

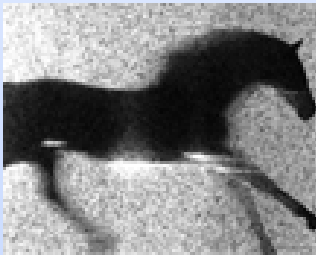
Apres le Deluge—What Now?

Presented by:

Nancy A. Bush, CFA

Federal Reserve Bank of New York

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NAB RESEARCH, LLC

"A career built on independent thinking"

Nancy A. Bush, CFA

Nancy Bush has long been noted both for the strength of her views on the banking industry and for the excellence of her written product. In 2007 she was ranked as the third top analyst in the Institutional Investor poll for independent research of financial institutions. As an analyst independent of investment banking conflicts, she has made stock calls that sometimes brought her into controversy with company managements—such as her “Sell” rating on Bank of New England in 1988 (which resulted in a communications embargo on the part of that now-defunct company) and a request from CoreStates’ then-CEO Terry Larsen in 1995 to discontinue coverage of that company after her condemnation of a proposed CoreStates-Bank of Boston deal. (The request was denied.) Her First Call notes were avidly read by bank managements and investors alike, and resulted in extensive quotation in industry publications such as the Wall Street Journal, the American Banker, and others. She also consistently received high rankings in Greenwich surveys during her sell-side career for her high level of industry knowledge.

Ms. Bush made her jump to the “sell-side” of Wall Street in 1985, after having been a portfolio manager and analyst at Sentinel Advisors, the mutual fund advisory arm of National Life of Vermont. She joined the old Philadelphia brokerage firm of Butcher & Singer in November of that year, and quickly made her mark with the “Banking Quarterly Review,” making that publication one of the most-often quoted and widely read brokerage publications in the Middle Atlantic region. In 1987, she moved to the big-time—New York City—as the regional banking analyst at Dean Witter Reynolds, where she expanded her coverage from the Middle Atlantic to include Southeastern and Western banking companies. From there, she moved to the venerable Wall Street firm Brown Brothers Harriman in 1990, serving as Senior Banking Analyst and later also as Assistant Director of Research. Forsaking the interminable Wall Street commute in 1998, she joined Ryan, Beck & Co., a Livingston, New Jersey, financial services boutique, as a Senior Bank Analyst and—after a short return to New York to work as senior banking analyst at Prudential—later returned to Ryan, Beck as Director of Financial Institutions Group Research. Throughout her sell-side career, she has tracked the progress of companies such as Wachovia, Wells Fargo, Bank of America and SunTrust, among others, through their evolutions from smaller regional banks into today’s mega-regionals.

Ms. Bush has also been a sought-after speaker in the banking industry. Recent speaking engagements have included presentations at the Chicago Fed conference on "Banking Structures and Competition," the BAI Transpay Conference in Las Vegas and the Federal Reserve Bank of Atlanta’s 2008 Banking Industry Outlook conference. Past engagements have included addresses to senior managements at Wells Fargo, Bank of America, SunTrust, and Northern Trust, among others, and speeches to senior examiners at the Office of the Comptroller of the Currency, the Georgia Bankers Association and numerous banking industry groups.

On the personal front, Ms. Bush resides in Hunterdon County, New Jersey, where she is active in the horse world as well as the Wall Street world. She is a member of the Boston Bank Analysts Association, the New York Society of Security Analysts, and has also served as an intelligence officer in the U.S. Naval Reserve, resigning at the rank of Lieutenant Commander in 1993. **She has also recently assumed the role of Contributing Editor to SNL Financial, the sector-focused provider of data and news services headquartered in Charlottesville, VA.**

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Regulation—The Great Unknown

- **The \$64 trillion question—has the regulatory pendulum now swung too far?**
- Basel III—the source of much anxiety...
- Is there a “secret” schedule for implementation?
- Does Basel III really create an uneven playing field?
- Will SIFI requirements continue to be ratcheted upward? And what is a SIFI, anyway?

The Best Thing to Come Out of The Great Meltdown—Stress Tests...

- The stress-test regimen has become a source of stability for bank stocks...
- However—transparency into the process would be welcomed and would help the market enforce its own discipline...
- Should declining bank stock prices be a trigger for stress tests—or for raising capital?
- Has this all become a self-fulfilling prophecy?



The Worst Thing—Dodd-Frank...

- **Has Dodd-Frank REALLY changed anything? Has it broken the back of boom-bust banking?**
- The Volcker rule—does it actually prevent proprietary trading? Will anyone know?
- The Durbin amendment—have you seen your “Durbin discount” at Wal-Mart yet?
- Is a less-profitable banking industry the goal? And what happens to all those laid-off bank employees?
- Are there other unintended consequences?



Do We Need A Banking Re-do?

- **If the repeal of Glass-Steagall was a mistake—let's admit it and fix it...**
- **How much capital markets capability does a commercial bank really need?**
- **Could these activities be joint-ventured?**
- **Take the discount window away from the investment banks and help clear up the confusion in the minds of the American public...**
- **No amount of regulation will fix a broken model... But until then, examinations should be relentless and deals for the biggest banks should be limited...**



What About the Community Banks?

- While mostly the purview of the FDIC, the fate of the community banks is important to everybody...
- The answer to “too big to fail” is a more vigorous banking sector in the small-and-medium sized asset tier...
- The fact that these companies are presently seen as “weak” does not help public perception...
- Job #1—fix the mortgage mess! Should the Fed weigh in more on this?



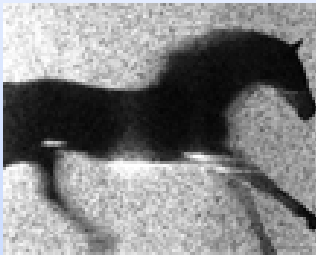
Investment Philosophy— Unchanged After 30 Years...

- Numbers tell you **NOTHING** about a bank!
- In no other industry does the personality of the CEO so determine the success or failure of the company.
 - Corollary: The only way to truly change the culture is to change the CEO...and sometimes even that doesn't work!
- Chronically cheap bank stocks are that way for a reason, as are bank stocks that are always “expensive.”
- Capital strength, credit quality and a **well-developed risk culture** are the long-term determinants of bank stock multiples, not revenue growth.

QUALITY ALWAYS WINS!!



Thank You!



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