

# Community Banking

## Perspective and Dialogue



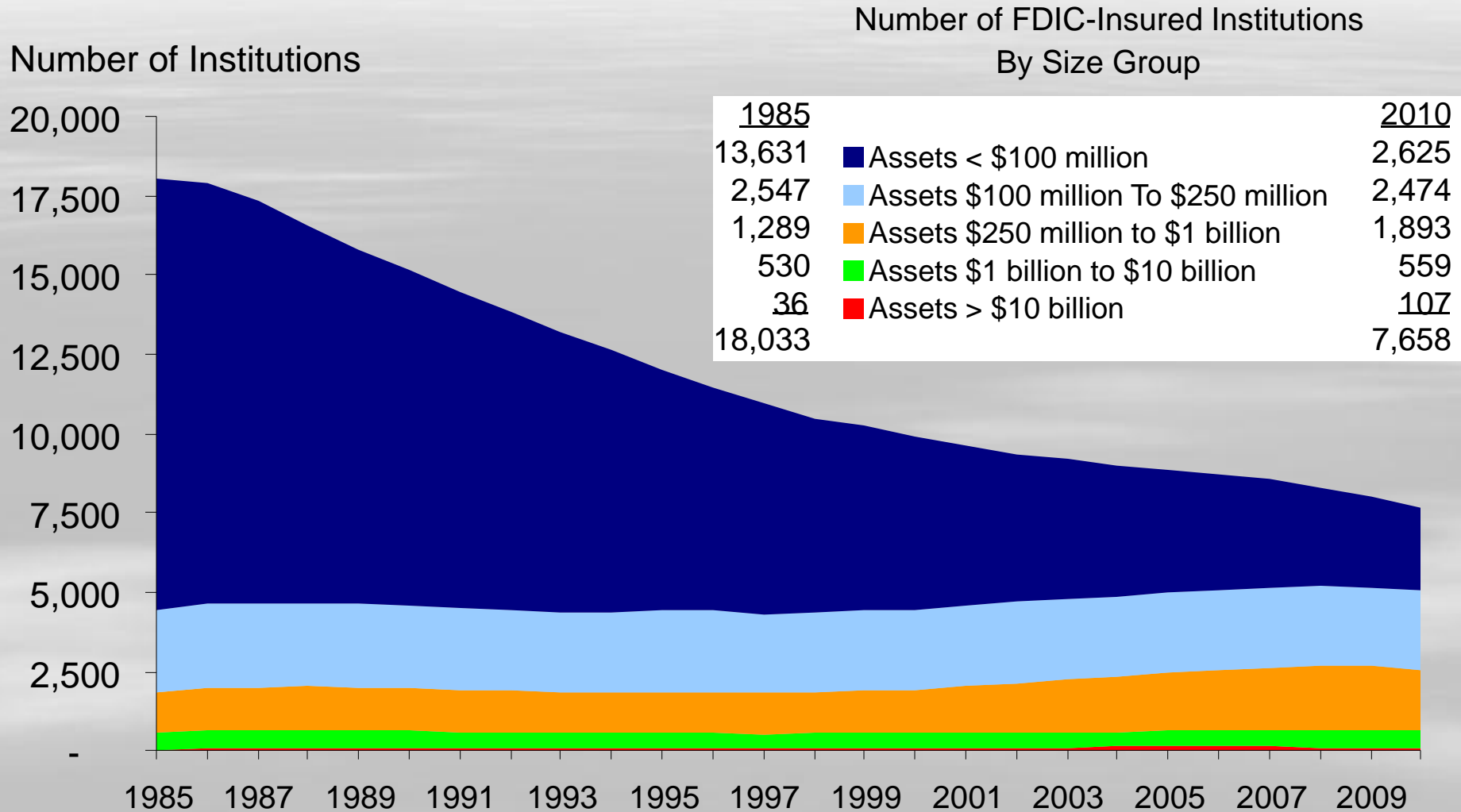
# Objectives

- FDIC Initiatives in 2012
- Snapshot of U.S. Community Banks
- Examination Trends
- Regulatory Perspective
- Banking Perspective
- Open Dialogue

# 2012 Initiatives

- NY Region Directors' College Program
- NY Region Regulatory Teleconferences
- Future of Community Banking Conference
- Community Banking Regional Roundtables
- FDIC Community Banking Research Study
- Review of Community Bank Examination and Rulemaking Processes

# All of the net decline in FDIC-insured institutions since 1985 has come from banks under \$100 million.



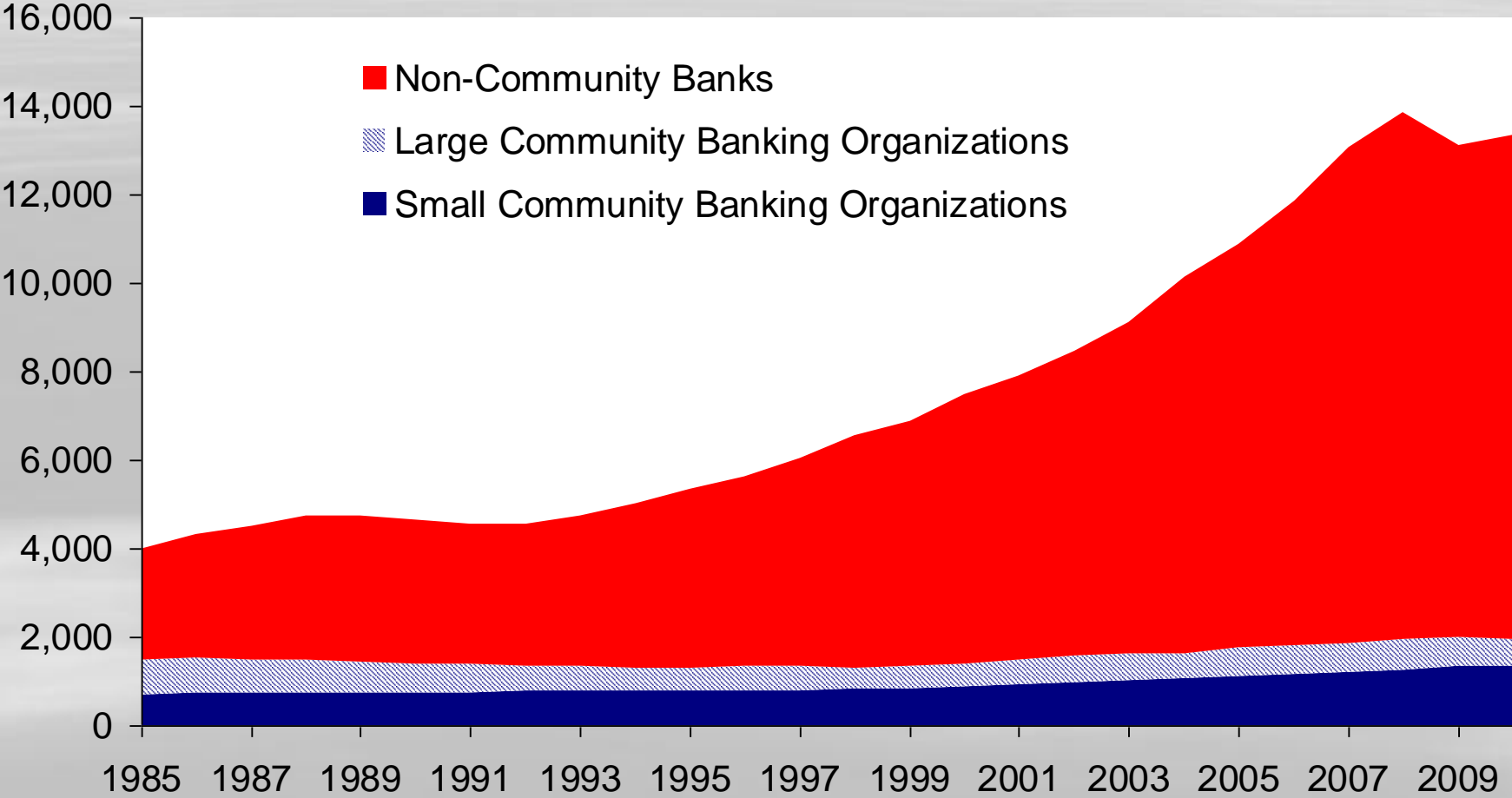
Source: FDIC

# What Is a Community Bank?

- Common definition: Total assets < \$1 billion
  - Size threshold needs to be indexed over time
  - Shortcomings:
    - Includes some non-community banks
    - Excludes some banks that look like community banks
- Needed: A better conceptual definition
  - Not purely a function of size
  - Associated with basic banking functions of deposit gathering and lending
  - Business within a fairly circumscribed geographic area
  - Emphasis on “relationship banking” vs. “transactional banking”

# The total assets of non-community banks have grown much faster than those of community banks since the early 1990s.

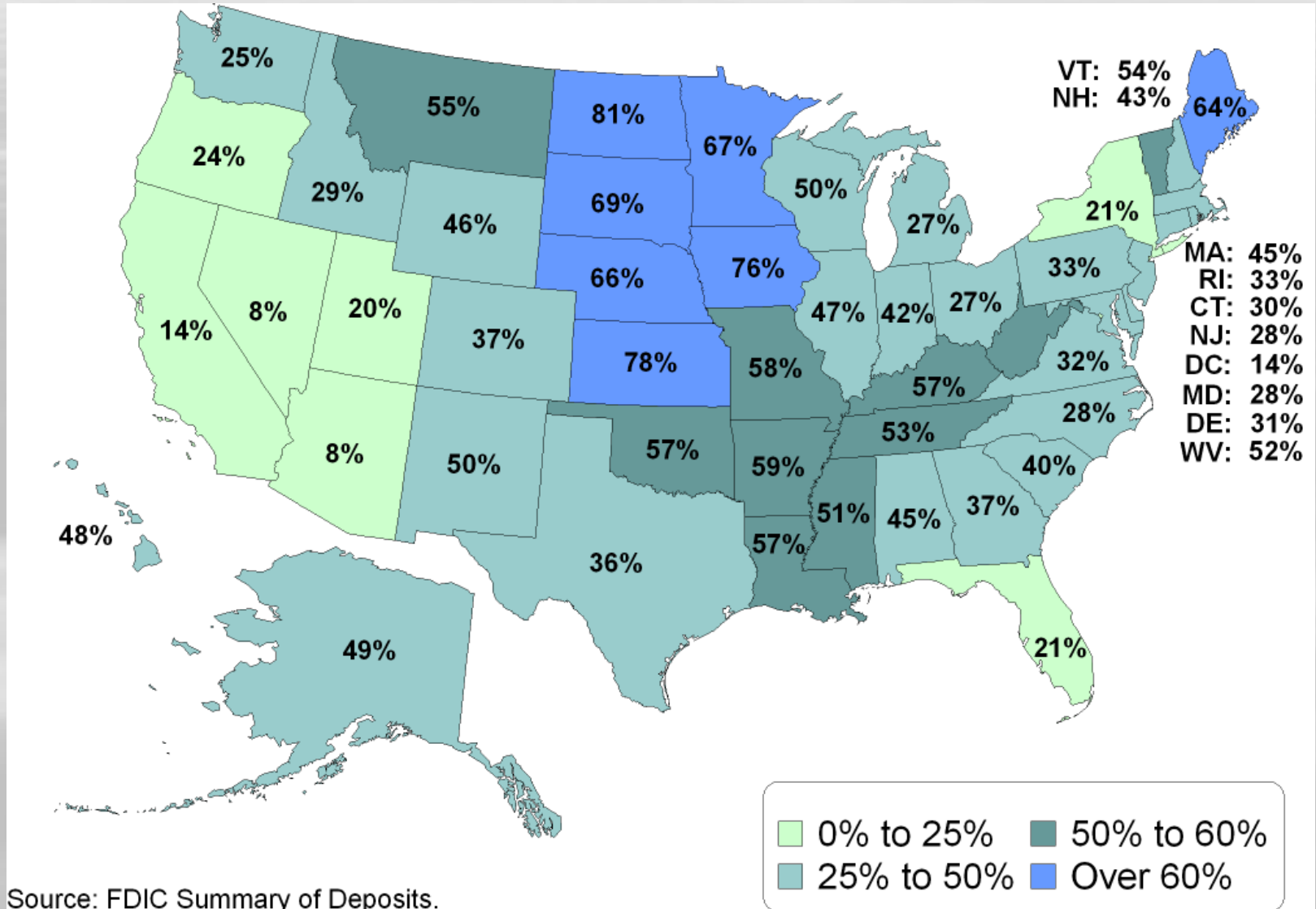
Total Assets, Dollars in Billions



Source: FDIC Community Bank Research Project

# Where Do Community Banks Operate?

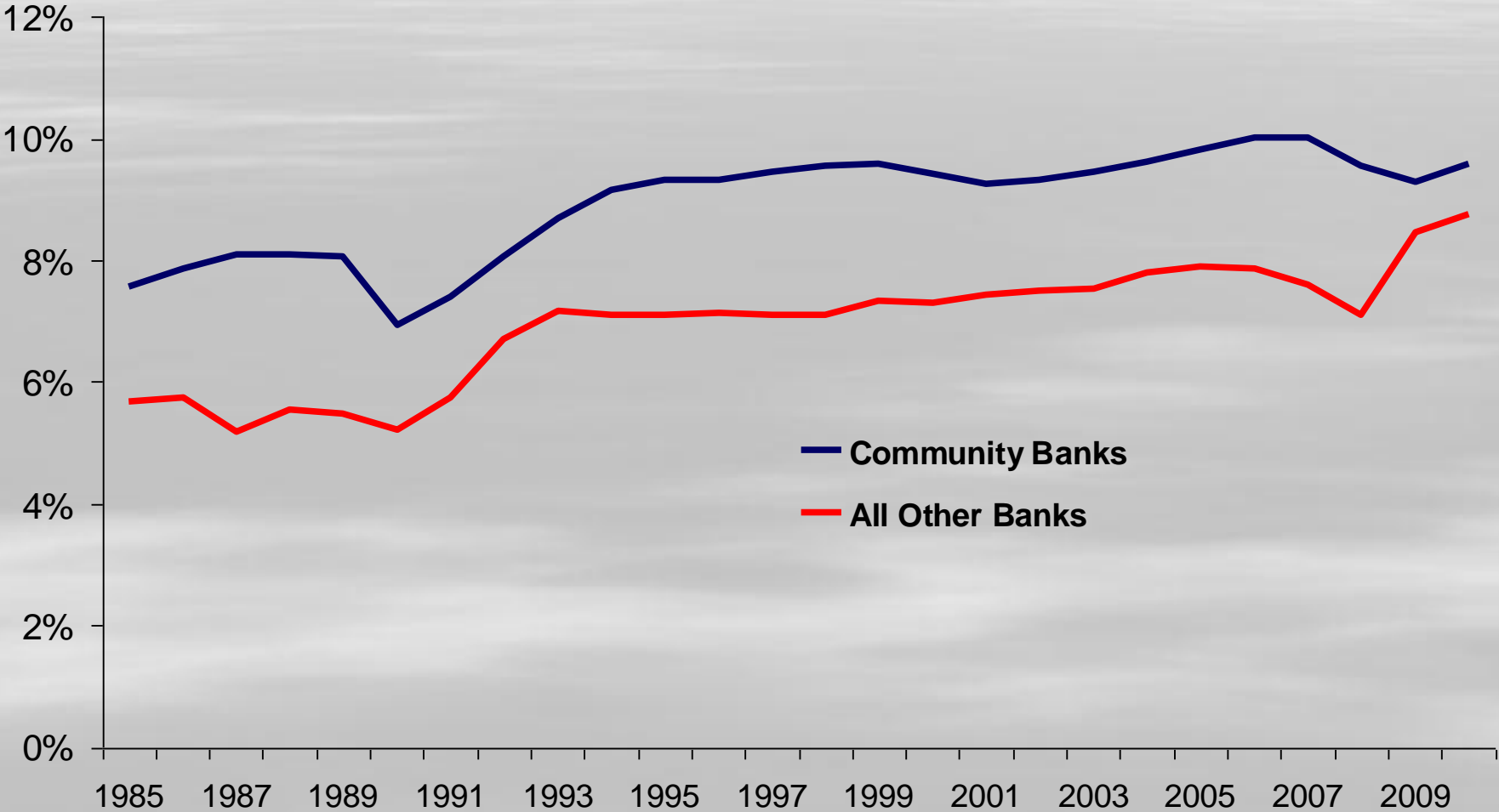
Community Bank Share of All Branches Operating Within State as of 2Q 2010.



Source: FDIC Summary of Deposits.

# Community banks have traditionally held more capital, on average, than other banks.

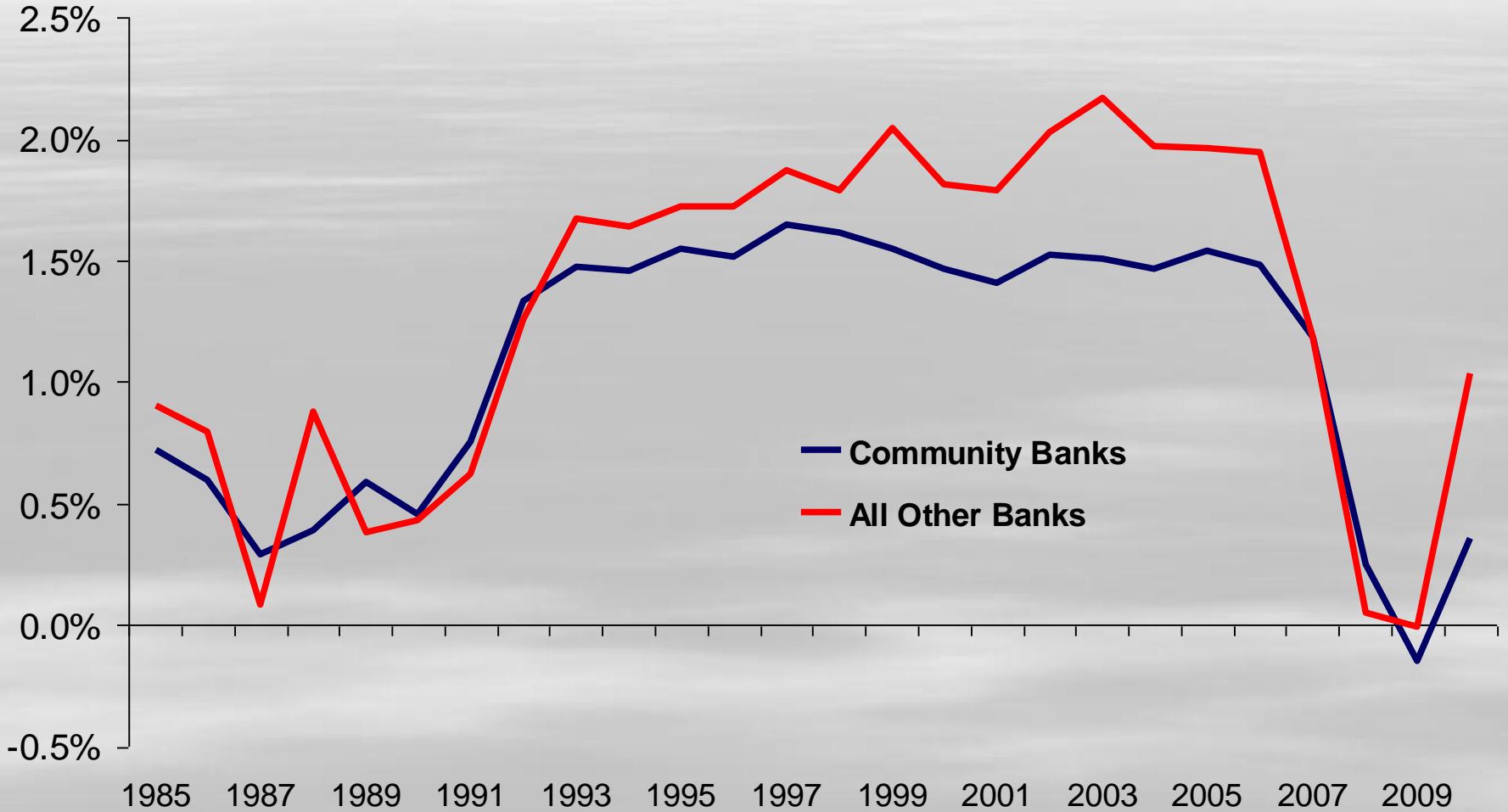
Core Capital (Leverage) Ratio, Percent



Source: FDIC Community Banking Research Project



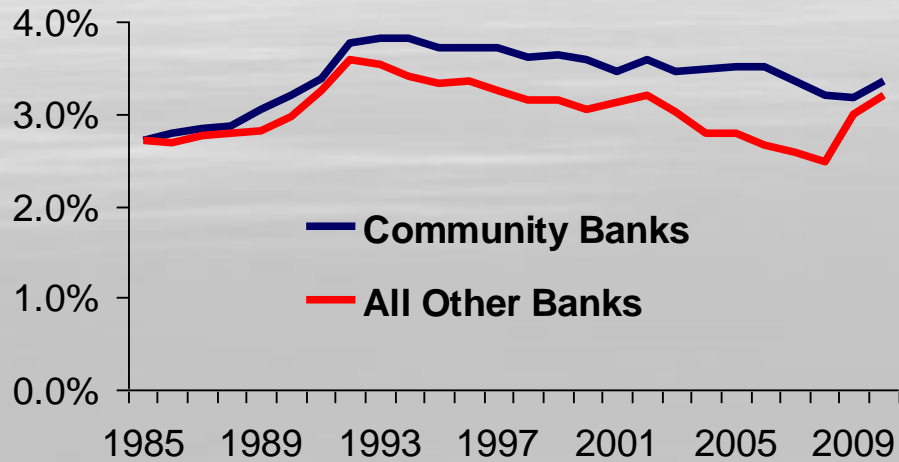
# Pre-Tax Return on Assets, 1985 - 2010



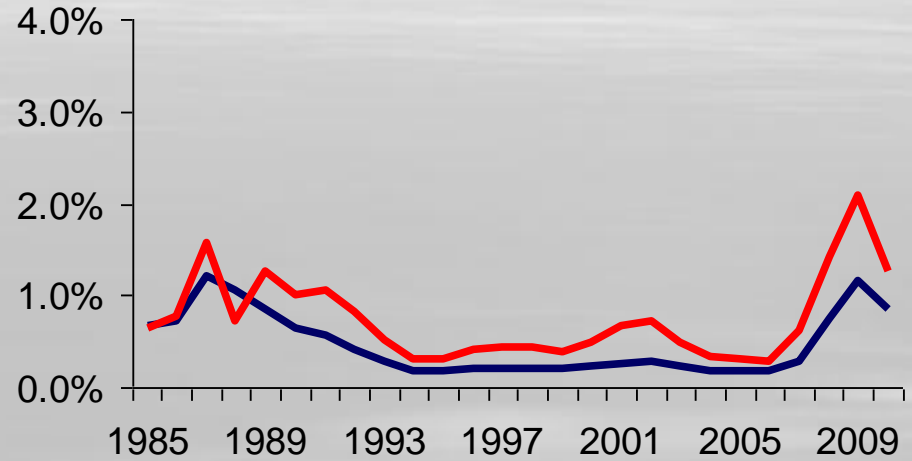
Source: FDIC Community Banking Research Project

# Community Bank Earnings Performance vs. All Other Banks, 1985 - 2010

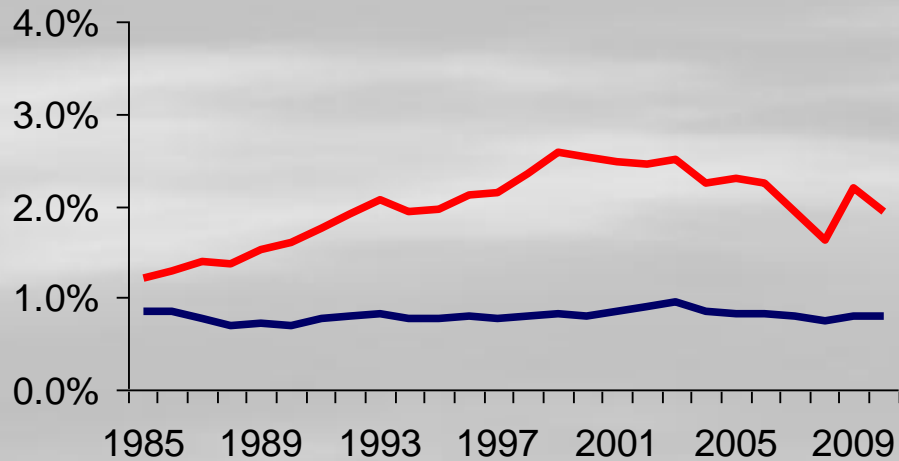
## Net Interest Income to Assets



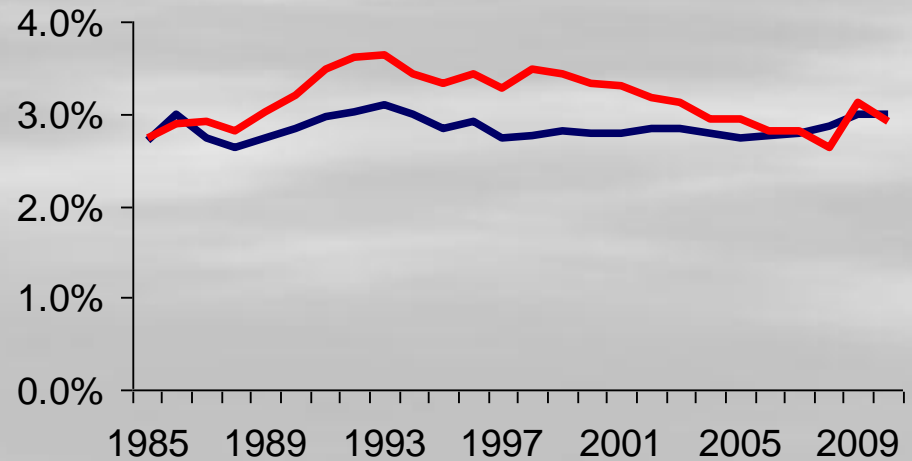
## Provision Expense to Assets



## Noninterest Income to Assets



## Noninterest Expense to Assets



# Impact of Financial Crisis

- Asset Quality - Uptick in Loan Delinquencies
- Balance Sheet Growth – Inflow of Deposits
- Earnings Challenges – Lean or Negative Earnings
- Capital – Supports Risk Profile
- Sensitivity to Market Risk

# Recent Examination Trends

- Ratings - Condition and Migration
- Exam Findings

# What We Are Seeing Right Now

- Focus on Long-Term Strategy
- Success of Community Bank Model Through Prolonged Economic Slowdown
- Well Managed CRE Concentrations
- Capital Supporting Soft Earnings Trends
- Interest in C&I and Non-Real Estate Lending

# Regulatory Perspective

- Focus on Long-Term View & Being Strategic
  - Medium and long term focus – Strategic Planning
  - Younger Demographic – New Banking Services
  - Stay resilient & mission focused
- Corporate Governance
  - Reporting mechanisms, monitoring (stressing what needs to be stressed, no one-size fits all)
  - Risk Assessments (not ERM)
  - Management depth & succession

# Your Perspective

- What new initiatives have been successful for you in past years?
- What are your biggest challenges?
- What will the community bank model look like in 5 years? 10 years?

# Contacts

- To Contact Your NY Regional Management Team:

Tyler B. Bland	Field Supervisor	Harrisburg and Philadelphia Field Offices	<a href="mailto:TBland@fdic.gov">TBland@fdic.gov</a> 215 591-9820 x4811
Patricia A. Moore Ford	Field Supervisor	Baltimore, MD and Claymont, DE Field Offices	<a href="mailto:PMoore-Ford@fdic.gov">PMoore-Ford@fdic.gov</a> 410 872-9024 x4017
Kevin J. Glueckert	Field Supervisor	Jamesburg, NJ and San Juan, PR Field Offices	<a href="mailto:KGlueckert@fdic.gov">KGlueckert@fdic.gov</a> 609 860-6750 x4611
Richard J. Miller	Field Supervisor	Wexford Field Office	<a href="mailto:Ricmilller@fdic.gov">Ricmilller@fdic.gov</a> 724 742-1877 x8312
Steven P. Slovinski	Field Supervisor	NYC and Syracuse Field Offices	<a href="mailto:SSlovinski@fdic.gov">SSlovinski@fdic.gov</a> 917 320-2769
John P. Conneely	Assistant Regional Director - NY	New York Regional Office	<a href="mailto:JConneely@fdic.gov">JConneely@fdic.gov</a> 917 320-2511
Julie D. Howland	Assistant Regional Director – MD and DE	New York Regional Office	<a href="mailto:JHowland@fdic.gov">JHowland@fdic.gov</a> 917 320-2510
Edwin H. Lloyd	Assistant Regional Director - PA	New York Regional Office	<a href="mailto:ELloyd@fdic.gov">ELloyd@fdic.gov</a> 917 320-2535
Gregory P. Wyka	Assistant Regional Director – NJ and PR	New York Regional Office	<a href="mailto:GWyka@fdic.gov">GWyka@fdic.gov</a> 917 320-2550



# Thank You!

- Tyler Bland – Field Supervisor
  - [tbland@fdic.gov](mailto:tbland@fdic.gov)
- Eric Bowman – Supervisory Examiner
  - [ebowman@fdic.gov](mailto:ebowman@fdic.gov)