San Francisco Region Community Bankers Workshop 2026

Supervisory Process and Key Financial Risks

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Supervisory Process and Key Financial Risks

What floats your boat?

Supervisory Process and Key Financial Risks

Supervisory Process and Key Financial Risks

Topics

Capital

Earnings

Liquidity

Sensitivity to Market Risk

Management

Additional Changes

Focusing Supervision on Material Financial Risks

FIL 45-2025: NPR Unsafe or Unsound Practices and Matters Requiring Attention

- Proposed joint agency rulemaking to focus supervision on material financial risks.
  - Would establish a uniform definition of the term "unsafe or unsound practice" under section 8 of the FDI Act.
  - Would ensure regulators prioritize concerns related to material financial risks and material violations of banking laws and regulations.
  - Would establish uniform standards for communicating Matters Requiring Attention and non-binding supervisory observations.

Capital

CBLR Revisions Final Rule (FIL-19-2026)

Lowers the minimum Community Bank Leverage Ratio (CBLR) requirement from 9 percent to 8 percent to allow more community banks to qualify.

Extends the grace period from 2 quarters to 4 quarters, allowing additional time to satisfy the CBLR minimums or regain compliance.

Limits community banks using the grace period to a maximum of 8 out of the prior 20 quarters.

Proposals to Modernize the Regulatory Capital Framework

FIL 8-2026:

- Mortgage Banking
- Mortgage Servicing Assets

Capital: Calm Waters or Possible Rapids?

Capital levels are satisfactory and regulatory concern is currently moderate

Average community bank leverage ratio: 11.05% as of 12/31/2025

Leverage Capital Ratios could compress if loan losses materialize or rapid asset growth occurs

Capital levels could decrease if earnings deteriorate

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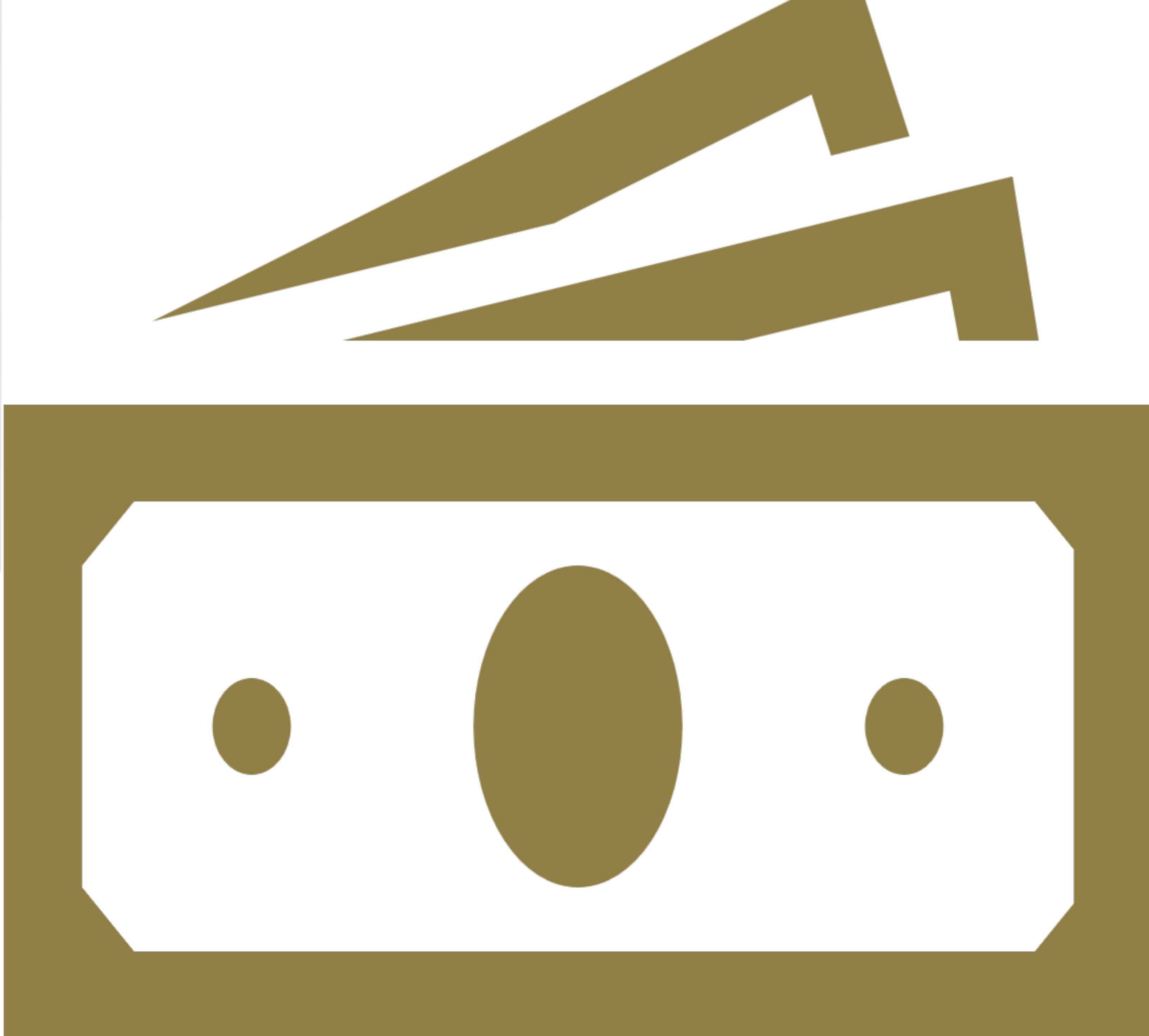
Considerations

- Capital Levels
- Capital Planning
- Capital/Dividend Practices
- Stress Testing Results

Earnings



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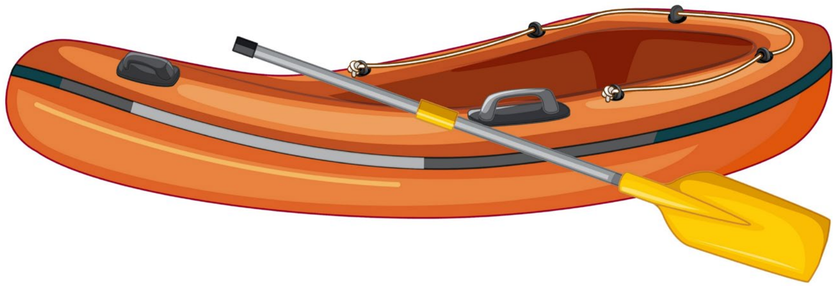
Earnings: Calm Waters or Possible Rapids?

Earnings levels are satisfactory and regulatory concern is currently moderate

As of 12/31/2025: average ROAA is 1.11% and average NIM is 3.65%

Inflationary pressures and interest rate changes

Potential recession and / or global conflict



Considerations

- Earnings Trend
- Budgeting
- Strategic Planning
- Variance Reports

Liquidity

Changes to the UBPR Liquidity Pages

Effective February 17, 2026

Changed from 17 to 102 concepts

Provides better view of an institution's liquidity posture for off-site monitoring

Now includes a formal Liquid Assets to Total Assets ratio

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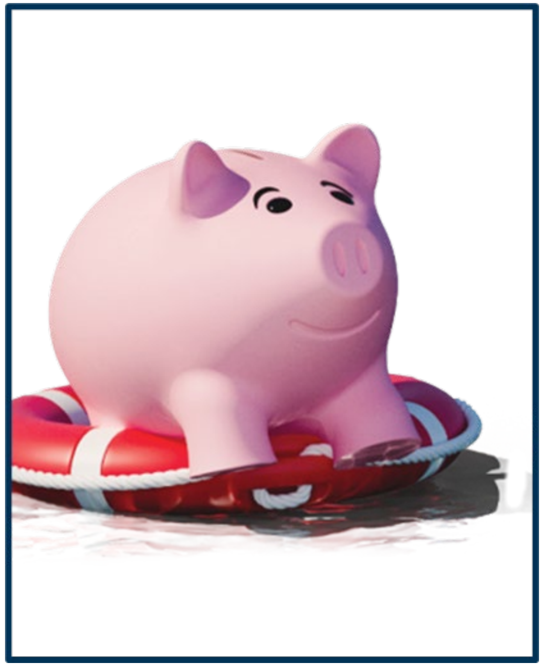
Liquidity: Calm Waters or Possible Rapids?

Liquidity levels are satisfactory and regulatory concern is currently moderate

Contingency funding plans and borrowing lines

Increased competition for deposits

Flight to safety and speed of withdrawals



Considerations

- Available Liquidity
- Contingency Funding Planning
- Cash Flow Forecasts

Sensitivity to Market Risk

SMR: Calm Waters or Possible Rapids?

Market risk exposure is satisfactory and regulatory concern is currently moderate

NIM is stronger at many banks due to lower Fed funds rates

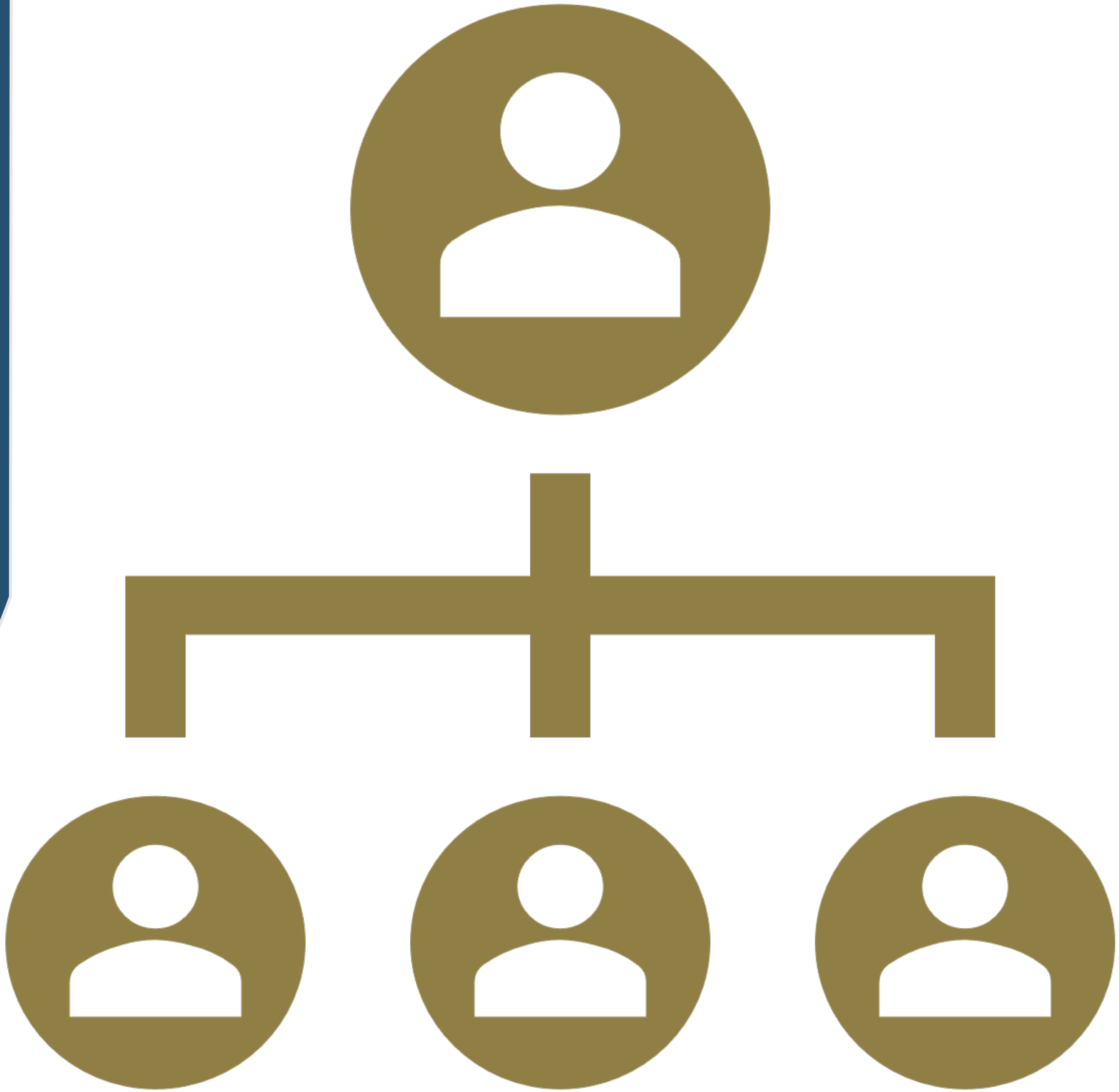
Inflation / potential recession pressures

Rates volatility

Considerations

- Earnings and Capital Support
- IRR Exposure
- IRR Modeling

Management



Management

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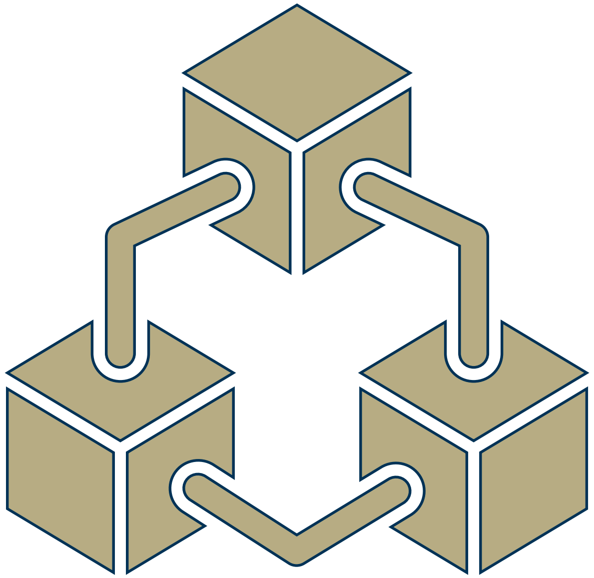
Additional Changes

Engaging in Crypto-Related Activities



FIL 7-2025

- ➢ Clarifies that FDIC-supervised institutions may engage in permissible emerging technologies such as crypto-related activities without receiving prior FDIC approval.
- ➢ Associated risks for consideration:
  - Market and liquidity risk
  - Operational risk
  - Information security and cybersecurity risks
  - Consumer protection requirements
  - Anti-money laundering requirements

Bank Merger Transactions (FIL 13-2025)

Bank Merger Transactions

- Rescinds the 2024 Statement of Policy on Bank Merger Transactions
- Reinstates the 2008 Policy Statement on Bank Merger Transactions
  - Remains in effect until new policy statement issued

Adjusting and Indexing Thresholds (FIL 54-2025)

Final Rule Adjusting and Indexing Certain Regulatory Thresholds

- Provides regulatory relief by amending certain regulatory thresholds to reflect historical inflation from the date of initial implementation.
- Includes an automatic indexing methodology for subsequent/periodic adjustments every two years based on cumulative changes in inflation.
- Revised thresholds are effective January 1, 2026.

Adjusting and Indexing Thresholds (FIL 54-2025)

Key Regulations affected:

- Part 303 – Filing Procedures
- Part 335 – Securities of State Non-member Banks
- Part 340 – Restrictions on Sale of Assets from a Failed Institution
- Part 347 – International Banking
- Part 363 – Annual Independent Audit and Reporting Requirements
- Part 380 – Orderly Liquidation Authority

Part 363 Revised Thresholds:

	Prior Threshold (Before 1/1/2026)	New Threshold (Beginning 1/1/2026)
General Applicability (Including Annual Independent Audit, Audit Committee Requirements)	$500 million	$1 billion
Internal Control Over Financial Reporting (ICFR) Audit	$1 billion	$5 billion
Additional Audit Committee Requirements	$3 billion	$5 billion
Compensation Threshold for Determining Independent Directors	$100,000	$120,000

Customer Identification Program (FIL 26-2025)

Customer Identification Program (CIP) Rule Exemption

- Permits an alternative collection method to obtain taxpayer identification number (TIN) information from a third-party.
- Written program must meet certain conditions:
  - Enable TIN collection prior to account opening.
  - Be based on the bank's assessment on relevant risks.
  - Ensures a reasonable belief that the bank knows the true identity of each customer.

Branches and Offices (FIL 60-2025)

Establishment and Relocation of Branches and Offices

➢ Key changes include:

- Streamlined filing content requirements
- Shortened expedited processing timelines
- Expansion of expedited processing criteria
- Automatic approvals
- De minimus branch facility changes
- Elimination of public notice requirements
- Extended expirations of approvals

Other Changes:

- Amendments to FDIC Guidelines for Appeals (FIL 2-2026)
- Revising Standards for Terminating Consent Orders (FIL 42-2025)

Resources

- Agencies Issue Proposal to Focus Supervision on Material Financial Risks | FDIC.gov
- FDIC Clarifies Process for Banks to Engage in Crypto-Related Activities | FDIC.gov
- Final Rule on Revisions to the Community Bank Leverage Ratio (CBLR) Framework | FDIC.gov
- The FDIC Updates its Enforcement Actions Manual regarding Minimum Standards for Termination of Cease-and-Desist and Consent Orders | FDIC.gov
- Statement of Policy on Bank Merger Transactions: Rescission and Reinstatement | FDIC.gov

Resources

- Final Rule Adjusting and Indexing Certain Regulatory Thresholds | FDIC.gov
- Customer Identification Program Rule Exemption from Collecting Taxpayer Identification Number Information from Customers | FDIC.gov
- Amendments to FDIC Guidelines for Appeals of Material Supervisory Determinations | FDIC.gov
- Notice of Final Rulemaking on Establishment and Relocation of Branches and Offices | FDIC.gov

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Questions