

Challenges and Opportunities for Community Banks

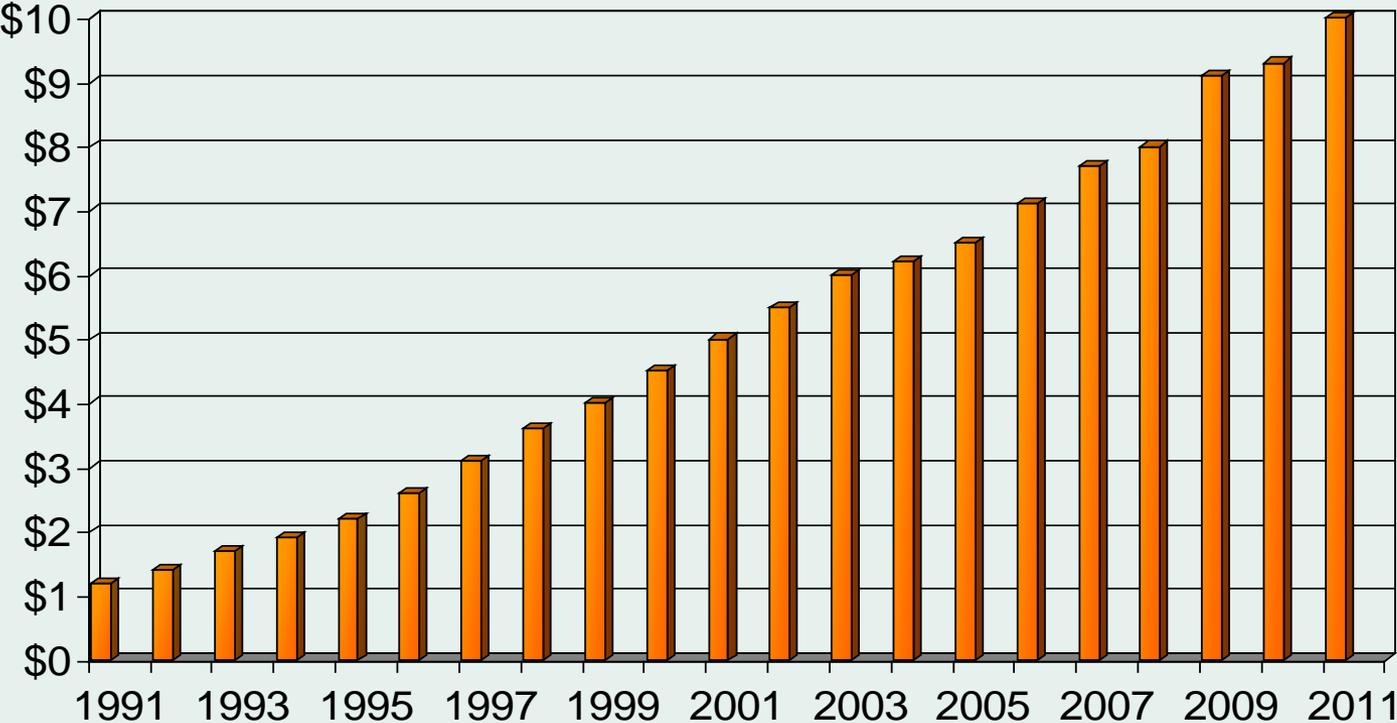
Federal Reserve Bank of Kansas City
September 7, 2011



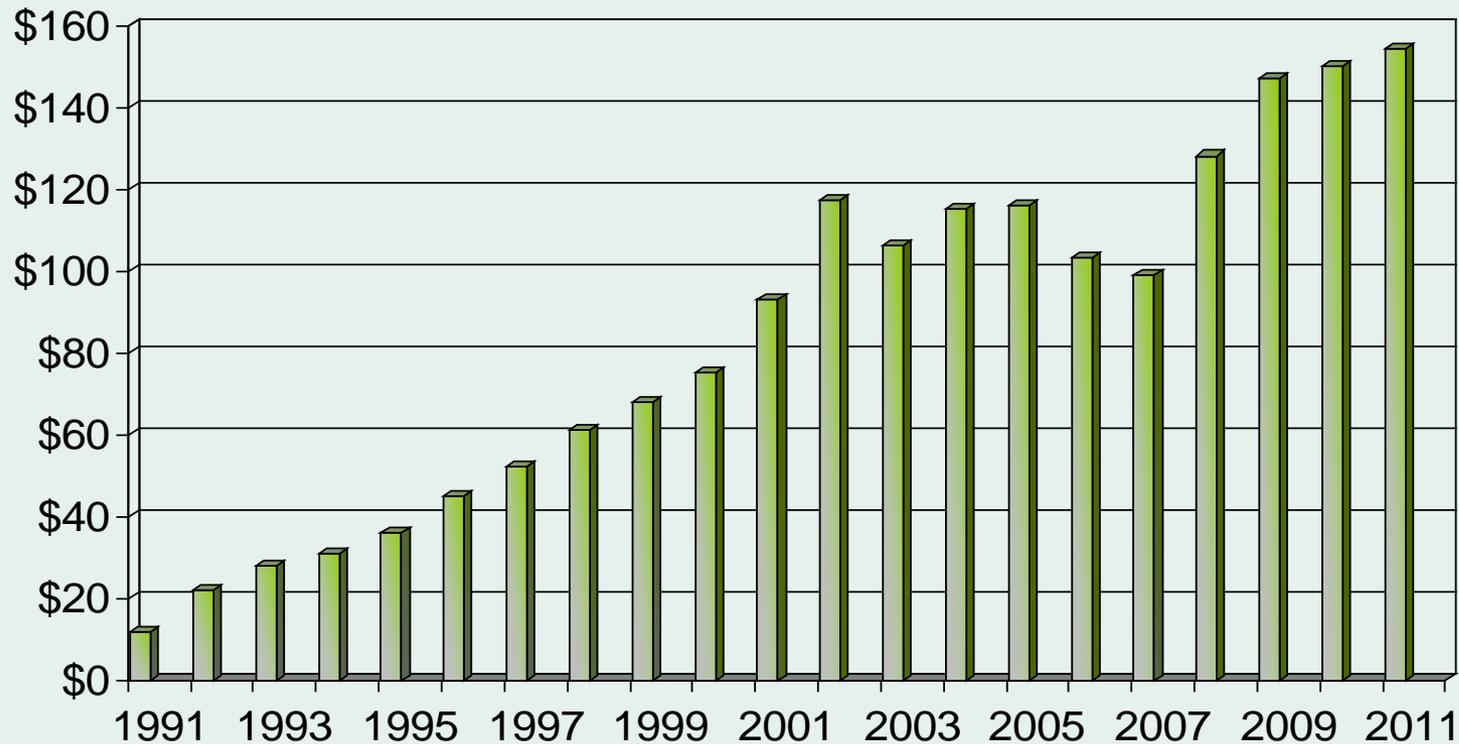
FirstBank Holding Company

- Founded in 1963
- Based in Lakewood, Colorado
- Privately held institution with the majority of stock owned by officers, directors, and employees
- \$11 billion in assets
- 128 locations, primarily in Colorado

Deposit Growth (In Billions)



Net Income (In Millions)



Operating Philosophy

“Organic Growth”

- Build and continuously monitor our retail deposit gathering network - no outside acquisitions
- Develop our employees and staff – hire at the entry level, promote from within
- Develop a strong core deposit base – transaction accounts, customer relationships, almost no brokered funds

Services

- Traditional banking services – accounts and loans
- Do not offer wealth management
- Do not have a trust department
- Do not sell insurance

Challenges to FirstBank Model

- Fee income limitations and restrictions (Reg E and Durbin Amendment)
- Acceptable earning assets defined by both yield and interest rate sensitivity
- Net interest margin is the ultimate driver
- Competition from all sectors – both bank and non-bank
- Regulatory environment



Community Bank Advantages

- Positive public perception
- Customer service - personal level
- Small business lending
- Smaller markets
- Accessibility to decision makers
- Nimble and creative solutions
- Community focus

Challenges

- Regulatory burden – limited resources
- Attracting and retaining skilled bankers and directors
- Remain competitive in attracting capital and generating profits
- Fatigue factor and consolidation
- Investment in technology

Challenges and Opportunities for Community Banks

Federal Reserve Bank of Kansas City
September 7, 2011

