Commonwealth of Kentucky
Public Protection Cabinet

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New Report Details Community Bank Challenges

Competition and the Economy Continue to Be Concerns for Kentucky Bankers

FRANKFORT, Ky. (Oct. 1, 2015) – The Department of Financial Institutions (DFI) joins other state bank regulators, the Conference of State Bank Supervisors and the Federal Reserve System to announce the release of *Community Banking in the 21st Century*, a new report that details conditions facing today's community bankers.

The report can be found at https://www.communitybanking.org/. The website also offers live streaming of the conference where the report was unveiled today, as well as survey results and academic papers on topics of importance to community banking.

Community bankers provided input at town hall meetings hosted by state regulators in 27 states, including Kentucky. The challenges and successes in each of those states are highlighted within the publication. The town hall meeting results provide a unique opportunity to connect quantitative data from a national survey of community bankers with the stories and experiences of bankers serving their communities.

"Showing Kentucky banker responses in conjunction with those from bankers in 26 other states gives us a broad perspective nationally on the condition of community banking today," said DFI Commissioner Charles Vice.

Kentucky's Town Hall meeting on June 11 in Lexington was attended by 22 bankers, three federal regulators and four state regulators. The following are common themes from the meeting:

- Competition – Competition for financial services is coming from a variety of non-bank sources. Community bankers feel they are at a competitive disadvantage because they are held to a higher standard than non-bank financial services providers. New regulations limit their flexibility when offering services or developing new products to meet customer demands.

- Economy/Market Conditions – Kentucky's community bankers are seeing little entrepreneurship or new business formation, but remain optimistic. Kentucky generally remains more insulated from the aftereffects of the recession compared to many other states. Community banks in the state are performing better than national averages.
- Borrowing Attitudes – Kentucky's borrowers are still hesitant and unwilling to take the risks that they were willing to take prior to the recession.
- Regulatory Burden – Open communication lines between bankers and regulators are critical. Community bankers believe that regulatory burden affects their ability to provide services and has limited their ability to offer new products.
- Human Capital – Attracting human capital is a significant challenge, especially in small insular communities. Employing high school and college students as interns and offering flexible schedules has proven effective.
- Emerging Issues – Better information sharing may help with cybersecurity concerns.

The *Community Banking in the 21st Century* report was released today at the Third Annual Community Banking Research and Policy Conference, hosted Sept. 30 through Oct. 1 by the Federal Reserve and the Conference of State Bank Supervisors at the Federal Reserve Bank of St. Louis. Kentucky town hall meeting attendees were entered into a "golden ticket" drawing for the opportunity to attend the national conference. Ronnie Pence, President/CEO of Kentucky Neighborhood Bank, was selected.

"Our banks play a vital part in our communities, as well as in the local and national economy," said Vice. "I hope this report, along with the research papers presented at the CSBS-Fed conference, will result in better national financial policy that recognizes that vital role."

DFI, http://kfi.ky.gov, is an agency in the Public Protection Cabinet. For more than 100 years it has supervised the financial services industry by examining, chartering, licensing and registering various financial institutions, securities firms and professionals operating in Kentucky. DFI's mission is to serve Kentucky residents and protect their financial interests by maintaining a stable financial industry, continuing effective and efficient regulatory oversight, promoting consumer confidence, and encouraging economic opportunities.

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