

# Regional & Community Bankers Conference

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**Supervision Regulation & Credit**

**November 5, 2012**



# Community Banks are critical to the health of our economy

- *“Community banks remain a critical component of our financial system and our economy. They help keep their local economies vibrant and growing by taking on and managing the risks of local lending, which larger banks may be unwilling or unable to do. They often respond with greater agility to lending requests than their national competitors because of their detailed knowledge of the needs of their customers and their close ties to the communities they serve.”*
- *“I see a very real need for continuation of the traditional community banking model. Indeed, I believe there is a real place for the customization and flexibility that community banks can exercise to meet the needs of local communities and small business customers.”*

*Ben S. Bernanke*

# Community Banking and the Fed

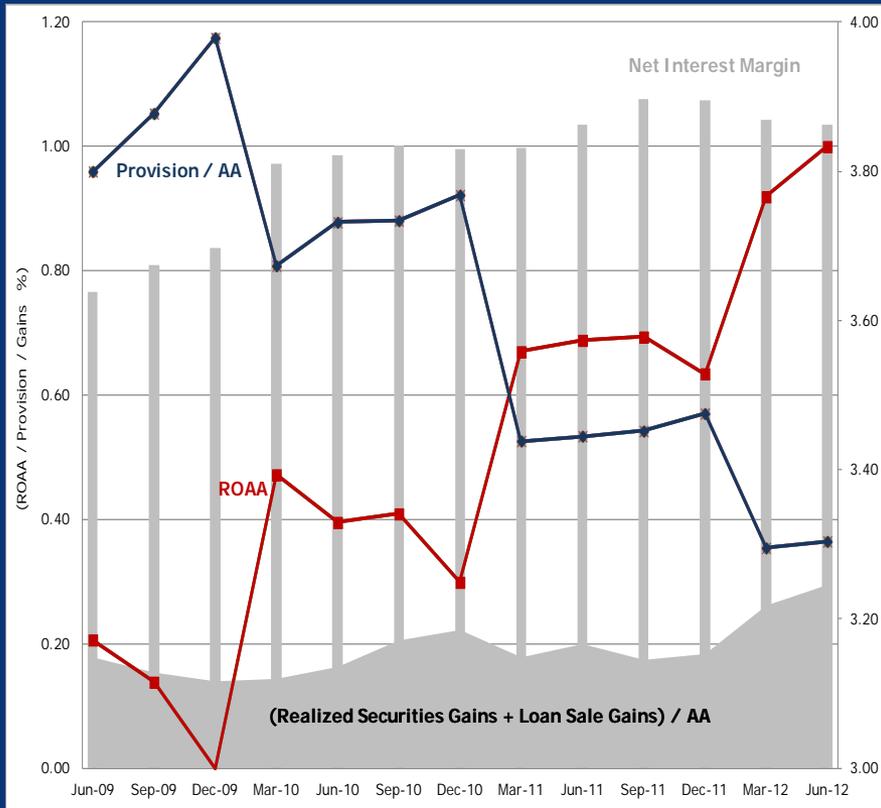
- Community Depository Institutions Advisory Council (CDIAC)
- Supervision subcommittee on smaller regional and community banks
- Governors with community banking roots
  - Governors Raskin & Duke
- Community Banking Connections
  - <http://www.communitybankingconnections.org/>
- Outreach
  - Boston: *Communities and Banking*
  - St. Louis: “Ask the Fed”
  - Philadelphia: *Consumer Compliance Outlook and Outlook Live*

# How are New England banks doing?

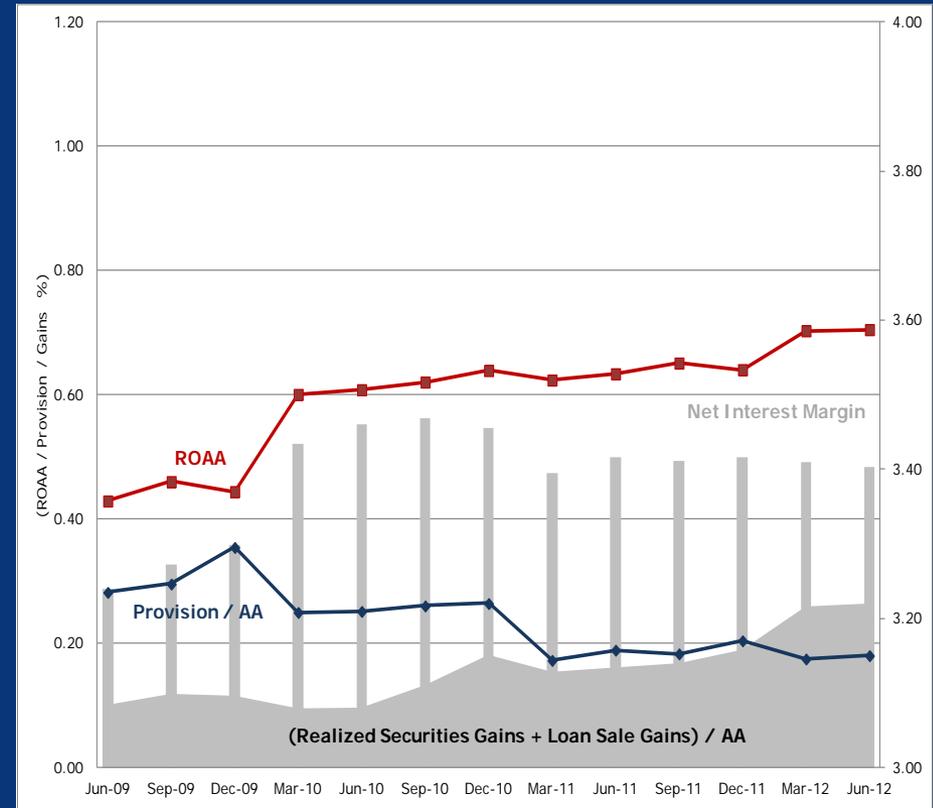
- **First District community institutions are holding up well in a challenging environment**
  - Earnings improved
    - Provision reductions and one-time gains fueling income
    - Made progress in reducing overhead
  - NIM contracting and yields remain low
  - Asset quality improving
  - Modest balance sheet rebalancing
    - Higher risk loans growing at a modest pace

# Earnings improvements fueled by reduced provisions and non-recurring gains

## Nationwide

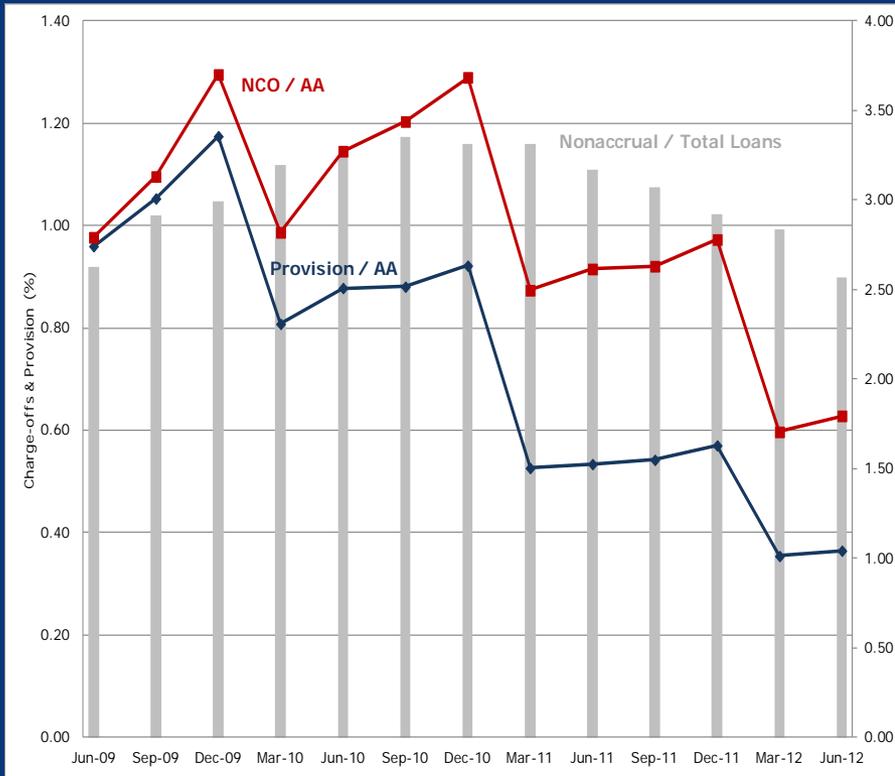


## First District

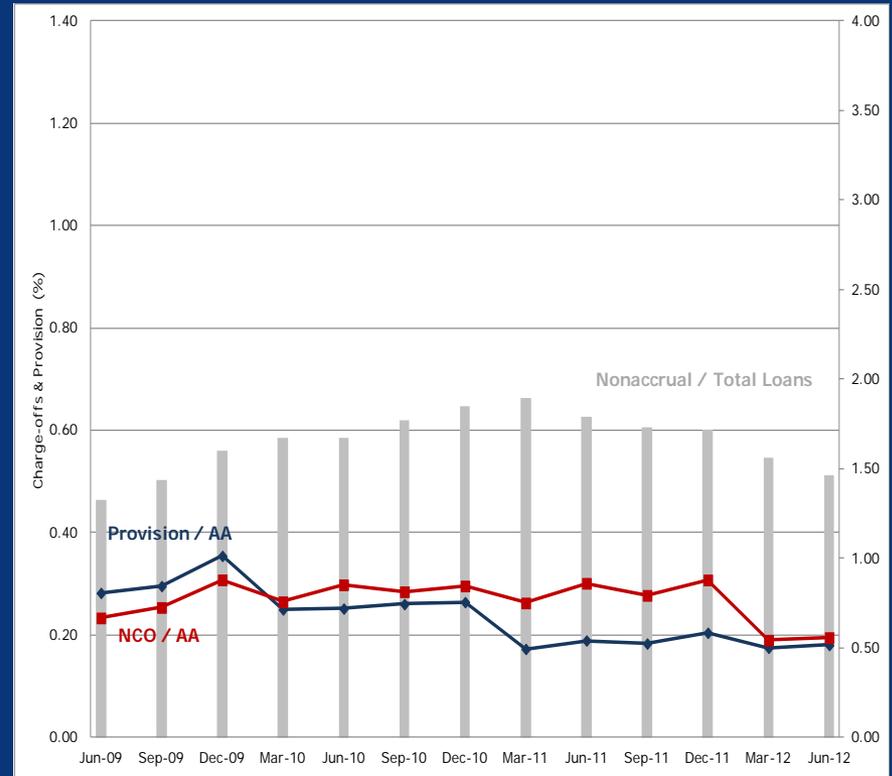


# Asset quality continues to improve

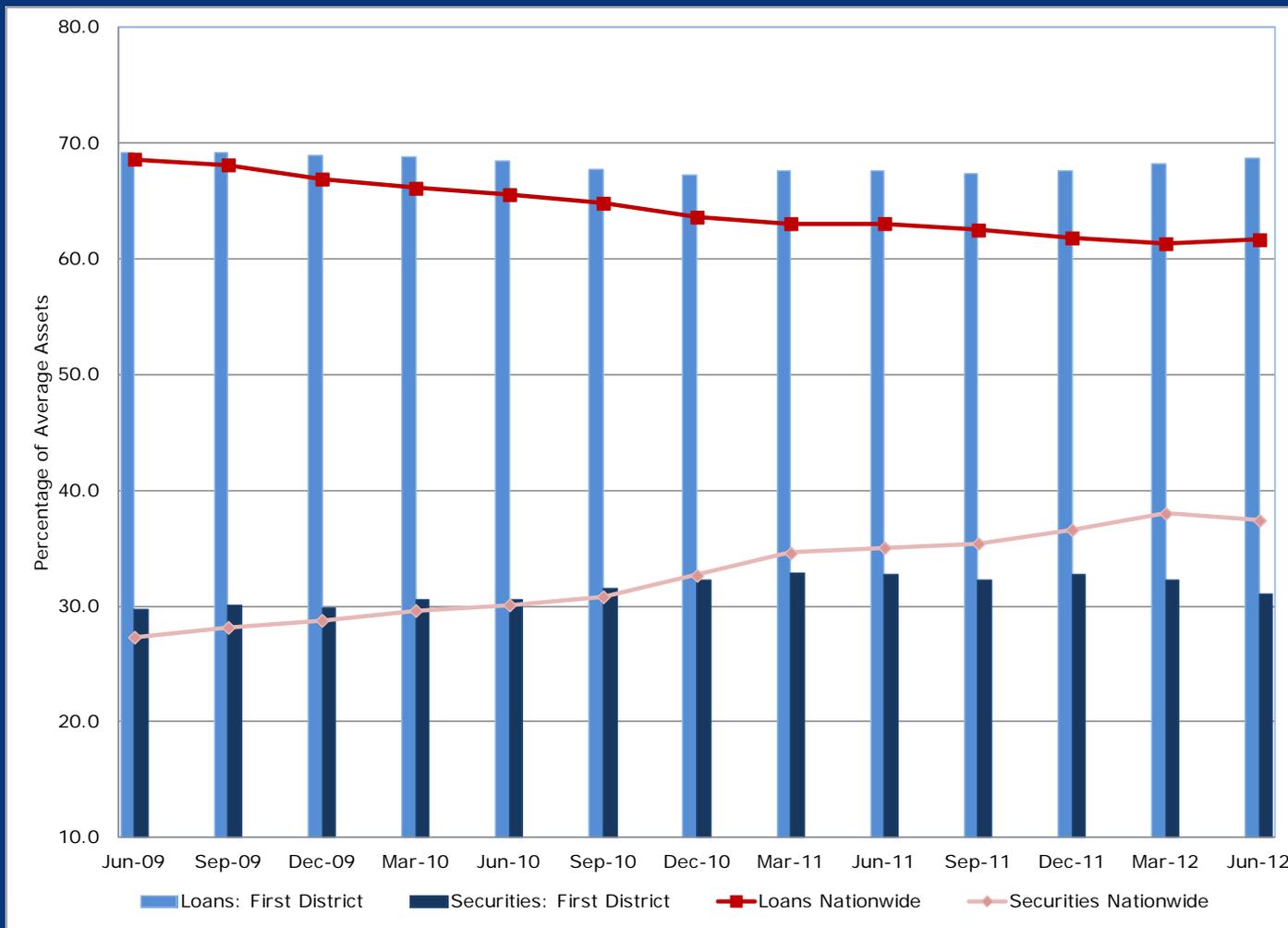
## Nationwide



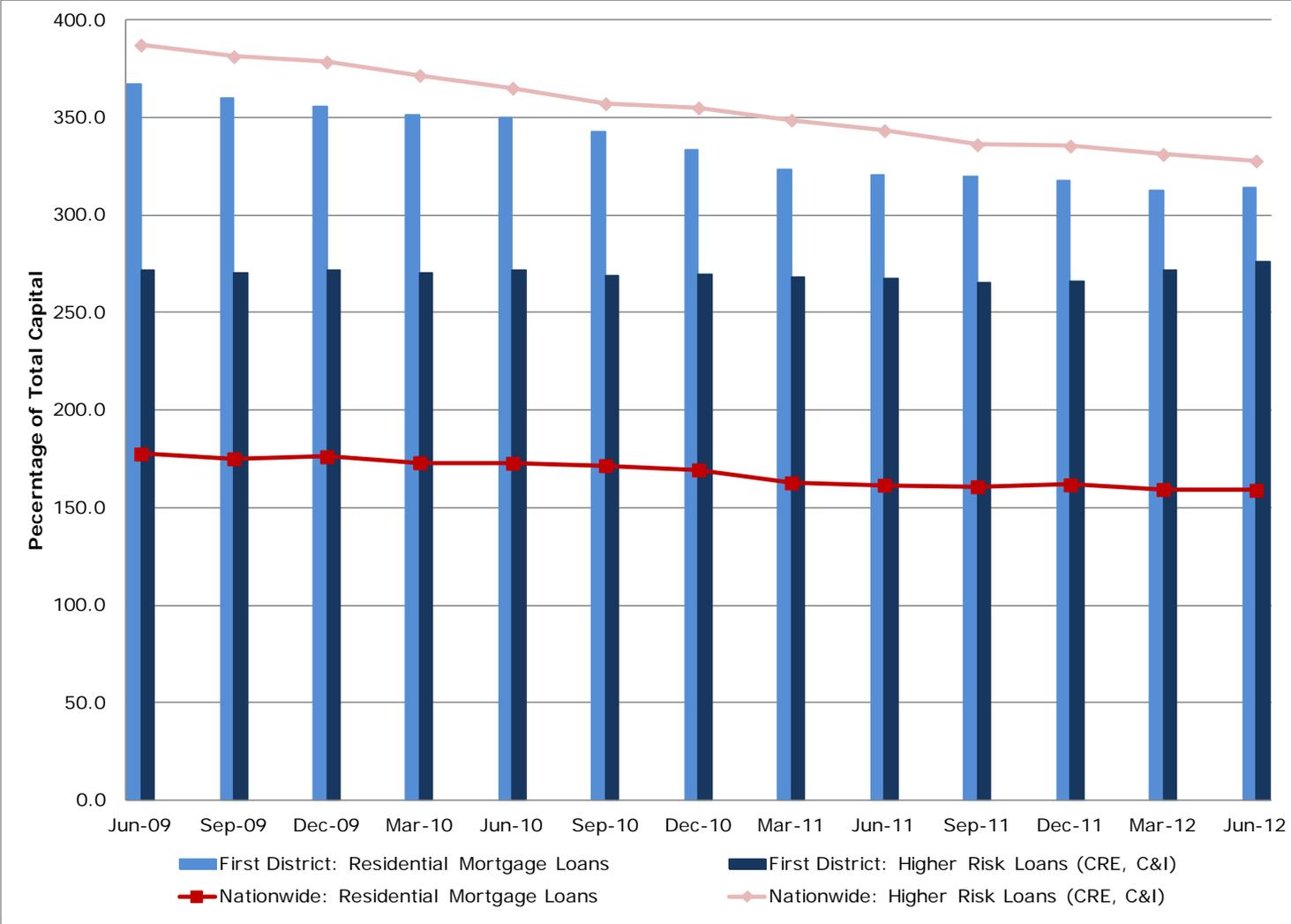
## First District



# Loan growth is modest for First District institutions while banks nationwide show more securities growth



# First District institutions are gradually increasing higher risk loans



# Challenges

- New business lines
- Non-recurring gains
- Non-interest income
- Overhead
- Reserves

# Regulatory Issues: What bankers are concerned about

- Basel III
  - Exempts small BHCs
  - Addenda explicitly identifying provisions affecting community banks
  - FAQs
  - Capital Estimation Tool
  - Extended the comment period
  
- CFPB