Banking Conditions:

Then, Now, and Looking Ahead

July 9, 2014

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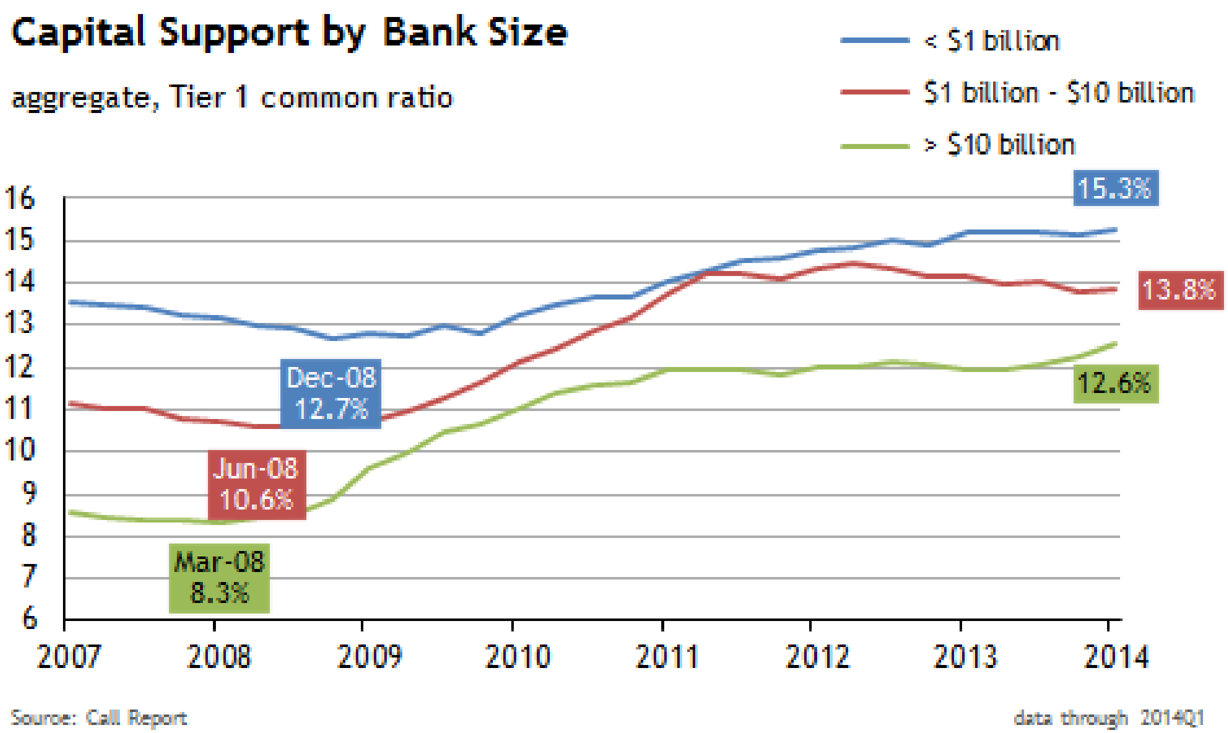
Supervision & Regulation
Federal Reserve Bank of Atlanta

FEDERAL RESERVE BANK of ATLANTA

Banking Conditions – Then to Now
Capital Levels



Thirty CCAR 2014 Bank Holding Companies

	1Q2009	4Q2013
Aggregate Tier 1 Common Equity Ratio	5.5%	11.6%
Total Tier 1 Capital	$511B	$971B

Source: http://www.federalreserve.gov/newsevents/press/bcreg/20140326a.htm

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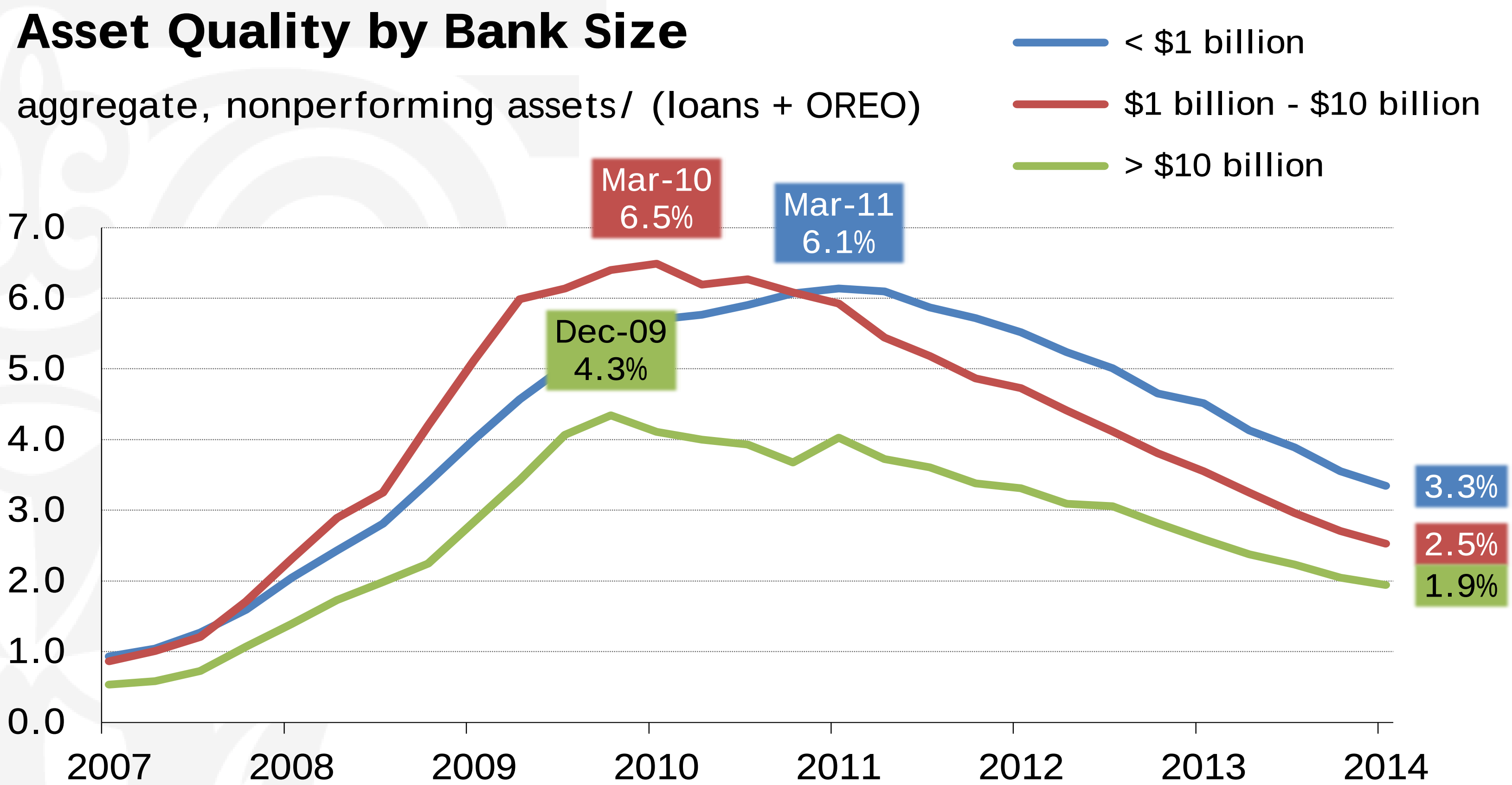
Banking Conditions – Then to Now
Asset Quality



Source: Call Report

data through 2014Q1

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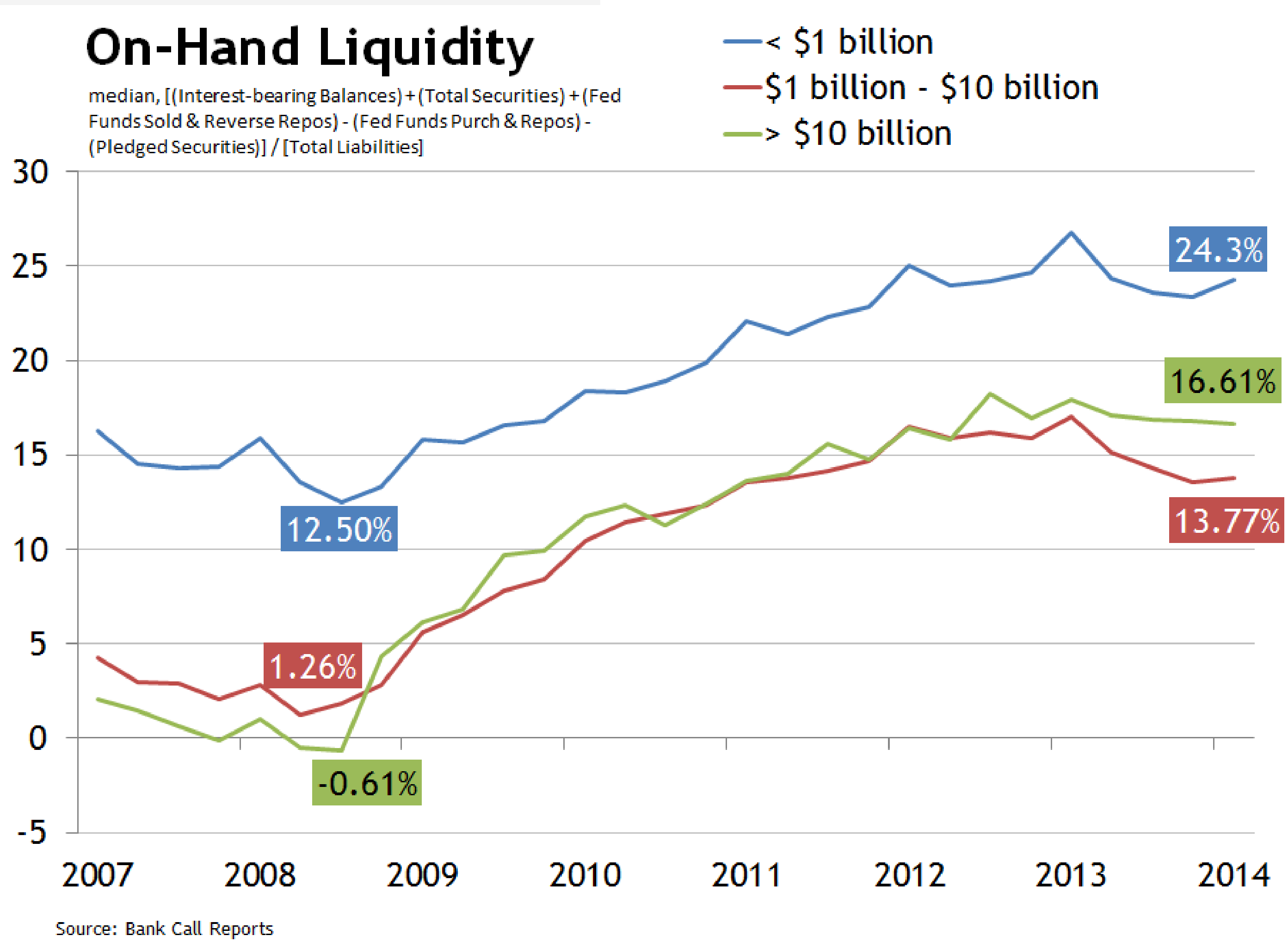
Banking Conditions – Then to Now
Liquidity



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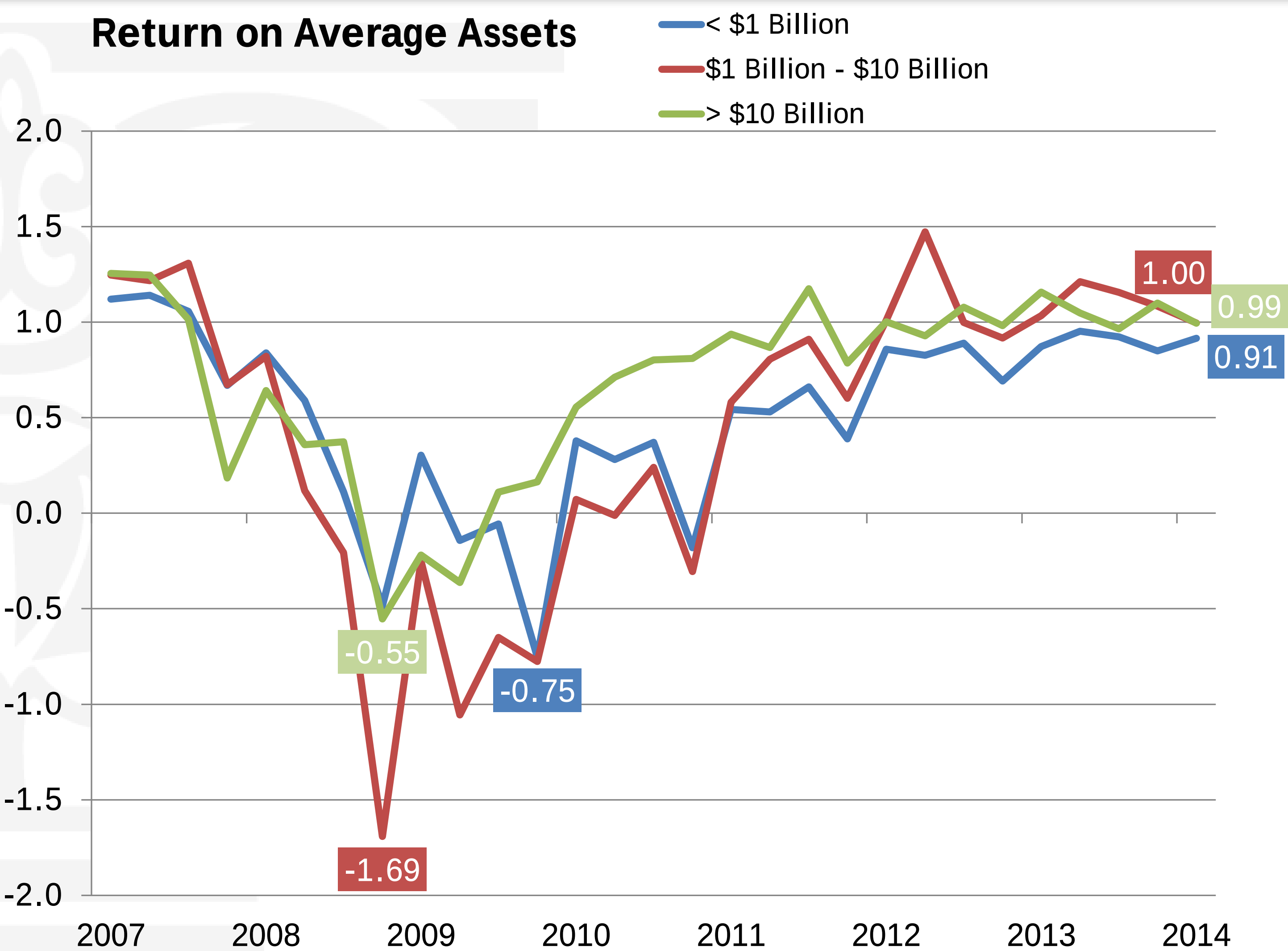
Banking Conditions – Then to Now
Profitability



Source: Bank Call Reports

Data threough 2014Q1

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Regional Banking Conditions

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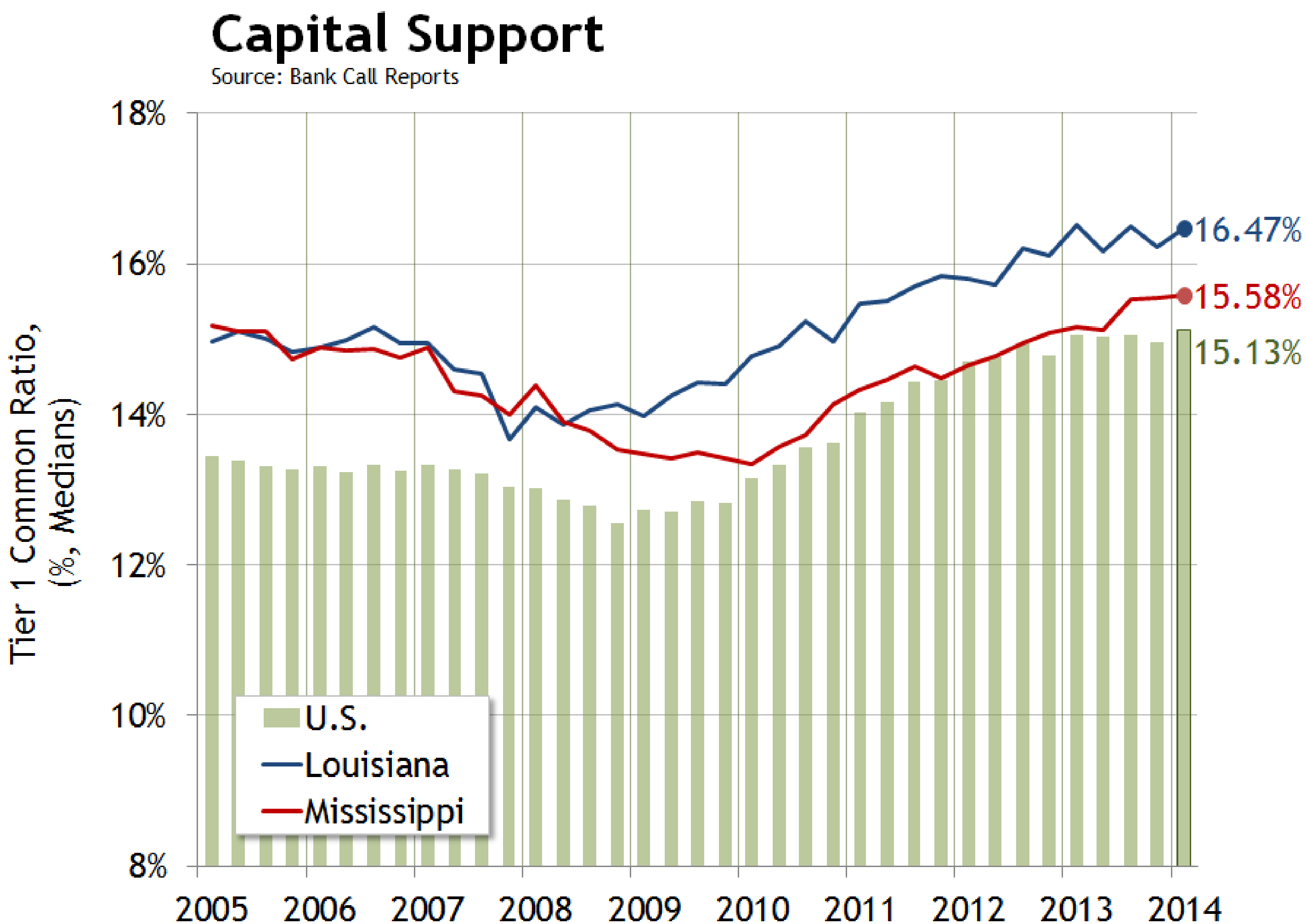

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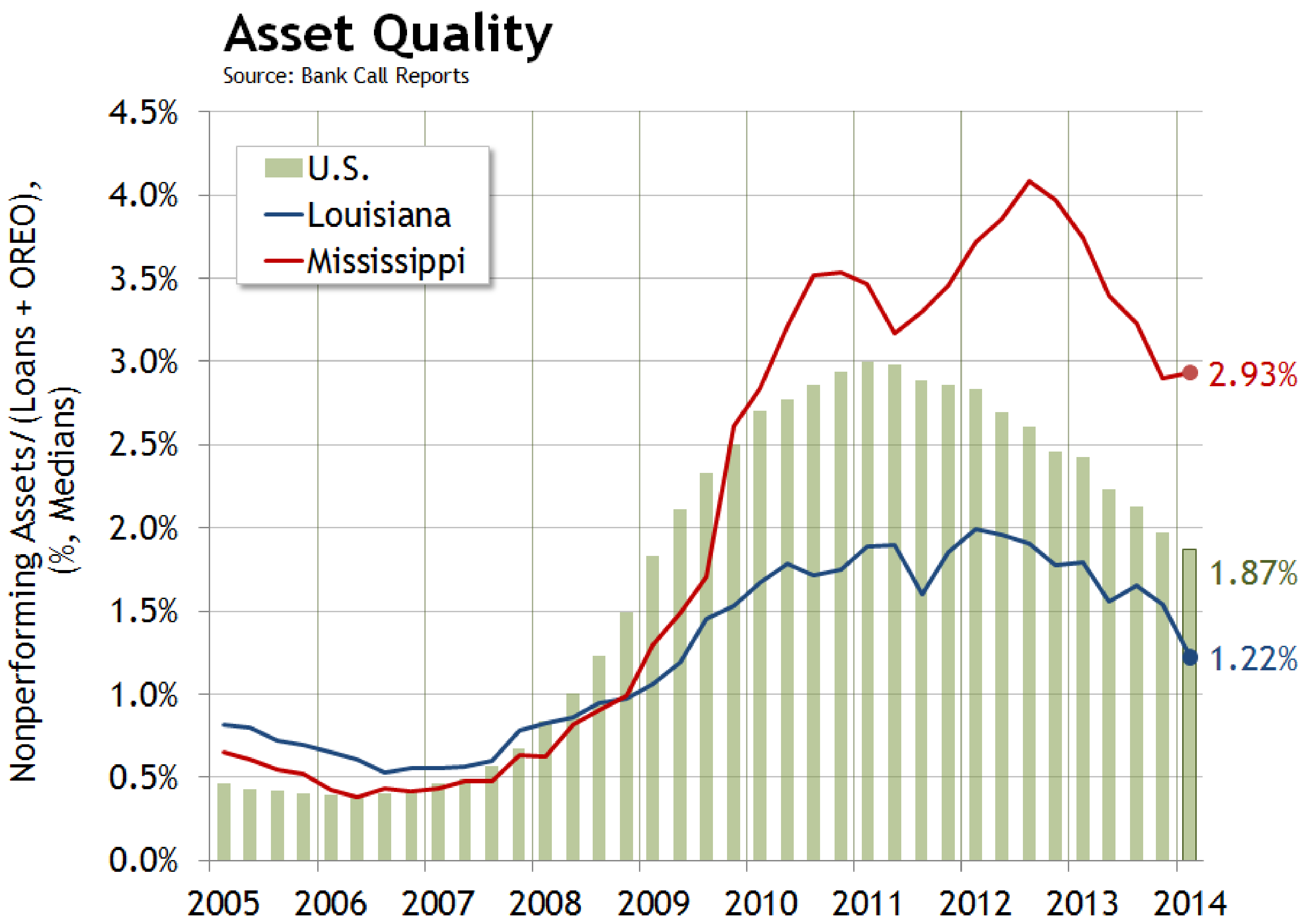
Regional Banking Conditions



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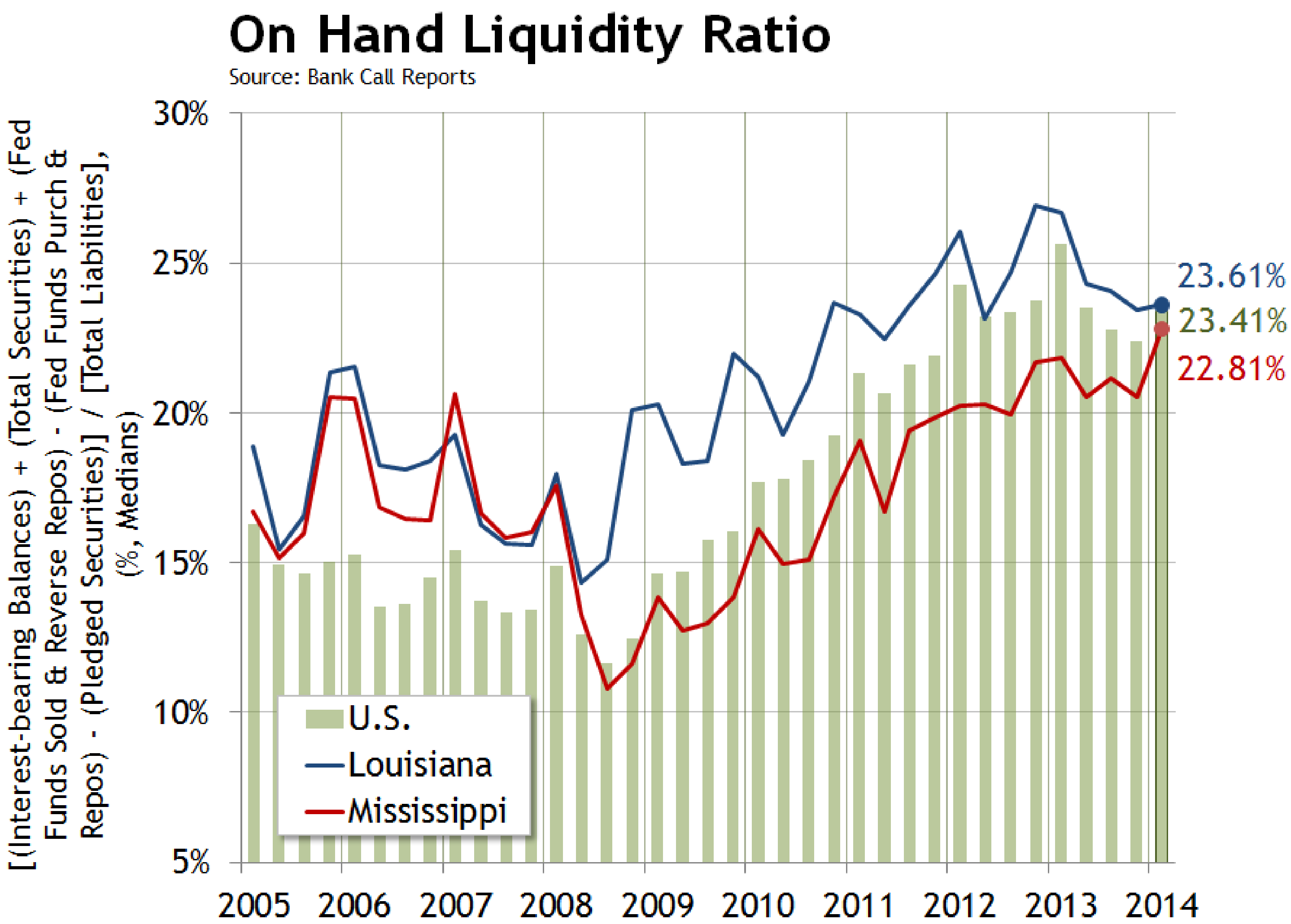

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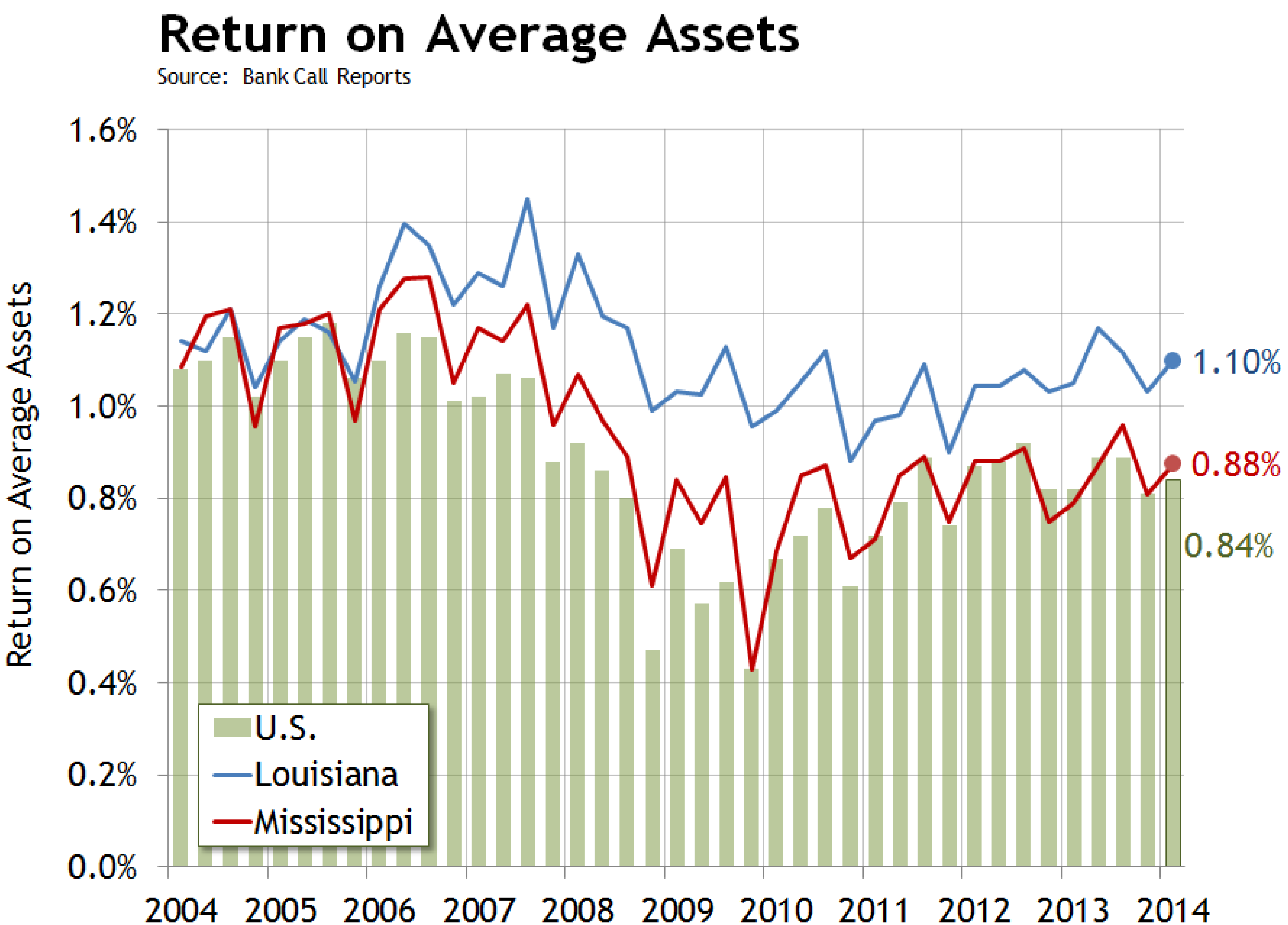
Regional Banking Conditions



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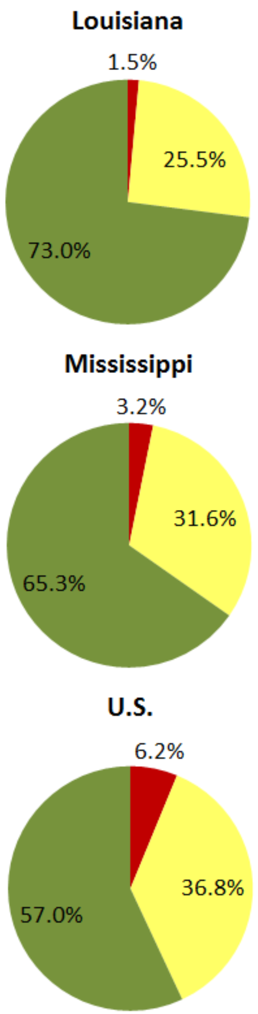
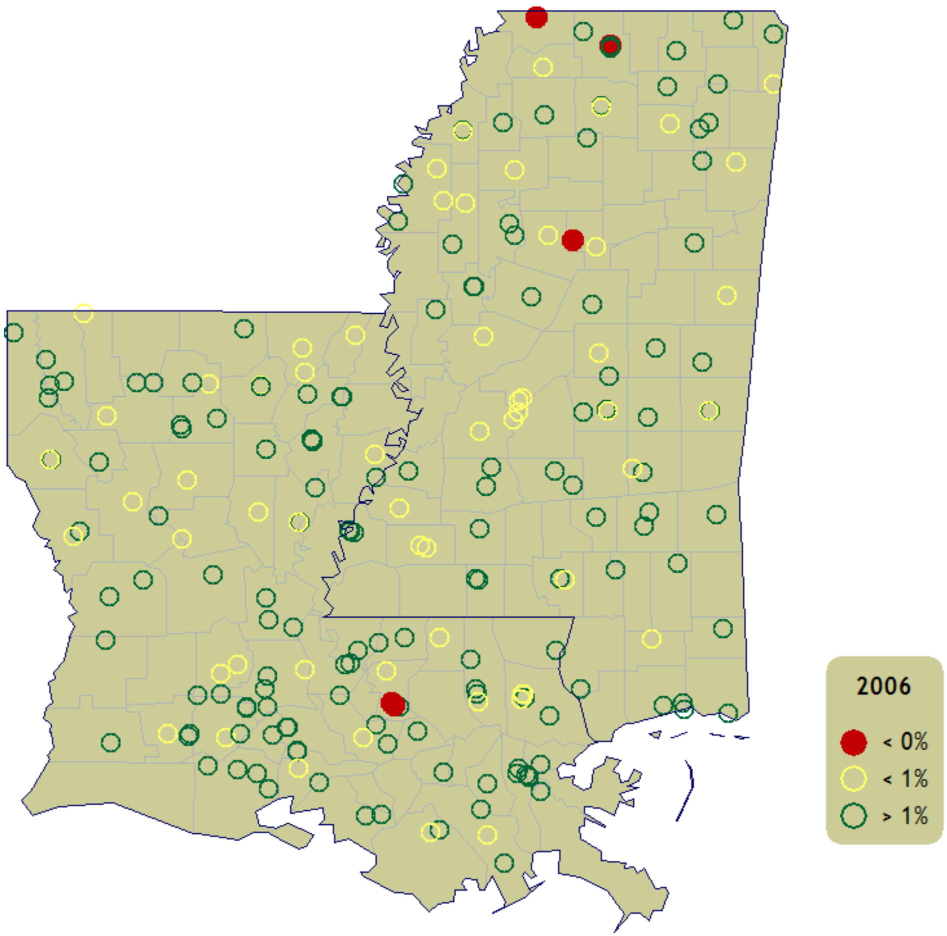
Regional Banking Conditions - ROAA

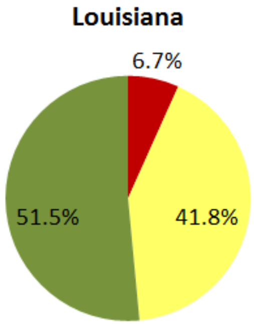


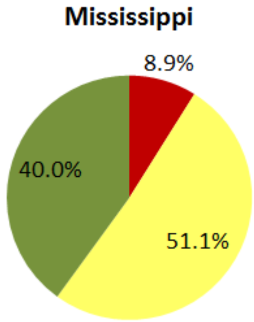
Pre-Crisis: 2006

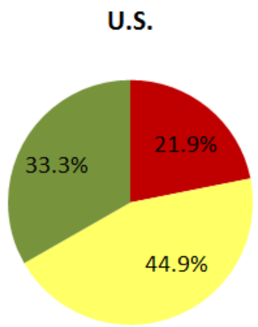


Source: Bank Call Reports, Q1 data

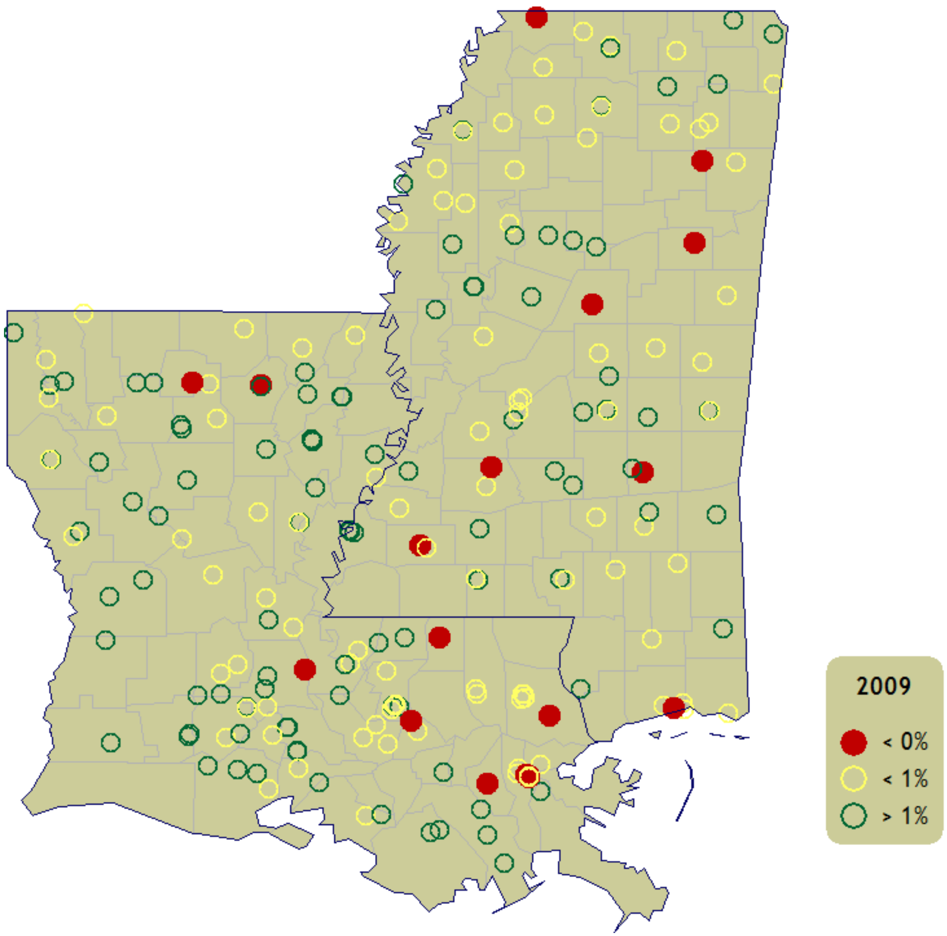
Regional Banking Conditions - ROAA







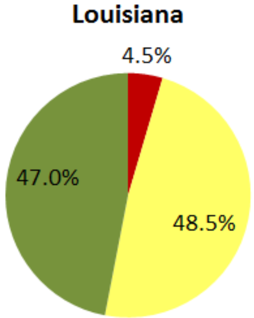
Crisis Peak(?): 2009

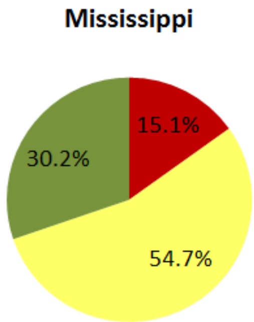


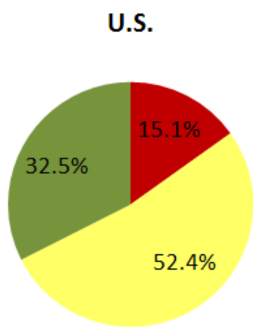
Source: Bank Call Reports, Q1 data

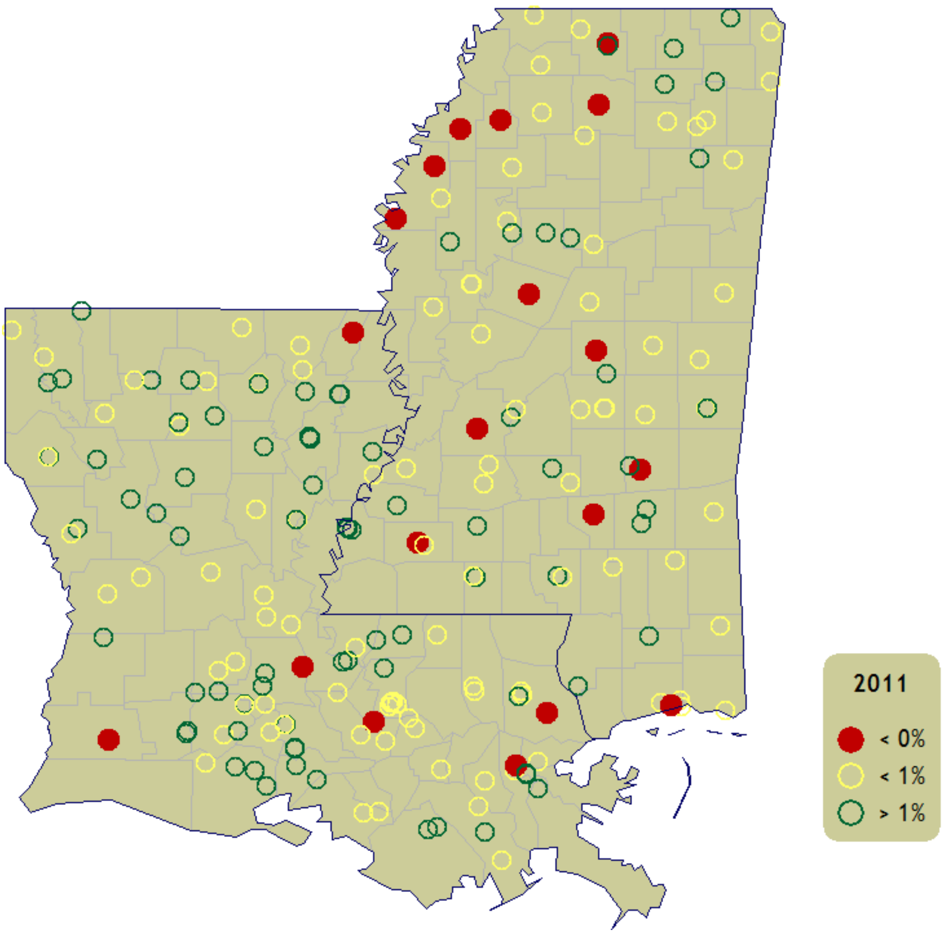
Regional Banking Conditions - ROAA

Post Crisis Lag: 2011

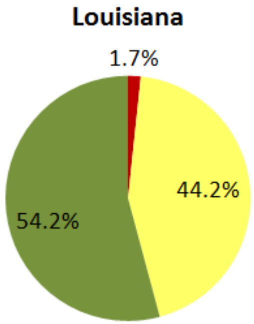


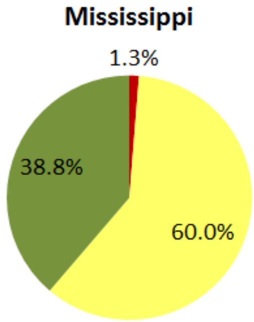


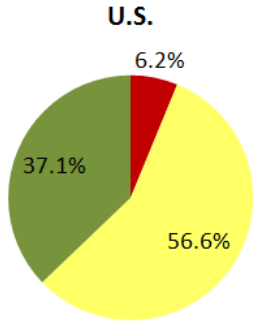




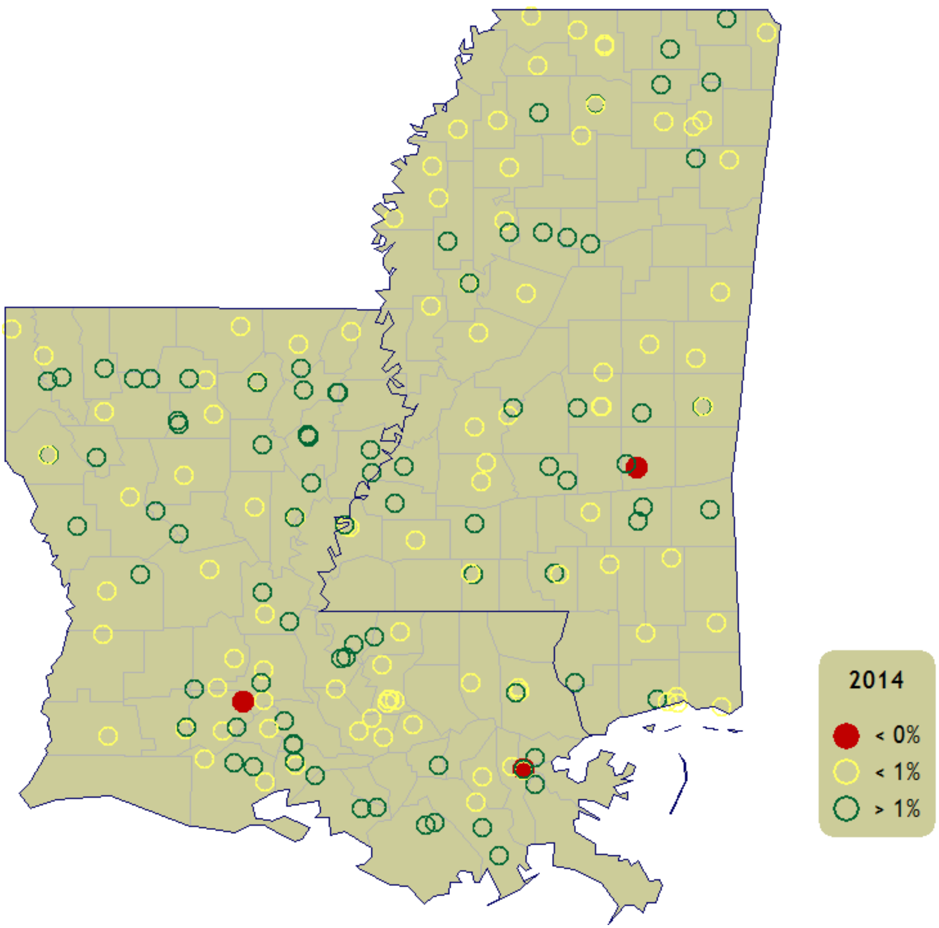
Regional Banking Conditions - ROAA







Now: 2014Q1



Source: Bank Call Reports, Q1 data

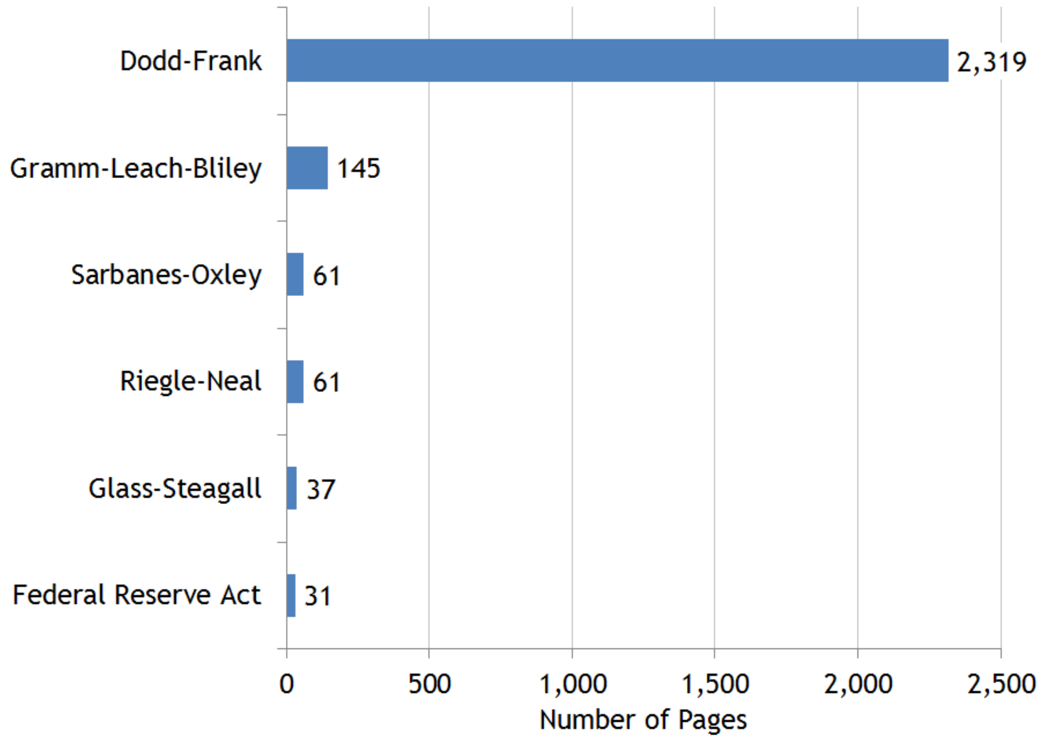
Key Regulatory Changes

"Landmark Legislation"

"Moves to Limit 'Reckless Risks' of Banks"

"A Trillion Unintended Consequences"

"Finding a Good Financial Bill in 2,300 Pages"



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Key Regulatory Changes

Addition by …. Addition

Dodd-Frank established the Financial Stability Oversight Council (FSOC) responsible for designating nonbank systemically important financial institutions (SIFIs).

Dodd-Frank created the Consumer Financial Protection Bureau (CFPB), a new agency responsible for regulation of the consumer financial services industry and supervision of banks with $10 billion or more in assets.

Dodd-Frank eliminated the Office of Thrift Supervision (OTS) and split responsibilities for thrifts between the Fed and the Office of the Comptroller of the Currency (OCC).

Federal Reserve's Macro-Prudential Role

New Systemically Important Entities to Regulate:

- Nonbank systemically important financial institutions (SIFIs)
- Financial market utilities (FMUs)
- Systemically important payment, clearing, or settlement activities

Addressing "To Big To Fail":

- Expanded Dodd Frank stress testing and capital plan reviews (CCAR) to 30 BHCs and growing!
- New resolution and recovery plan requirements
- New regulatory capital framework, including Basel III increased capital standards
- Additional leverage buffer requirement for 8 largest, most interconnected BHCs
- Enhanced prudential standards for domestic BHCs and foreign banking organizations (FBOs) finalized, to be effective January 1, 2015, for domestic firms and July 1, 2016, for FBOs
- Proposed new enhanced liquidity requirements to be effective January 1, 2015
  - liquidity coverage ratio (LCR) = liquid assets /projected net cash outflow during stressed period
- DF Section 622 Financial Sector Concentration limit proposed (comments due by July 8, 2014)

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Enhanced Capital Standards

Minimum Required Ratios for Banking Organizations With total assets > $500 Million < $250 Billion*	
Common Equity Tier 1/RWA	4.5%
Tier 1 Equity/RWA	6.0%
Total Equity/RWA	8.0%
Capital Conservation Buffer	2.5%
Leverage Ratio	4.0%

Additional Requirements for Advanced Approaches Organizations ($250 billion or >, or $10 billion in on-balance sheet foreign exposure)	
Supplemental Leverage Ratio (considers certain off-balance sheet items)	3.0%
Countercyclical Buffer	0 – 2.5%, if credit quality deteriorates
Systemically Important Financial Institution (SIFI) Surcharge (Proposed)	1 – 2.5%, depending on a bank's systemic importance

*Bank holding companies with less than $500 million in total consolidated assets are exempt (though their subsidiary banks would still be subject to the new capital rules).

Looking Ahead:
More Regulations, More Challenges

What will be the CFPB’s impact on:

- Mortgage lending
- Indirect auto lending
- Deposit advance products
- Student lending
- Debt collection

More regulations are coming:

- Risk retention rule
- Incentive compensation rule

Continued key challenges facing banks:

- Strategic risk
- Persistently low interest rate environment
- Escalating compliance costs
- Consolidation
- Growth and profitability