



# **AMERICA'S MUTUAL BANKS**

701 8TH STREET NW SUITE 700. WASHINGTON, D.C. 20001

## **AMERICA'S MUTUAL BANKS SIXTH ANNUAL DINNER MEETING**

**2016 – PRELUDE TO CHANGE  
MUTUALS, MILLENNIALS, POLITICS AND MARKETS**

**MARCH 14, 2016  
5:30 PM TO 9:30 PM EDT**

nopa Kitchen + Bar  
Spy Museum Building  
800 F Street N.W., Washington, DC 20004

# Continued to Elevate the Profile of Mutuels

- Continued to elevate the profile of mutuels in Congress and the regulatory and policy making arenas as a distinct group of community banks with their own needs.
- Persuaded the FRB, FDIC and OCC to specifically recognize in official pronouncements mutuels as a body of community banks which have unique attributes.
- Lobbied the ICBA for support of national bank mutual charter.
- Lobbied the ABA for support of mutual national bank and MCC and QTL relief.

# Education

- Conducted a vigorous press campaign to educate the public on the role of mutuals in the community with press releases, and individual outreach to reporters.
- Established AMB as the go-to contact for the members of the press writing articles concerning mutual banks - SNL, Bloomberg, Crain's, American Banker Newspaper, and other trade and national news outlets.



# Legislation

- Supported Senator Shelby's relief from dividend restriction for MHCs.
- Succeeded in having Section 9 of H.R. 1603 re small bank holding company capital exemption passed into law in H.R. 3329.
- Proposed new legislation for the 114<sup>th</sup> Congress which will:
  - authorize mutual national banks;
  - update mutuals' corporate governance;
  - authorize capital certificates which will qualify as Tier 1 capital for mutuals;
  - enable a mutual holding company without public shareholders to establish a charitable foundation without the use of cash;
  - exempt mutual banks with assets under \$250 million from Basel III rules;
  - authorize pooled issuances by mutual banks of alternative capital instruments; and
  - mandate a GAO Study of the reasons for the decline of mutual banks.
- Obtained the endorsement of the legislation from seven state trade groups (CT, NY, NJ, PACB, PBA, NC and MD).
- Supported passage of The Tailor Act, H.R. 2896, which was recently reported out of The Financial Services Committee.
- Worked with House Committee Heads re monitoring of TRID enforcement.
- Letter to Congresswoman Mia Love re expanding small bank holding company capital exemption H.R. 3791.
- Supported FRB dividend cut relief for banks under \$10 billion.

# Regulatory Outreach

- Conducted an outreach program with personal meetings with the financial regulatory agency heads to familiarize them with the special needs of mutuals.
- Met with senior supervisory staff from the financial regulatory agencies.



# Regulatory Outreach (con't)

- Commented on OCC's Policy on small bank stock conversions.
- Provided comments on proposed regulations in order to sensitize the agencies to the effect on mutuals of one size fits all rulemaking.
- Alerted agencies re accounting change for equity valuation effect on supervisory ratings.
- Eliminated AOCI mandatory treatment for mutuals.
- Grandfathered TRUPs and cumulative preferred stock.
- Reinstated simplified mortgage risk weights.
- Argued successfully for small bank exemption from Volcker Rule.
- Advocated for acknowledgement of impact of regulatory burden on mutual banks.

# Website

- Maintain a website [www.americasmutualbanks.com](http://www.americasmutualbanks.com) with links to news, programs, laws, regulations, legal precedents and economic statistics affecting mutuals, many of which are not available on the internet or through FOIA requests.
- Issued alerts on a weekly basis regarding events that have an effect on mutuals.
- Posted scores of items and links to topics of interest to mutuals.



# Legislative Outreach

- Arranged meetings for AMB members with Senators, Congressmen, their staff, agency heads and senior staff.
  - Introduced issues of concern to mutuals to both Democratic and Republican Congressmen and Senators.
  - Positioned mutuals with new committee leadership at House and Senate.
  - Met with key Congressmen and Senators to urge support of mutual relief legislation.
  - Attended dozens of meetings with key staffers on Senate and House Committees.



# Dashboard, Website Resource

- Served as a resource for state trade groups, regulatory agencies and the press for information on mutual thrifts.

**Comparative Performance Analysis  
Mutuals vs. Peer Financial Institutions (1)  
As of December 31, 2015**

Asset Size Class (\$)	Mutuals (2)			All New Mutuals (3)			MHCs			Stock Thrifts			Credit Unions			Commercial Banks			Neutral Range
	<250m	250-750m	750m-5b	<250m	250-750m	750m-5b	<250m	250-750m	750m-5b	<250m	250-750m	750m-5b	<250m	250-750m	750m-5b	<250m	250-750m	750m-5b	
<b>Number &amp; Age</b>																			
1 # of Institutions	223	129	72	3,376	1,428	668	19	8	1	83	53	84	2,983	239	139	1,937	683	308	
2 Avg Charter Age (Years)	152	126	146	88	83	71	96	127	82	92	104	102	61	67	76	182	89	88	
<b>Balance Sheet &amp; Capital Ratios (%)</b>																			
3 Asset Growth (LTM)	0.6	3.5	4.2	2.8	4.7	7.3	(1.3)	6.9	8.3	3.8	4.9	8.2	2.7	9.3	7.3	2.8	4.2	7.3	→ 1.00%
4 Liquidity Ratio (6)	34.3	28.7	15.6	27.4	29.8	15.9	15.5	14.6	15.7	21.8	17.3	16.2	21.9	12.3	10.8	26.7	19.3	15.7	→ 5.00%
5 Loans/Deposits	81.3	90.4	86.3	78.8	81.7	86.9	97.4	99.0	95.2	98.8	91.0	99.1	88.3	78.3	86.6	76.2	82.8	86.7	→ 5.00%
6 Tier 1 Leverage Ratio (6)	12.5	11.4	11.0	10.6	10.0	9.7	12.8	11.2	2.8	11.5	11.3	19.3	11.3	18.5	18.4	10.5	9.9	9.8	→ 1.00%
7 Tier 1 RBC Ratio/RWA	28.2	17.6	18.8	36.2	18.9	12.1	19.9	18.9	3.5	19.7	16.2	15.8				16.7	13.6	12.2	→ 1.00%
<b>Asset Quality (%)</b>																			
8 NPAs/Assets (Excl TDRs)	0.8	0.6	0.6	0.5	0.6	0.6	1.9	1.0	0.1	0.9	0.9	0.7	0.5	0.6	0.3	0.4	0.6	0.6	→ 1.00%
9 ALLL/Loans	0.9	1.0	0.9	1.3	1.3	1.3	1.3	0.9	1.6	1.1	1.0	1.8	0.8	0.9	0.7	1.3	1.3	1.2	→ 0.25%
10 Texas Ratio	8.9	8.5	8.6	7.6	9.6	9.8	25.8	9.3	184.2	11.3	10.9	9.2	3.9	3.2	3.9	6.7	9.6	9.1	→ 5.00%
11 NCOs/Avg Loans (LTM)	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	1.8	0.0	0.1	0.1	0.3	0.3	0.3	0.0	0.1	0.1	→ 0.25%
<b>Profitability (LTM) (%)</b>																			
12 ROAA	0.3	0.5	0.6	0.9	1.0	1.0	0.4	0.5	(0.3)	0.7	0.7	0.8	0.2	0.6	0.7	0.9	1.0	0.9	→ 0.10%
13 ROAE	2.6	3.8	3.9	7.7	9.1	9.1	3.4	4.6	(1.4)	4.9	3.8	7.8	2.0	5.3	6.7	7.9	9.1	9.3	→ 0.50%
14 Net Interest Margin	3.2	3.2	3.1	3.7	3.6	3.9	3.9	3.4	3.2	3.2	3.4	3.3	2.9	3.0	2.9	3.6	3.5	3.5	→ 0.20%
15 Non-Int Income/AA	0.3	0.5	0.6	0.8	0.7	0.8	0.4	0.5	0.3	0.6	0.6	0.7	0.7	0.4	1.3	0.8	0.7	0.8	→ 0.10%
16 Non-Int Expense/AA	2.9	2.8	2.7	2.9	2.8	2.8	3.8	2.9	9.6	3.4	3.1	2.6	3.3	3.3	3.0	2.7	2.8	2.9	→ 0.30%
17 Efficiency Ratio	84.6	79.4	75.7	78.8	66.8	64.2	88.5	79.3	181.1	82.2	76.2	68.3	88.9	88.6	74.2	69.8	64.9	63.9	→ 5.00%
18 Assets/Temp (MBO)	6,652	5,992	6,231	4,189	4,849	6,217	6,519	6,896	1,875	1,761	4,419	6,395	5,812	5,794	4,685	4,313	6,614	6,188	→ 0.50%
<b>Loan &amp; Deposit Mix (%) (6)</b>																			
19 1-4 Family Loans	79.4	65.4	56.9	26.5	28.6	22.7	75.5	57.1	51.9	60.3	51.3	44.8				25.2	24.1	22.8	
20 Non-Demand Disc CRE Loans	2.3	8.6	11.6	7.2	13.6	17.4	4.1	10.7	0.1	7.1	9.2	15.4				5.6	11.8	16.5	
21 Comm & Land Dev Loans	1.8	2.5	6.1	3.0	6.1	6.2	1.8	3.0	0.6	2.9	2.9	3.1				2.0	4.2	5.0	
22 Consumer Loans	1.3	0.5	0.5	8.2	2.2	1.7	0.7	0.5	1.7	1.0	0.9	0.3				3.9	2.1	1.7	
23 Retail Time Depo/Deposits	40.9	28.8	23.7	27.1	23.1	19.7	42.8	30.7	6.7	36.1	28.7	24.8				27.1	23.5	18.8	
24 Non-CD Depo/Deposits	51.8	65.2	71.1	65.3	63.9	66.3	52.6	64.1	91.2	51.8	64.7	78.4				68.5	72.4	77.6	
<b>Failures (Since 1990)</b>																			
25 Est. Cost to FDIC (\$M)	230	313	-	8,788	16,170	28,221	18	-	-	498	2,223	4,798				8,046	13,948	23,428	
26 # of Failed Institutions	16	4	-	188	138	88	2	-	-	25	14	14				281	123	66	
27 FDIC Cost/Inst. (\$M)	14	78	-	28	129	321	9	-	-	19	159	342				29	118	364	

**Regional Institutions by Classification (1)**

Mutuals	MHCs	Stock Thrifts	Credit Unions	Comm. Banks	Total Region
421	24	189	3,348	4,940	6,982

**Regional Institutions by Asset (1)**

<250m	250-750m	750m-5b
5,211	6,188	637

**Key Peer Performance Relative to Mutual Size Class**

Category	Total	All US	All US Region
Performance	100	100	100
Consistency (Peer Relative Rating)	100	100	100
Assets	100	100	100

(1) Only Mutuals, MHCs, Stock Thrifts, Credit Unions, and Commercial Banks in the Mid-Atlantic, New England, and Midwest regions are considered for comparability purposes. Does not apply to "All New Mutuals".  
 (2) Includes Mutuals, Cr-Uts, and Non-Stock MHCs. Non-Stock MHCs are excluded from the MHC category.  
 (3) Includes all non-mutual US financial institutions from all regions; credit unions excluded due to reporting differences.  
 (4) For credit unions, the ratio shown here is Net Worth to Assets.  
 (5) Only major loan categories are shown. Totals may not add to 100%.  
 (6) Liquidity ratio = (Cash & Balances Due + Securities + Fed Funds Sold & Report) / Total Liabilities

# Agency Advisory Boards

- Called for more mutual member involvement on agency advisory boards.
- FDIC added a mutual executive to its Community Bank Advisory Board at AMB's urging.
- OCC appointed two AMB members to its MSAAC.
- Nominated AMB members to OCC MSAAC.

# Mutual Investment Certificate

- Designed and proposed a mutual certificate which would meet regulatory requirements for inclusion as Tier 1 capital.
- Submitted memoranda and held various communications with FDIC, OCC and FRB to encourage acceptance of the Instrument as Tier 1 capital.
- Met with investment bankers and financial consultants to design an alternative capital instrument that is saleable and affordable to issuers.
- Worked with the FDIC to propose capital exceptions for mutuals and coordinate review with other agencies.
- Obtained accounting advice as to GAAP status as equity.



# International Outreach

- Co-partnered with other national and international cooperative organizations to recognize U.S. mutual banks and savings associations as cooperative organizations deserving of government support.
- Conducted correspondence to the UK Building Societies and Australia Mutual Banking Association to establish a cooperative effort in striving for new capital instruments.
- Continue to monitor Rabobank in Holland for purposes of researching success of its mutual capital instrument.

# Member Recruitment and Associate Members

- Compilation of a comprehensive electronic data base of mutual executives.
- Periodic email alerts to mutual banks.
- Outreach by individual members to prospective members.
- Mass mailings to prospective members.
- Email and telephone contact to prospective members.
- Personal contact at industry conferences.
- Membership has grown from the original six founding members to several dozen banks, with many others regularly monitoring our progress.
- Promoted additional participation of associate members.