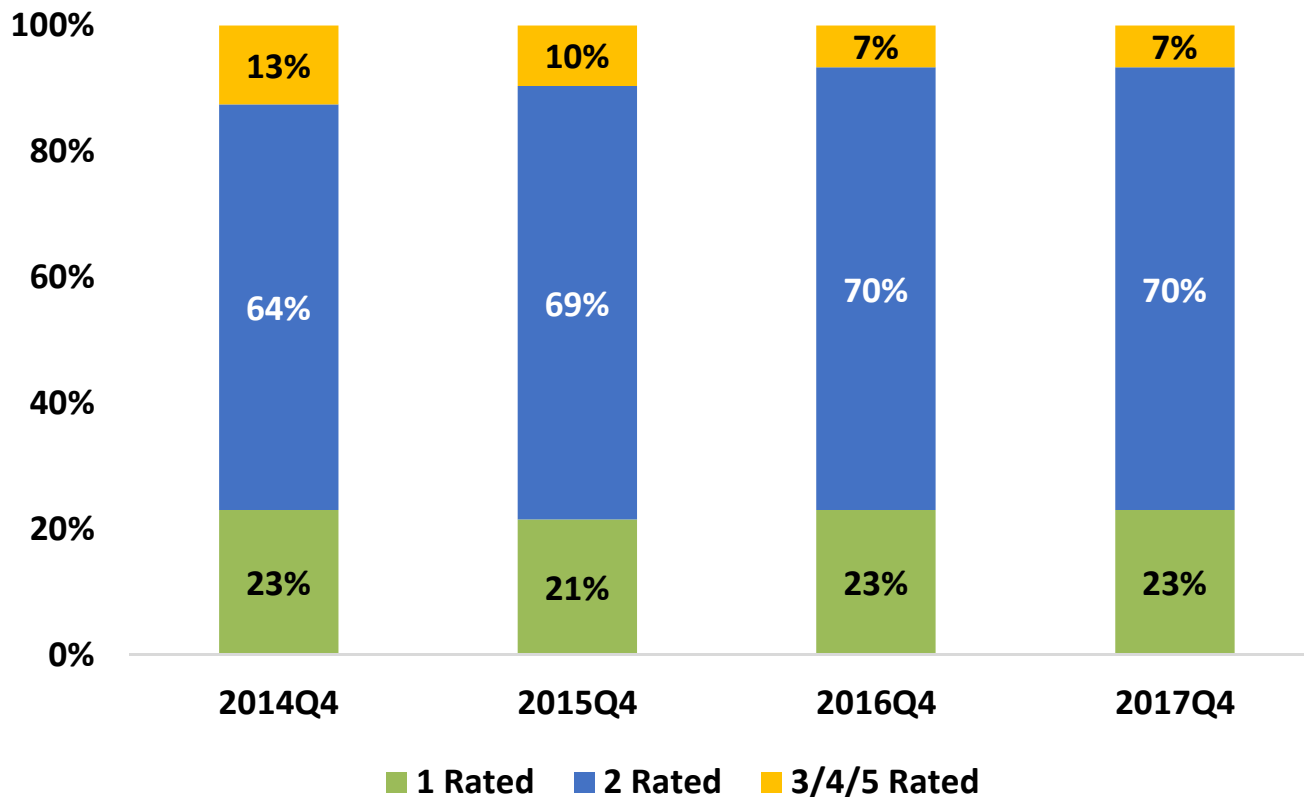
Mutual FSA Asset Quality Ratings

Asset quality ratings continue to improve for mutual FSAs. 95 percent are rated 1 or 2 for asset quality.



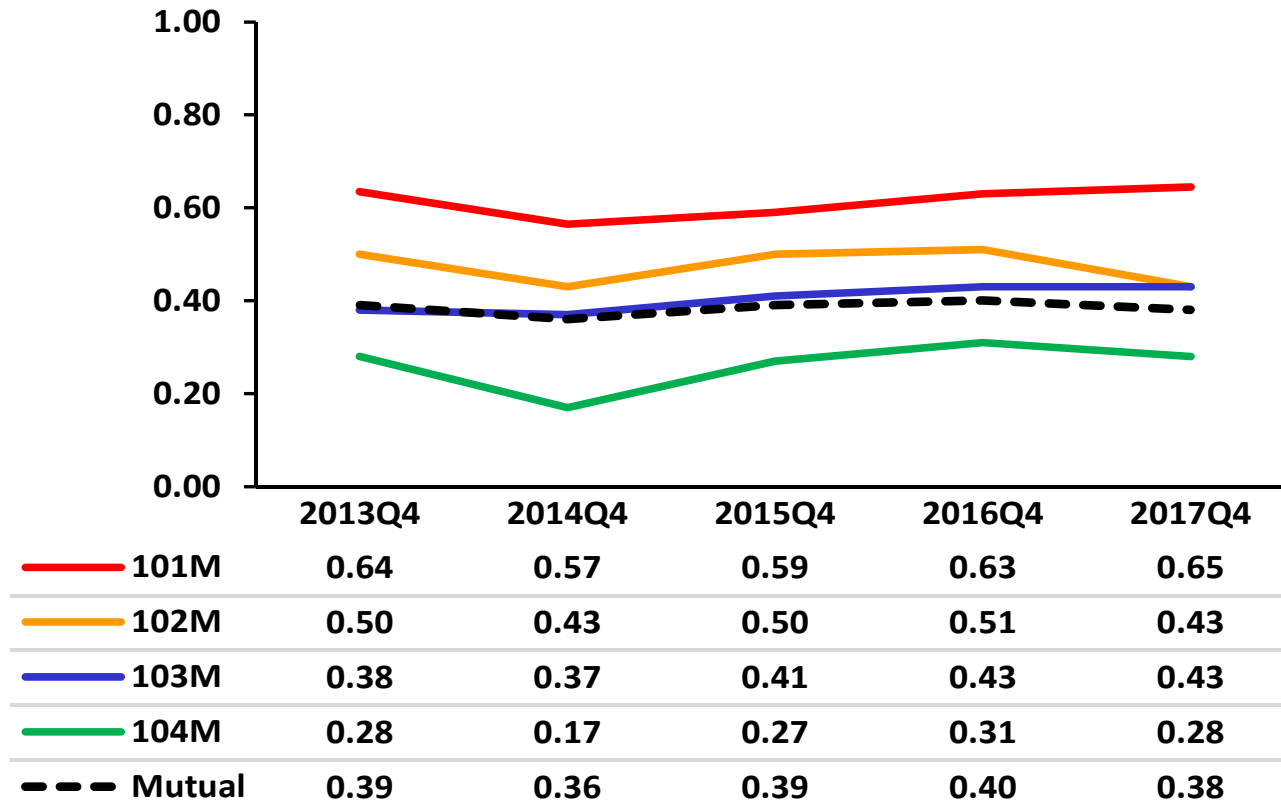
Mutual FSA Management Ratings

Management ratings remain very positive. 93 percent of mutual FSAs are rated 1 or 2 for management.



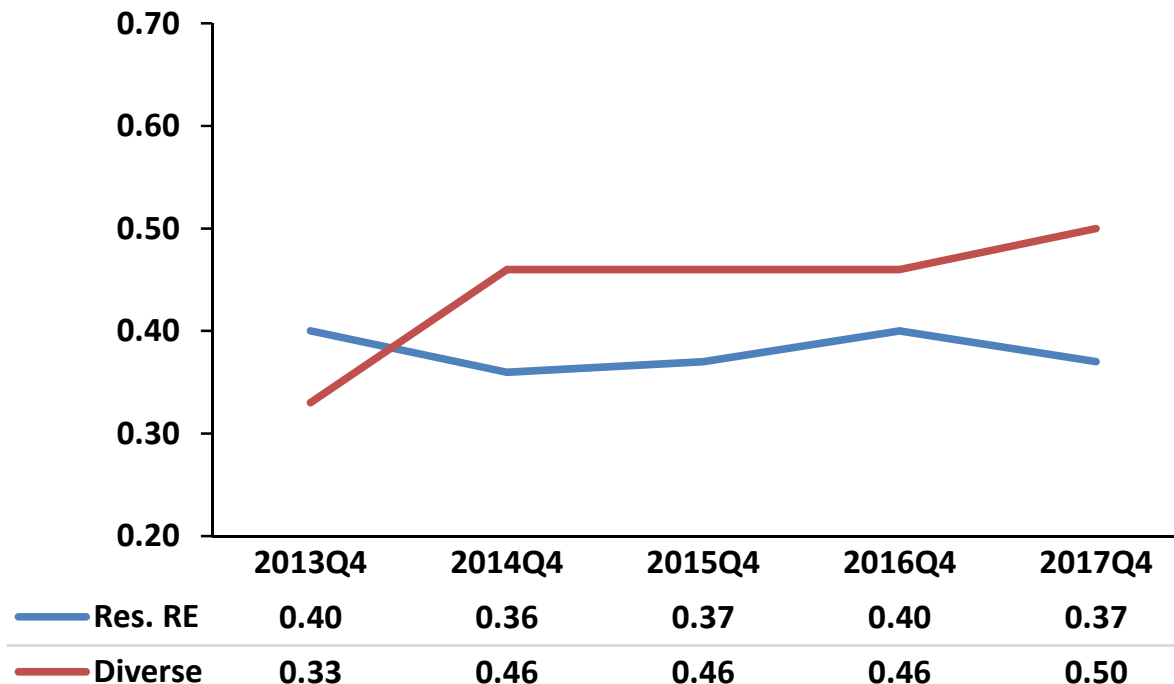
Return on Average Assets

Mutual earnings remain flat overall. The larger the mutual, the better the ROAA.



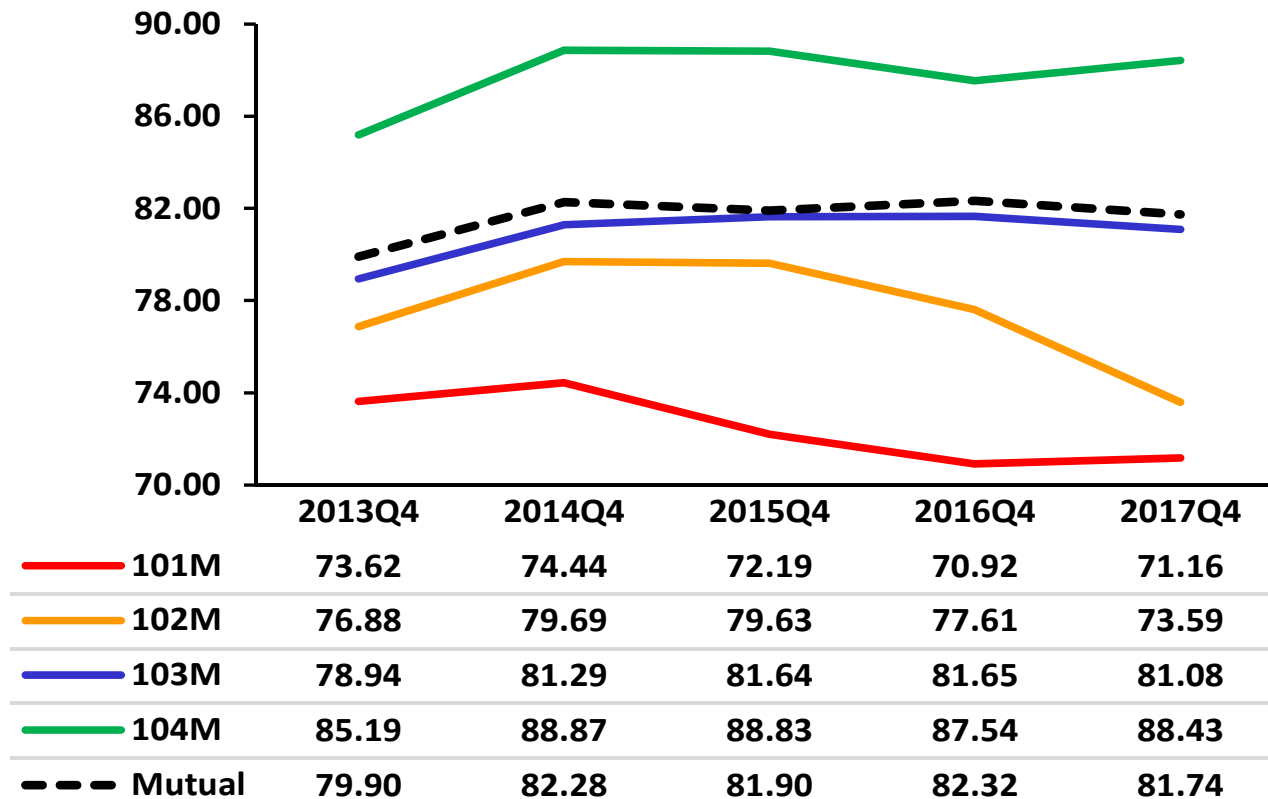
Return on Average Assets by Lender Peer

Diversified lenders have higher ROAAs since 2014.



Efficiency Ratio

Mutual efficiency ratios remain elevated, hovering around 82 percent since 2014. The larger the mutual, the better the efficiency ratio.



Efficiency Ratio Breakdown

Smaller mutual FSAs (peer groups 103M & 104M) have higher net interest margins, lower fee income, and higher overhead expenses.

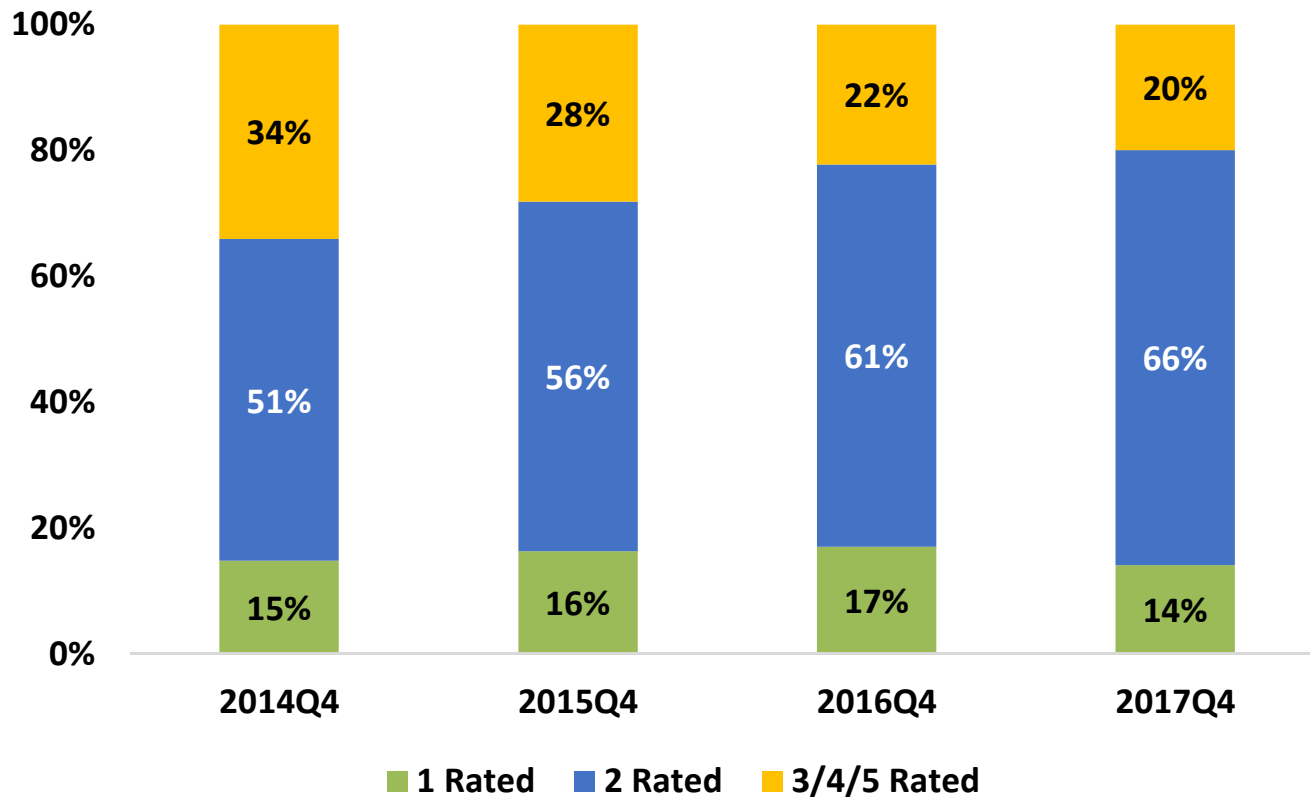
	101M & 102M Peer Groups			103M & 104M Peer Groups			
Efficiency Component	\$ YE 17	YOY Δ	% of AA	\$ YE 17	YOY Δ	% of AA	Efficiency Component
NONINT EXPENSE	1,050,173	5.18	2.50	389,169	1.43	3.01	NONINT EXPENSE
NONINT INCOME	225,710	-3.95	0.48	60,459	0.02	0.40	NONINT INCOME
NET INT INCOME (TE)	1,221,151	6.99	2.84	407,003	3.36	3.05	NET INT INCOME (TE)
Efficiency Ratio	72.58			83.25			Efficiency Ratio

Green shaded cells indicate the most favorable components in relation to average assets



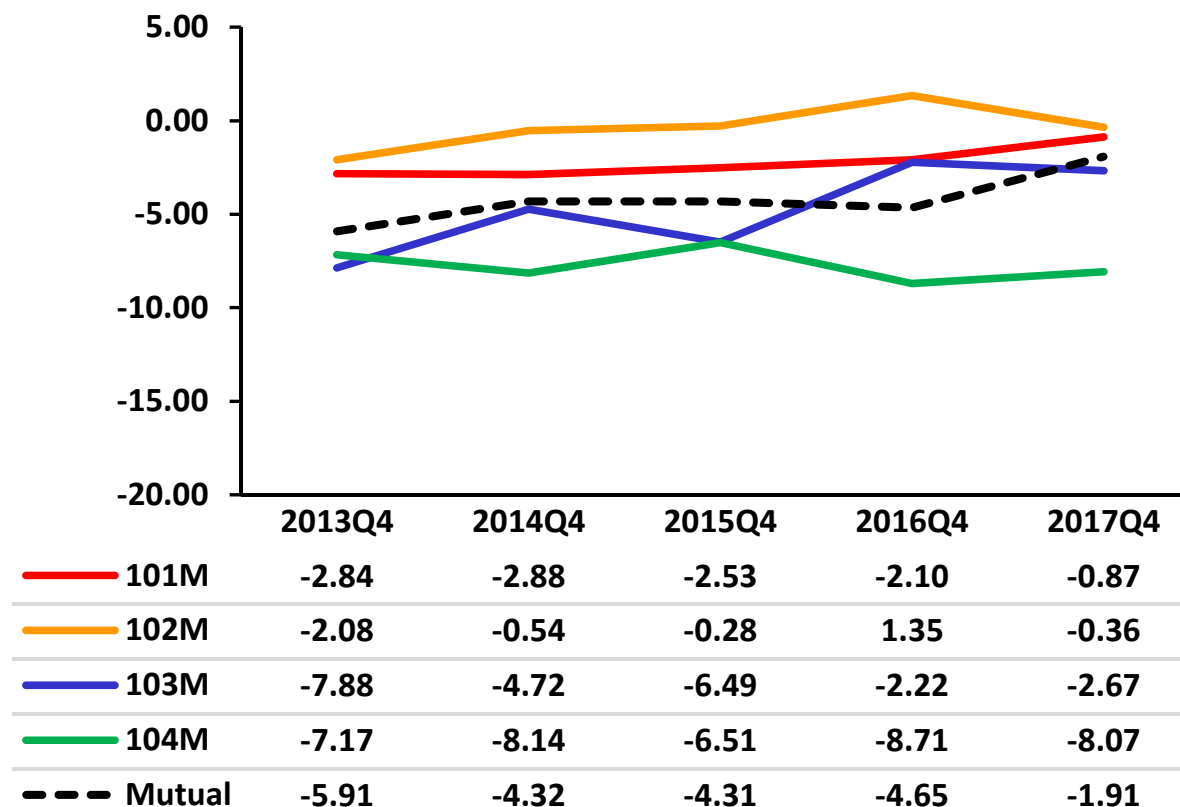
Mutual FSA Earnings Ratings

Earnings ratings continue to improve but lag ratings in other safety and soundness areas. Only 80 percent of mutual FSAs are rated 1 or 2 for earnings.



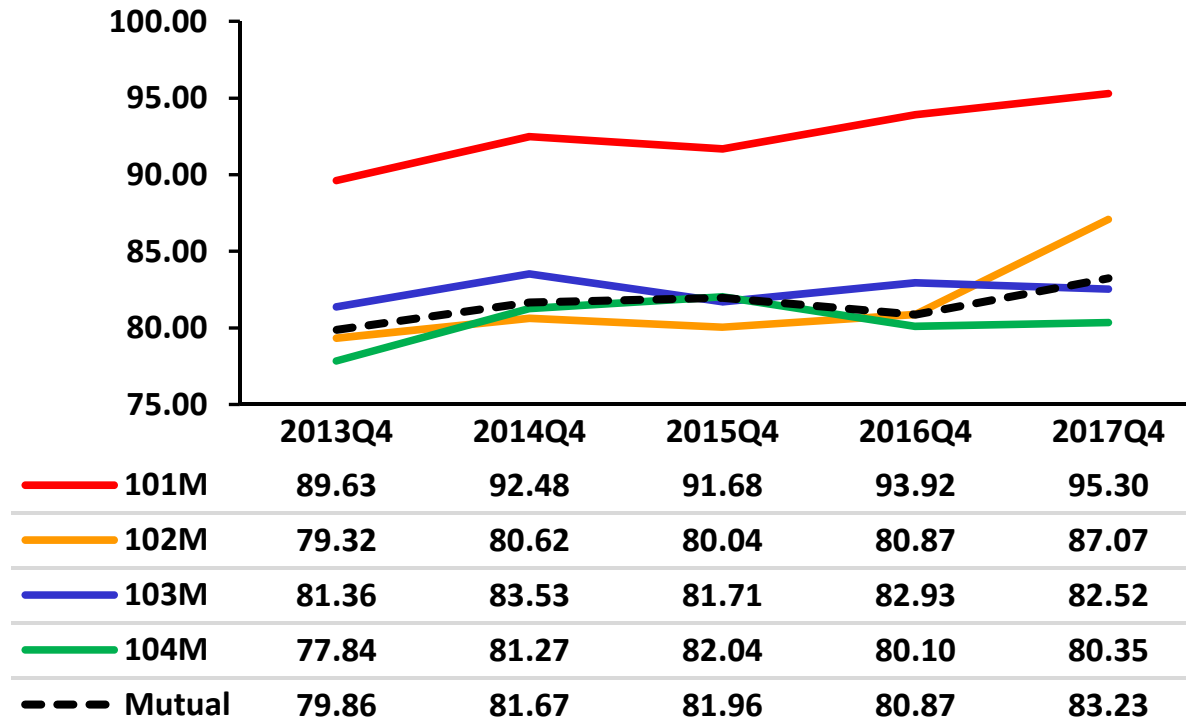
Net Non-core Funding Dependence Ratio

Levels of net non-core funding dependence remain low and stable for mutual FSAs.



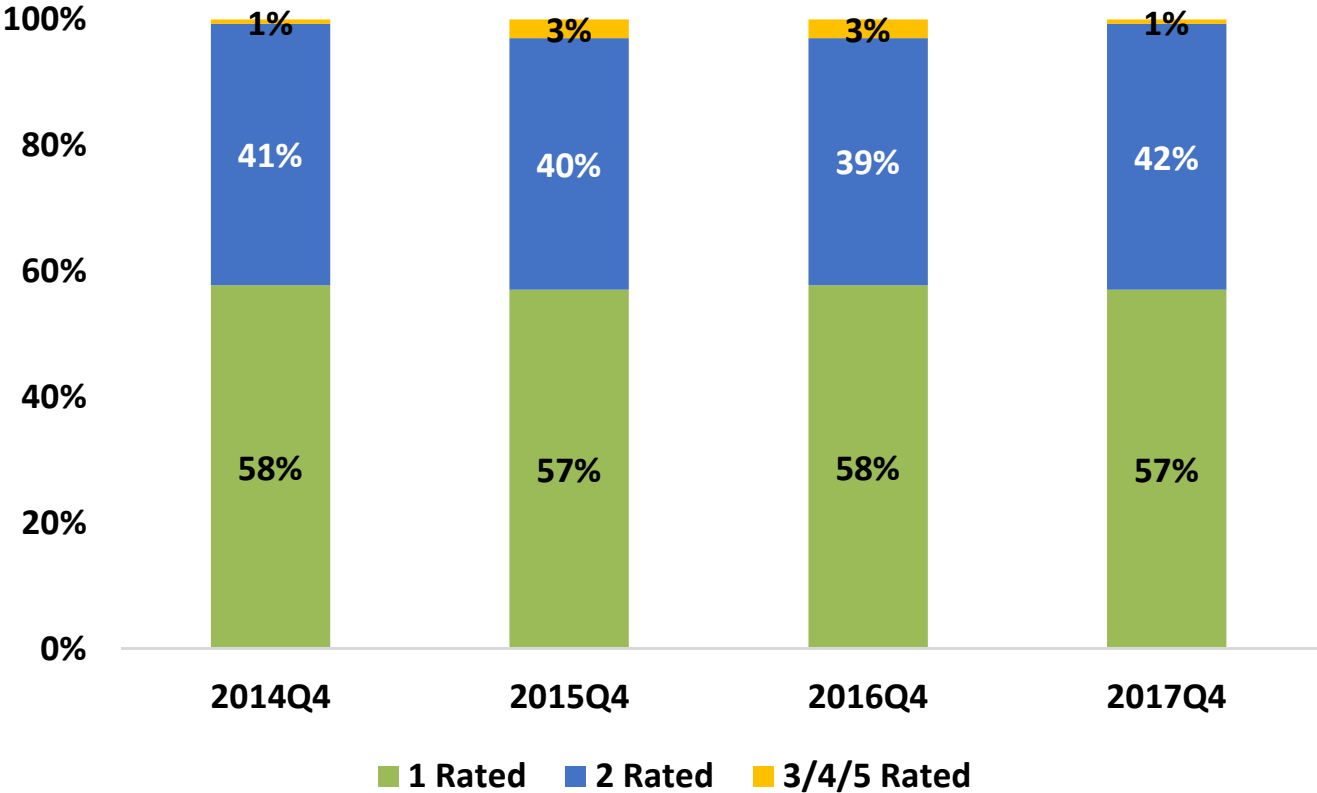
Net Loans & Leases to Total Deposits Ratio

Loan to deposit ratios continue to rise. This ratio is usually higher for FSAs due to more reliance on FHLB borrowings and the Qualified Thrift Lender (QTL) test.



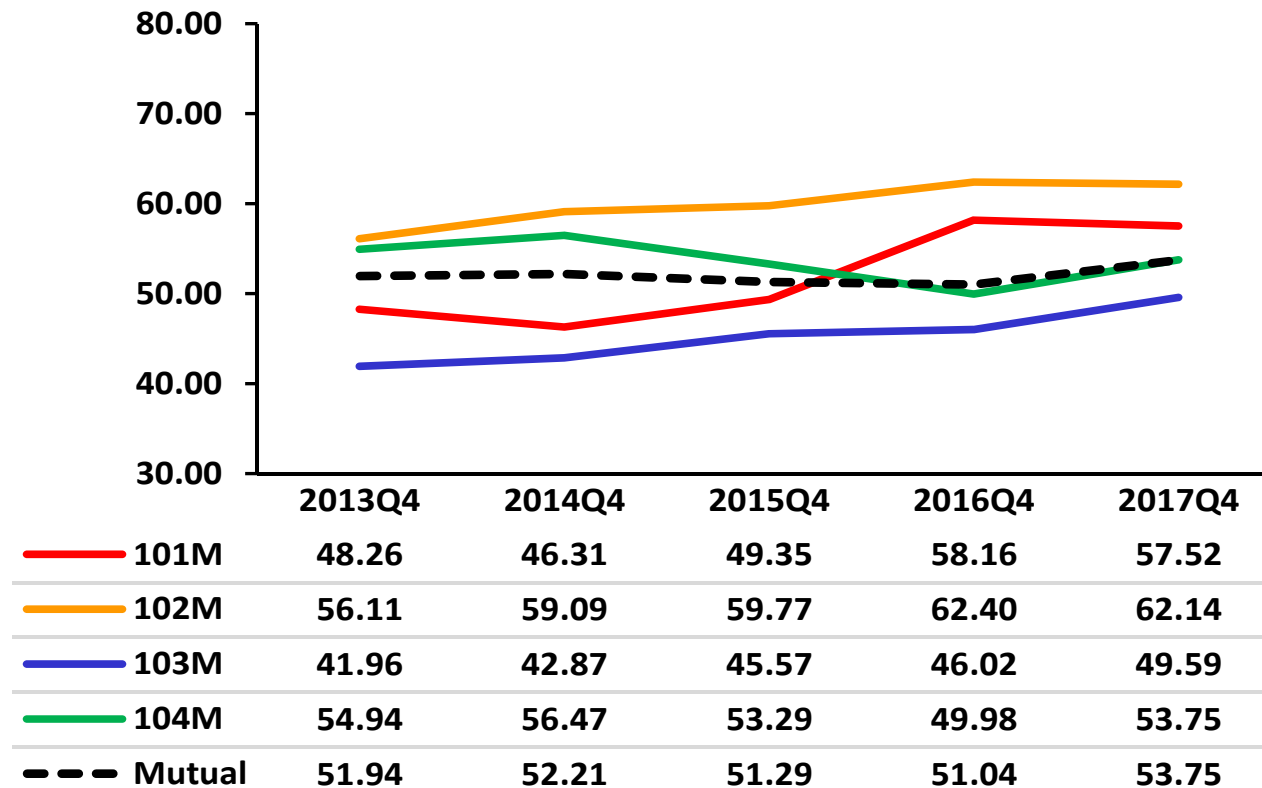
Mutual FSA Liquidity Ratings

Liquidity ratings for mutual FSAs improved in 2017. 99 percent are rated 1 or 2.



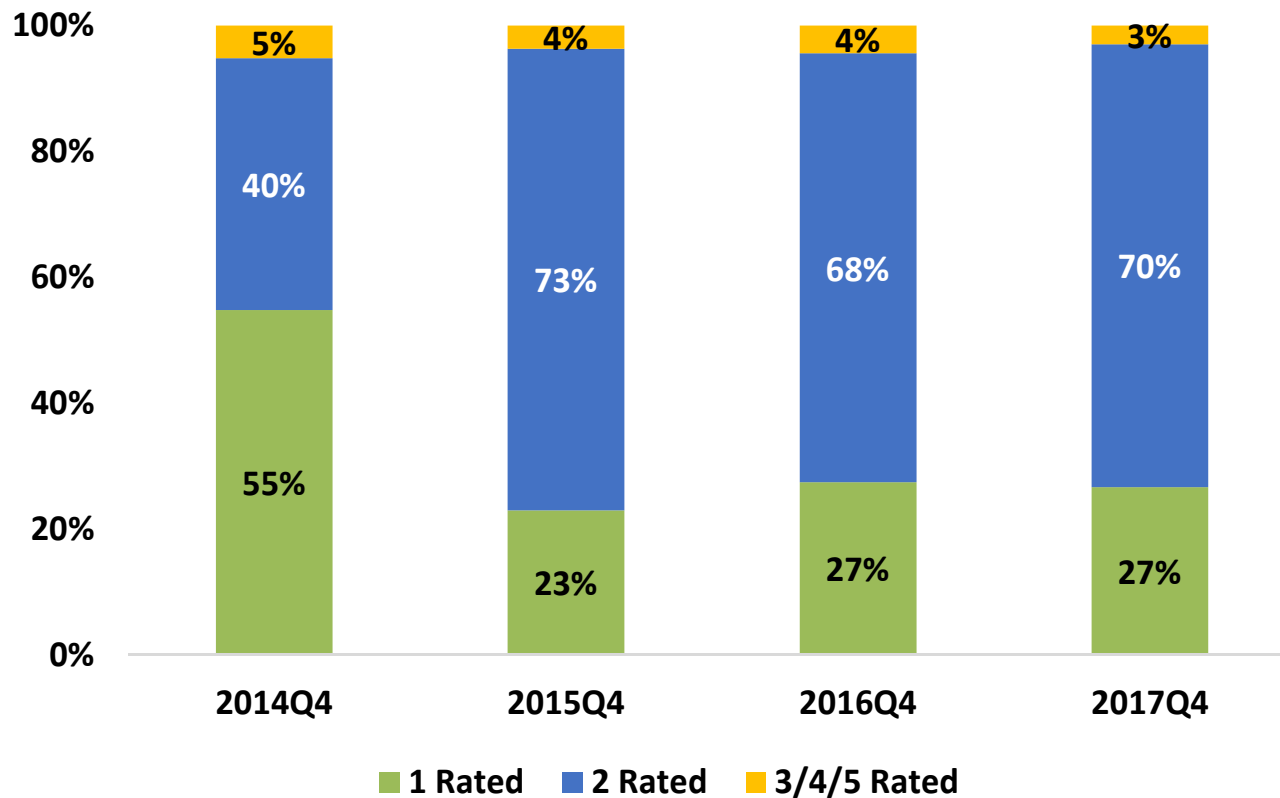
Long-term Assets to Total Assets Ratio

Long-term assets for some mutual peer groups are increasing. About half of mutual FSA assets are considered long-term.



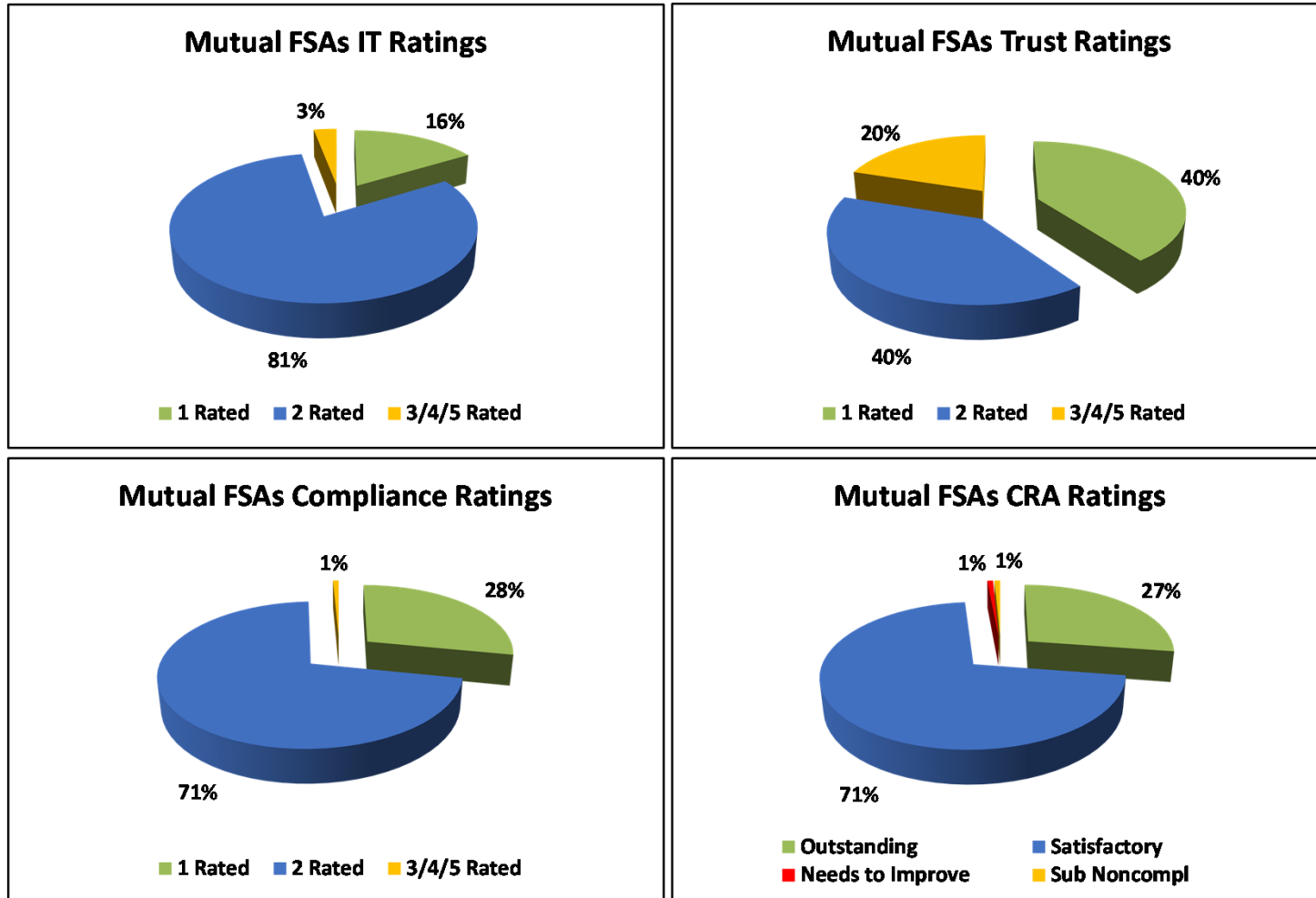
Sensitivity to Market Risk Ratings

Sensitivity to market risk ratings for mutual FSAs improved in 2017. 97 percent are rated 1 or 2.



Mutual FSA Specialty Ratings

Specialty ratings are good. Only 5 mutual FSAs have trust powers.



OCC Supervisory Tools/Products

- Canary System Benchmarks
- Thrift Analysis Report
- Mutual Peer Bank Performance Report
- Quarterly FSA Briefing Package
- Customized Mutual Q Book



Questions ?

