

# Tenth District Banking Conditions As of March 31, 2010



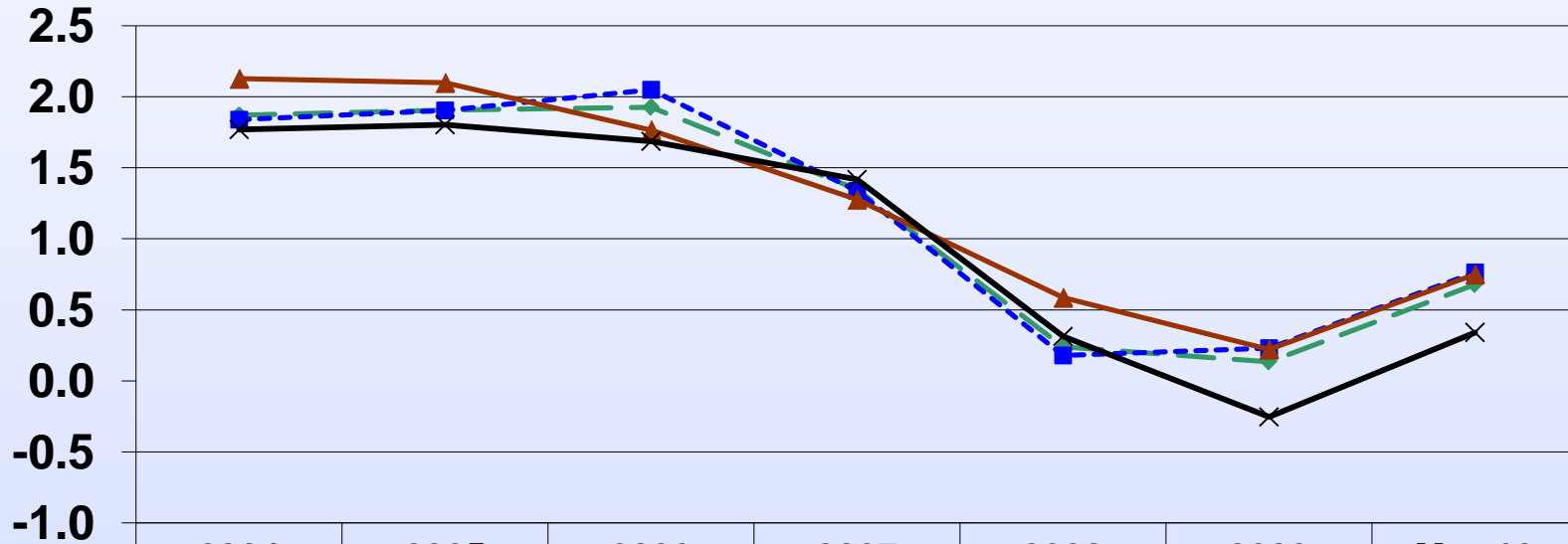
# Overall Conclusions

- At the national level, earnings showed improvement in the first quarter of 2010; with fewer banks experiencing a net loss year-to-date.
- Nationally, loan loss provisions remain high, although they declined in the first quarter of 2010. At the same time, noncurrent loans continued to rise.
- Noncurrent CLD continues to rise to extremely high levels, along with residential real estate on a national level.
- Tenth District banks exhibited similar earnings trends, as earnings improved in the first quarter of 2010; and the percentage of banks experiencing losses has fallen.
- Provisions declined in the Tenth District in the first quarter, while noncurrent loans continued to rise, causing the coverage ratio to further deteriorate.
- Noncurrent loans in the District are predominantly the result of problems with CLD lending.

# Nationwide, Earnings Have Improved

*(All US Commercial Banks)*

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
—◆— All Banks	1.87	1.91	1.93	1.35	0.24	0.14	0.68
-■- Over \$50 Billion	1.84	1.90	2.05	1.34	0.18	0.23	0.76
-▲- \$10 - \$50 Billion	2.13	2.10	1.76	1.28	0.59	0.22	0.75
-×- Under \$10 Billion	1.77	1.80	1.69	1.42	0.31	-0.25	0.34

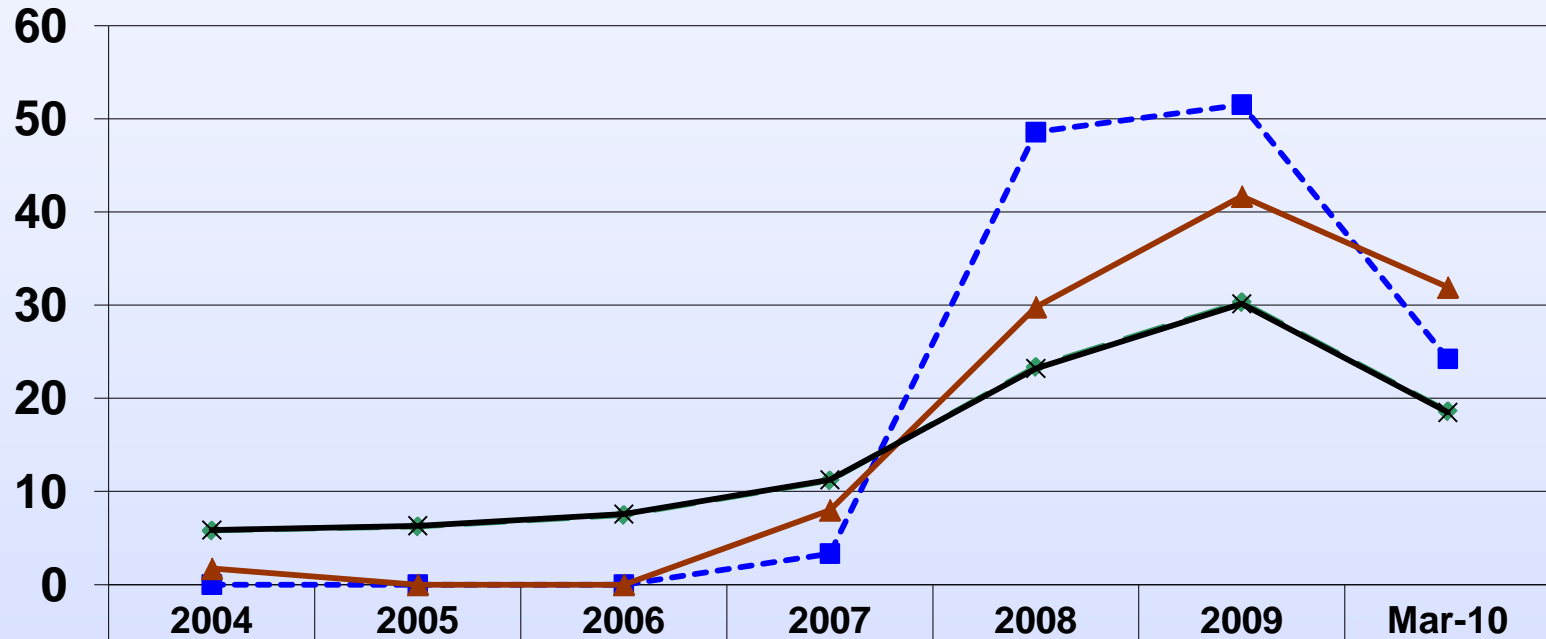
\* Net Operating Income Before Taxes, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Fewer Banks Are Experiencing Losses

(All US Commercial Banks)

% of banks



◆ - All Banks	5.81	6.25	7.48	11.19	23.37	30.32	18.61
■ - Over \$50 Billion	0.00	0.00	0.00	3.33	48.57	51.52	24.24
▲ - \$10 - \$50 Billion	1.72	0.00	0.00	8.00	29.79	41.67	31.91
✕ - Under \$10 Billion	5.86	6.32	7.57	11.25	23.20	30.14	18.48

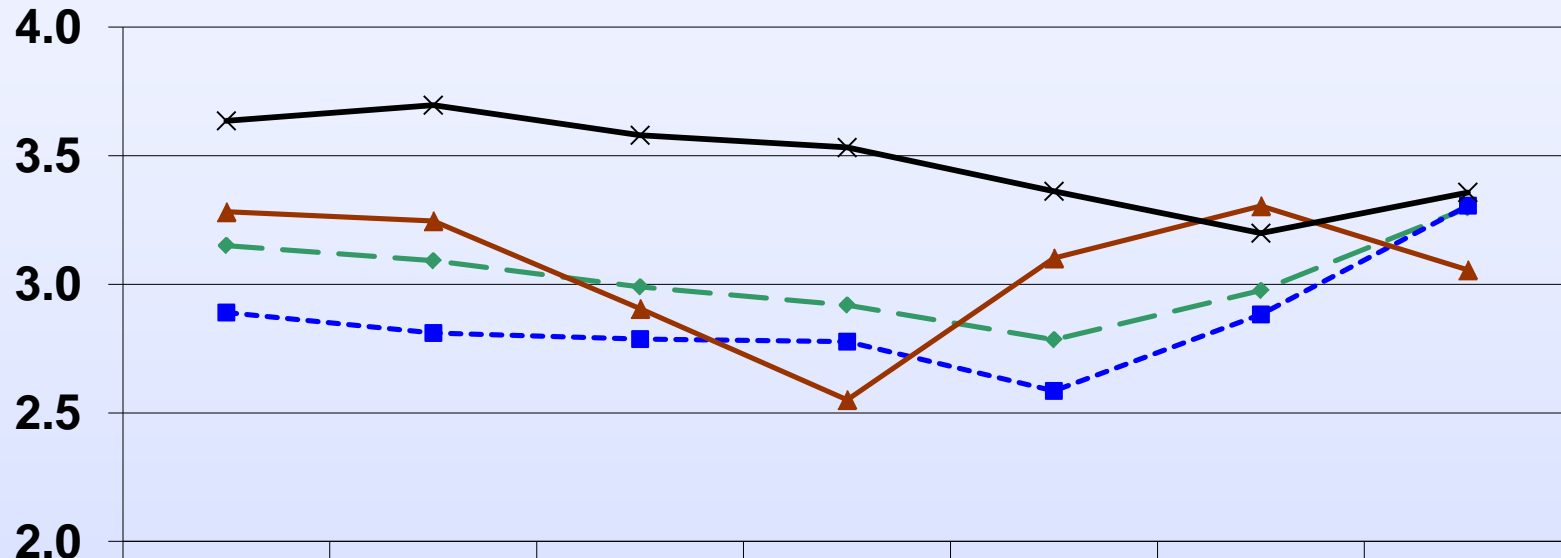
\* Percentage of banks with negative net income

Source: Reports of Condition and Income

# Net Interest Margins Overall Have Improved

(All US Commercial Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
◆ All Banks	3.15	3.09	2.99	2.92	2.78	2.98	3.30
■ Over \$50 Billion	2.89	2.81	2.79	2.78	2.59	2.88	3.31
▲ \$10 - \$50 Billion	3.28	3.25	2.91	2.55	3.10	3.30	3.06
✕ Under \$10 Billion	3.64	3.70	3.58	3.53	3.36	3.20	3.36

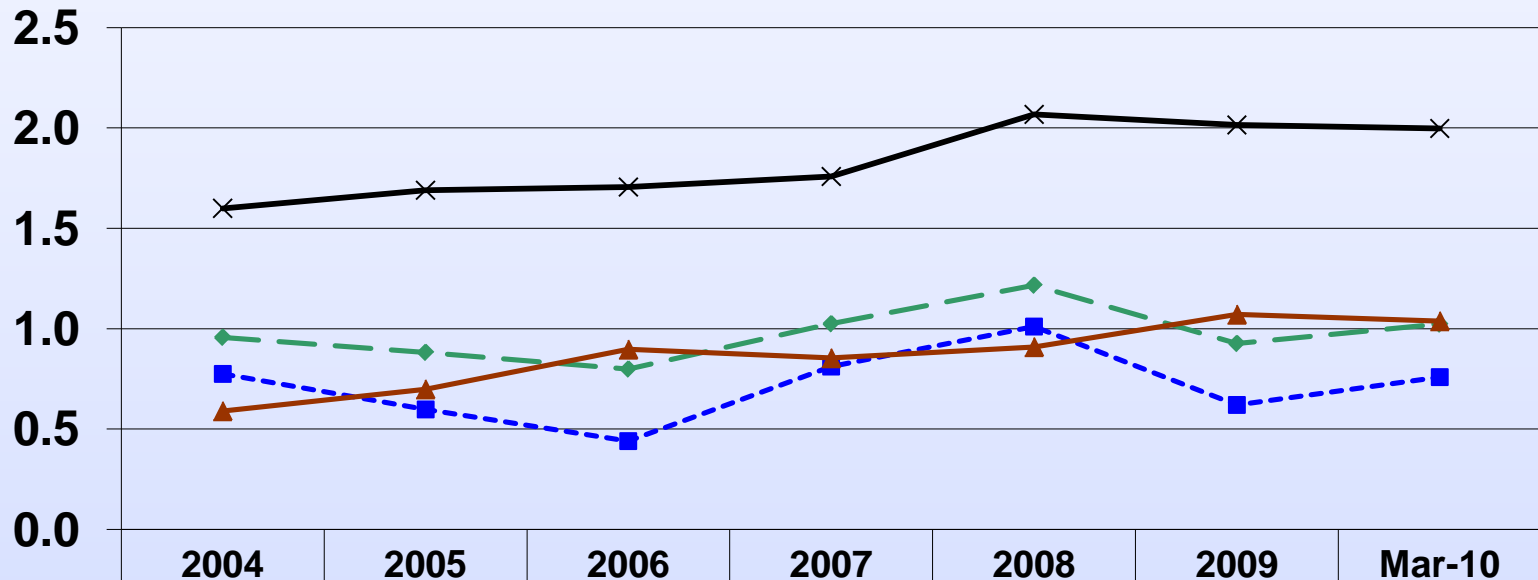
\* Interest Income Net of Interest Expense, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Small Banks' Net Noninterest Expense Remains High

*(All US Commercial Banks)*

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
◆ All Banks	0.96	0.88	0.80	1.02	1.22	0.93	1.02
■ Over \$50 Billion	0.78	0.60	0.44	0.81	1.01	0.62	0.76
▲ \$10 - \$50 Billion	0.59	0.70	0.90	0.85	0.91	1.07	1.04
✕ Under \$10 Billion	1.60	1.69	1.71	1.76	2.07	2.02	2.00

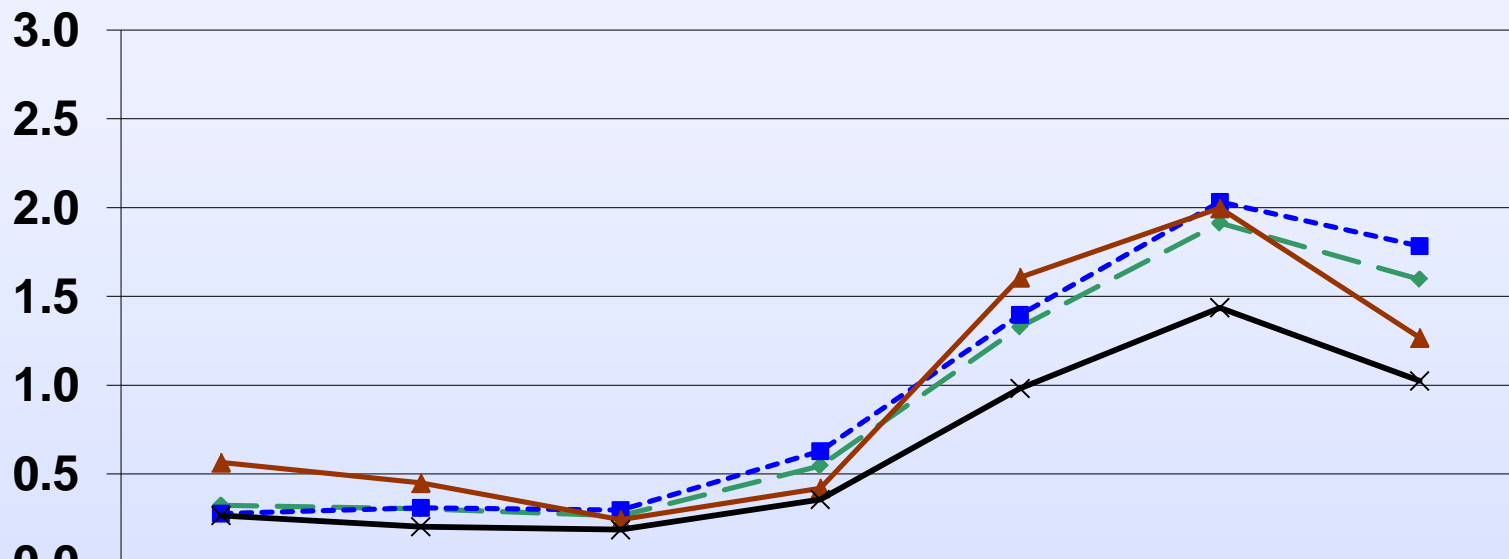
\* Noninterest Expense Net of Noninterest Income, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Loan Loss Provisions Have Decreased, But Remain High

*(All US Commercial Banks)*

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
◆ - All Banks	0.32	0.30	0.26	0.55	1.33	1.91	1.60
■ - Over \$50 Billion	0.28	0.31	0.30	0.63	1.40	2.03	1.78
▲ - \$10 - \$50 Billion	0.57	0.45	0.24	0.42	1.61	2.00	1.27
× - Under \$10 Billion	0.27	0.20	0.19	0.36	0.98	1.44	1.02

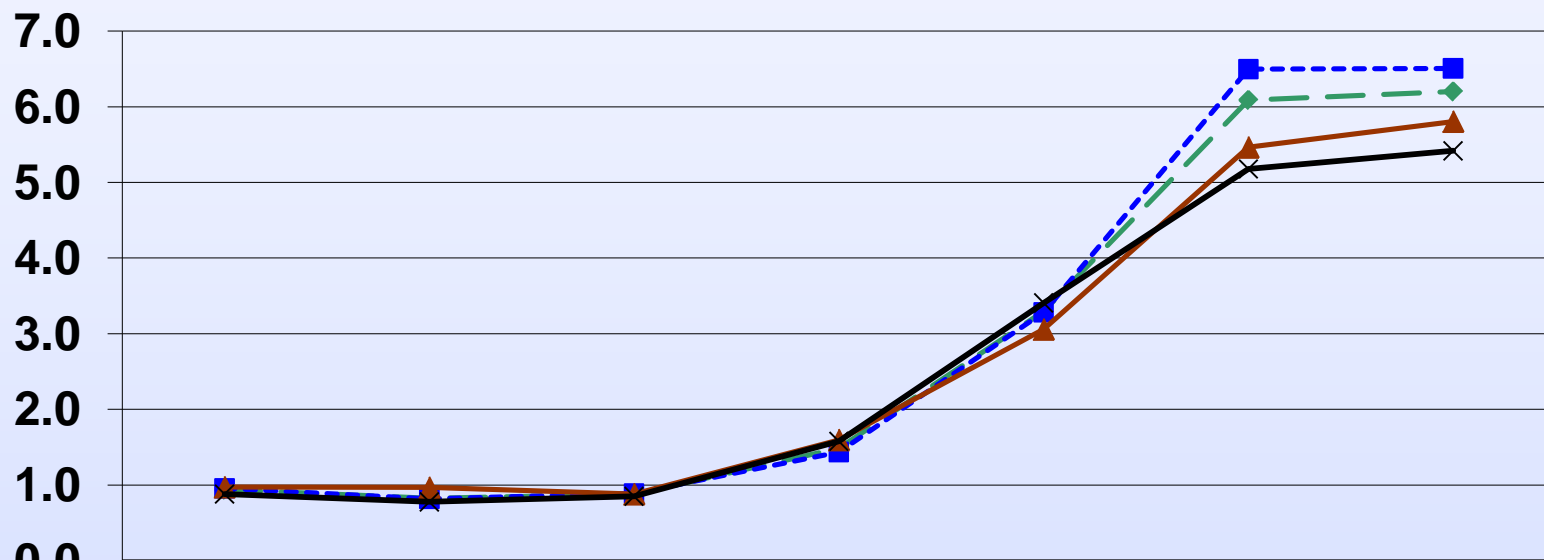
\* Loan Loss Provision Expense, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Increase in Noncurrent & Other Real-Estate Assets Has Tapered in the First Quarter

*(All US Commercial Banks)*

% of loans + OREO



	2004	2005	2006	2007	2008	2009	Mar-10
◆ All Banks	0.94	0.83	0.88	1.49	3.29	6.09	6.20
■ Over \$50 Billion	0.96	0.82	0.89	1.44	3.28	6.50	6.51
▲ \$10 - \$50 Billion	0.97	0.97	0.88	1.60	3.06	5.46	5.81
× Under \$10 Billion	0.88	0.78	0.85	1.58	3.41	5.18	5.42

\* Loans 90+ days past due + nonaccrual loans + OREO as a percentage of total loans + OREO

Source: Reports of Condition and Income

# Net Loan Losses Have Risen At Larger Institutions

*(All US Commercial Banks)*

% of avg. loans



	2004	2005	2006	2007	2008	2009	Mar-10
◆ All Banks	0.64	0.57	0.42	0.62	1.34	2.60	2.99
■ Over \$50 Billion	0.75	0.69	0.54	0.76	1.48	3.02	3.71
▲ \$10 - \$50 Billion	0.83	0.79	0.38	0.50	1.50	2.26	2.15
× Under \$10 Billion	0.33	0.23	0.19	0.34	0.91	1.58	1.30

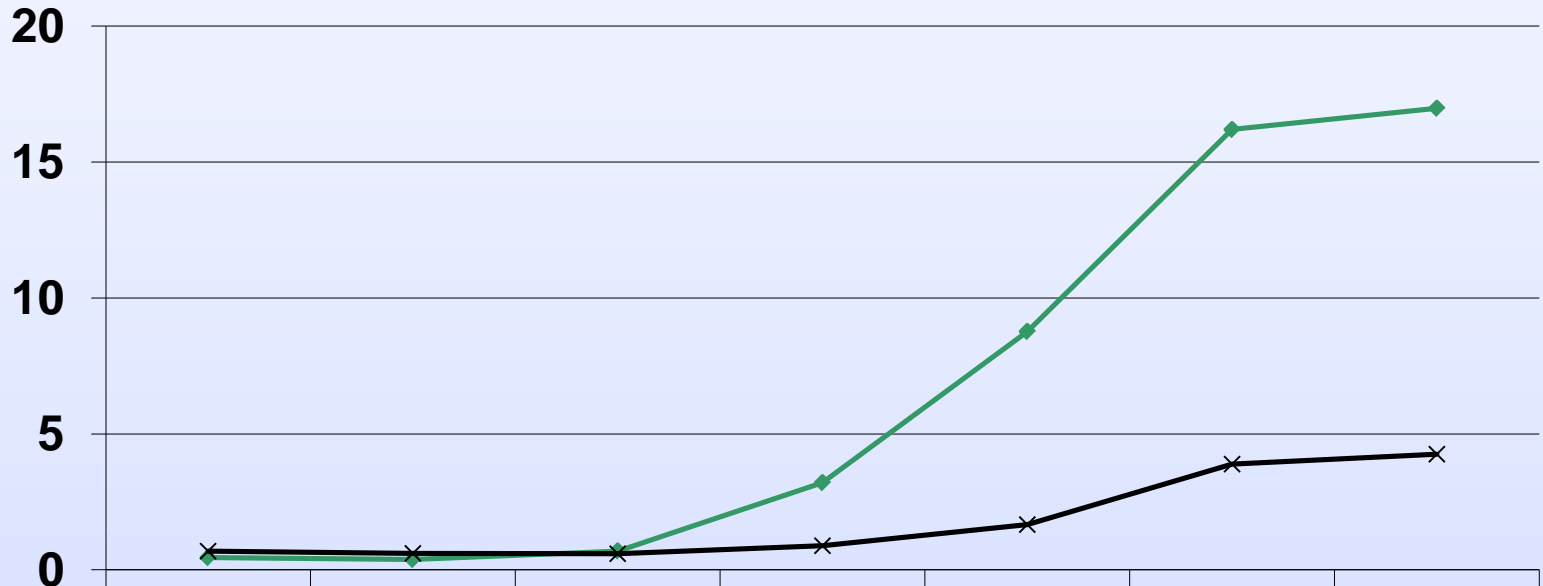
\* Net loan losses as a percentage of average loans (TTM)

Source: Reports of Condition and Income

# Noncurrent CLD Is Still Increasing

(All US Commercial Banks)

% of loan type



	2004	2005	2006	2007	2008	2009	Mar-10
◆ CLD	0.45	0.38	0.69	3.21	8.77	16.20	16.98
✕ Other CRE	0.69	0.60	0.59	0.89	1.66	3.89	4.26

\* Noncurrent Loans to Loans - By Loan Category

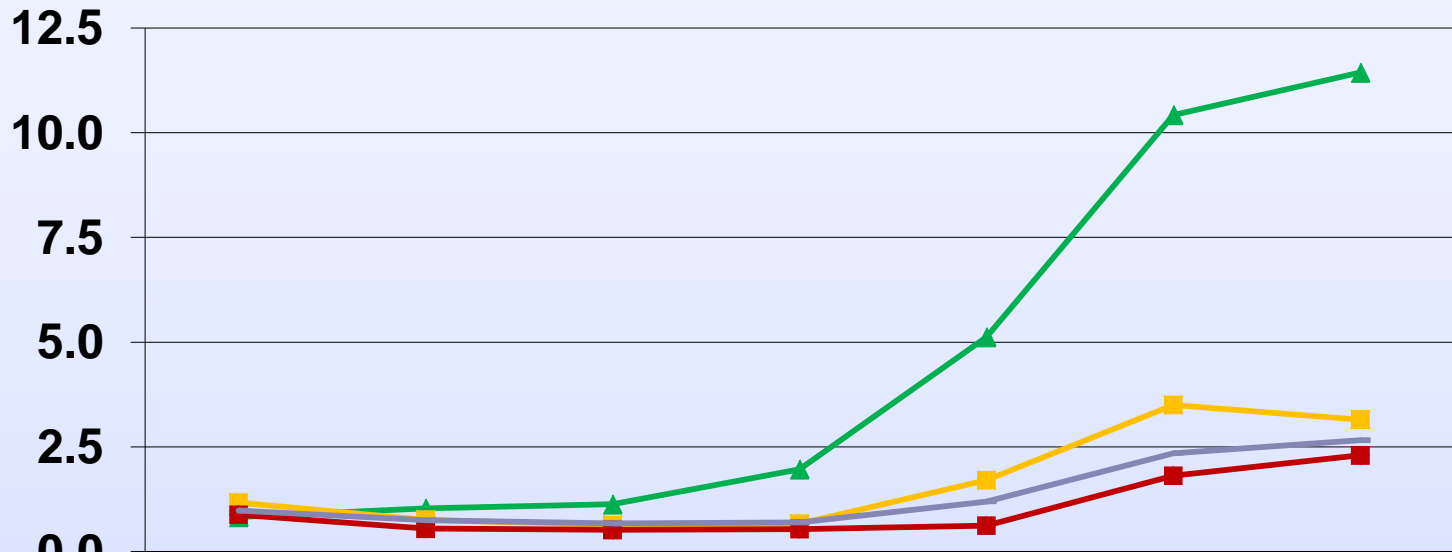
\* Noncurrent includes loans 90+ days past due and nonaccrual

Source: Reports of Condition and Income

# While Noncurrent Residential Loans Also Continue to Rise

*(All US Commercial Banks)*

% of loan type



	2004	2005	2006	2007	2008	2009	Mar-10
1-to-4 Family	0.83	1.03	1.13	1.97	5.12	10.42	11.44
C&I	1.17	0.76	0.63	0.66	1.70	3.50	3.15
Farm	0.88	0.55	0.52	0.54	0.62	1.81	2.30
Secured by Farm RE	0.98	0.75	0.67	0.70	1.19	2.35	2.66

\* Noncurrent Loans to Loans - By Loan Category

\* Noncurrent includes loans 90+ days past due and nonaccrual

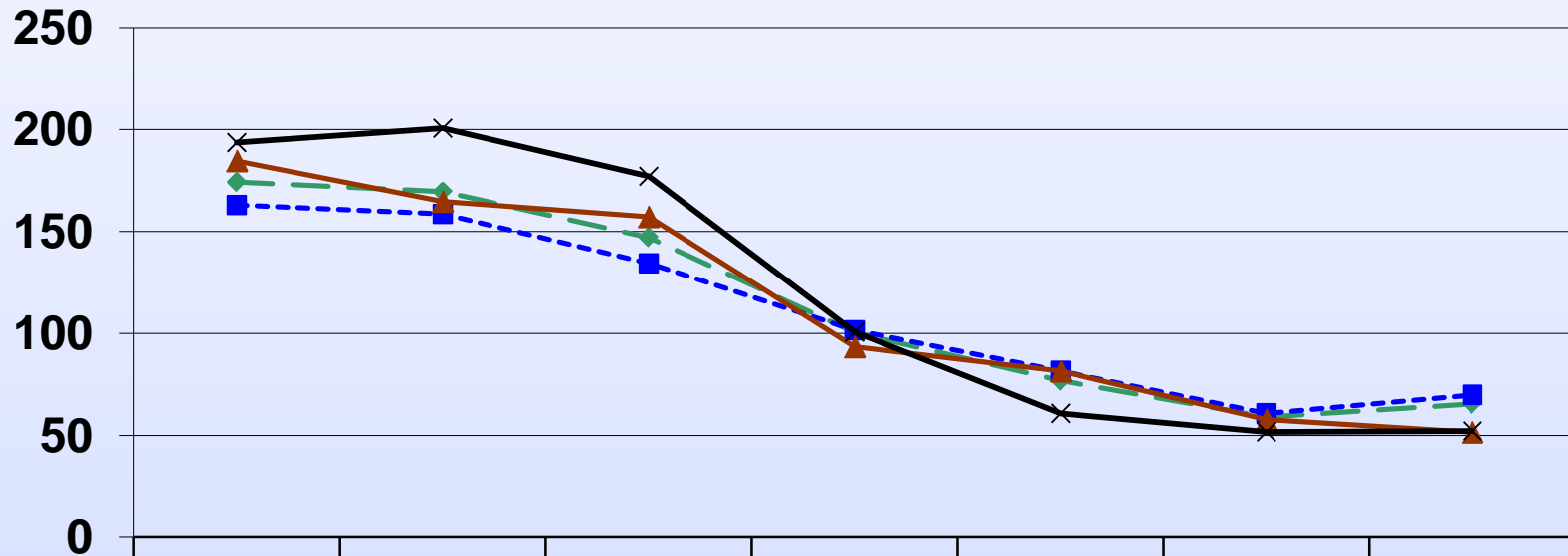
Source: Reports of Condition and Income

# Coverage Ratios Remain Low

And May Be Inadequate For Severity of Asset Problems

(All US Commercial Banks)

% of noncurrent loans



	2004	2005	2006	2007	2008	2009	Mar-10
◆ - All Banks	174.2	169.5	147.1	100.5	76.9	59.0	65.6
■ - Over \$50 Billion	163.0	158.6	134.4	101.6	81.7	60.9	69.9
▲ - \$10 - \$50 Billion	184.6	164.7	157.2	93.4	81.6	57.8	51.6
× - Under \$10 Billion	193.6	200.6	177.1	100.7	60.9	51.7	52.3

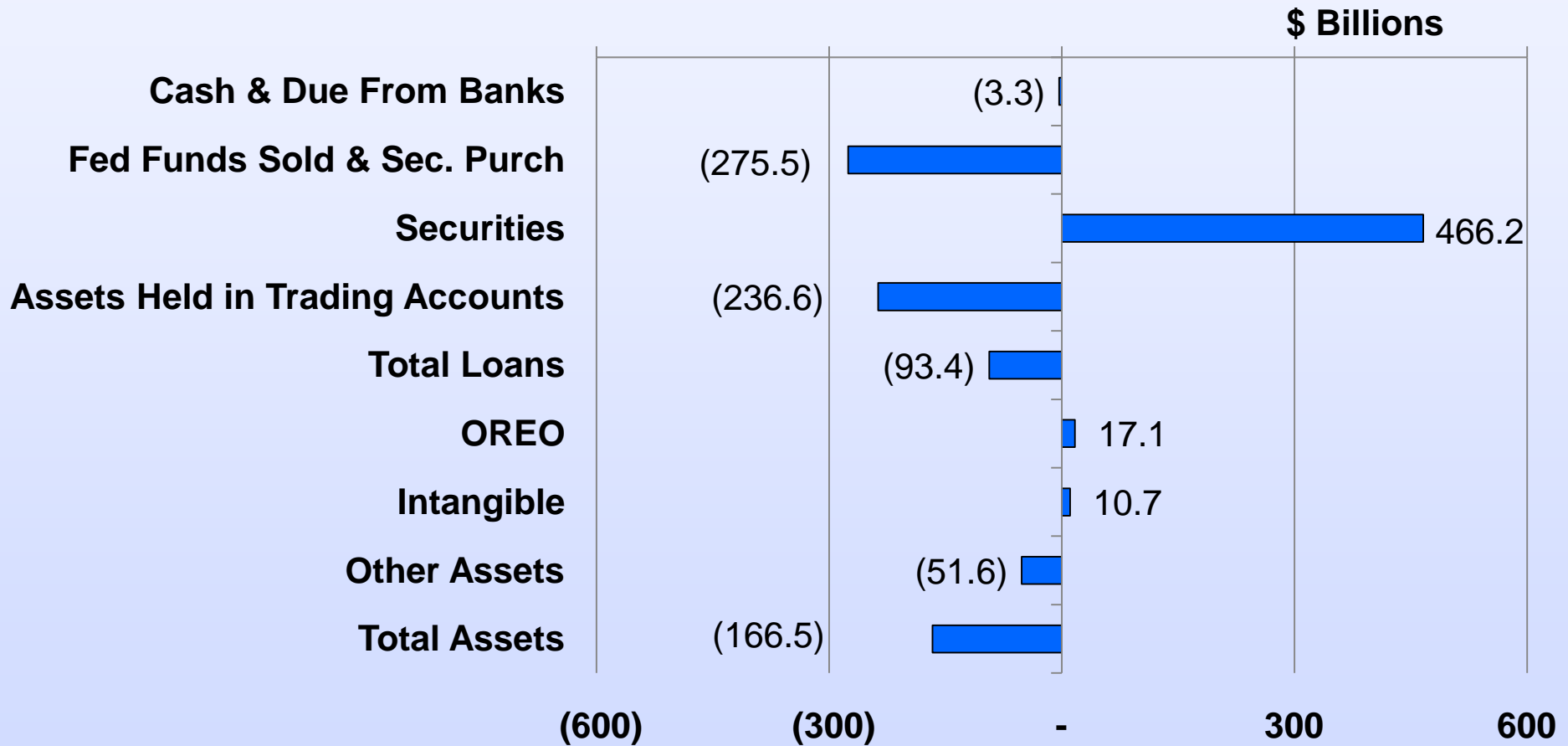
\* Loan loss reserves to loans 90+ days past due and in nonaccrual status

Source: Reports of Condition and Income

# Shifts in Banks' Assets

## Change From 2008 to March 2010

*(All US Commercial Banks)*

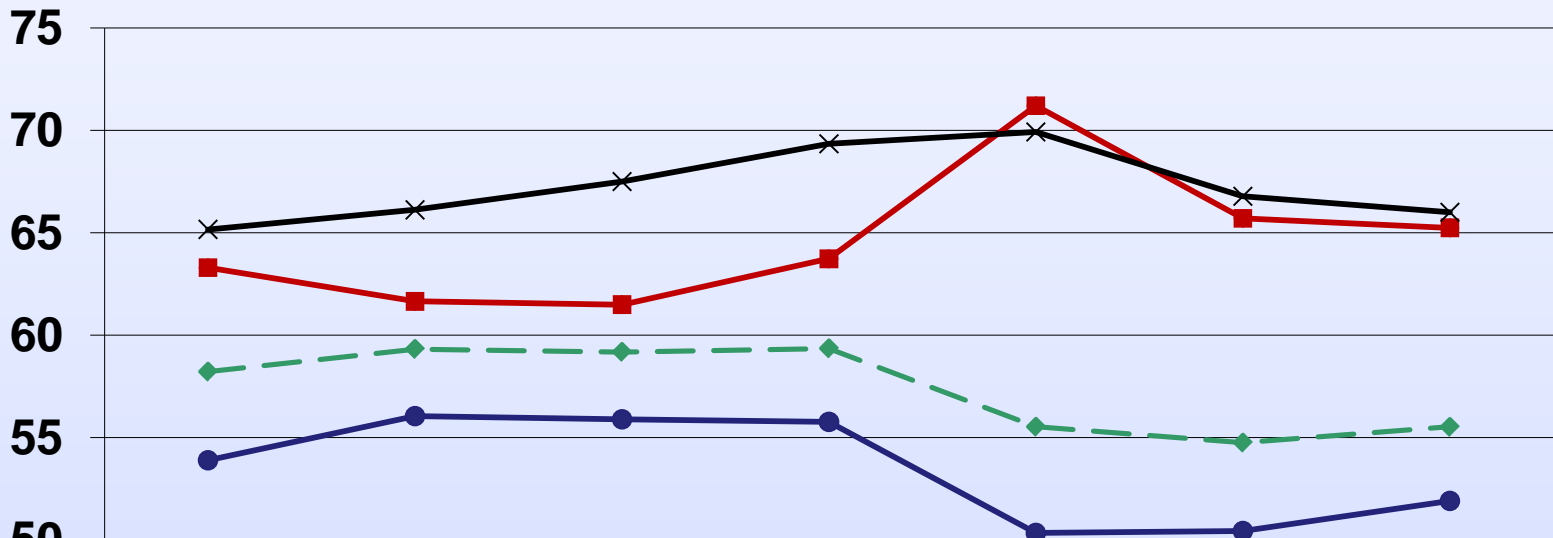


Source: Reports of Condition and Income

# Loan Levels Continue to Drop At Smaller Institutions

(All US Commercial Banks)

% of assets



	2004	2005	2006	2007	2008	2009	Mar-10
◆ - All Banks	58.2	59.3	59.2	59.4	55.5	54.8	55.5
● - Over \$50 Billion	53.9	56.1	55.9	55.8	50.3	50.4	51.9
■ - \$10 - \$50 Billion	63.3	61.7	61.5	63.7	71.2	65.7	65.2
× - Under \$10 Billion	65.2	66.1	67.5	69.3	69.9	66.8	66.0

\* Total loans as a percentage of total assets  
 Source: Reports of Condition and Income



# Overall, Banks' CRE Concentrations Are Declining, Particularly CLD Concentrations

*(All US Commercial Banks)*

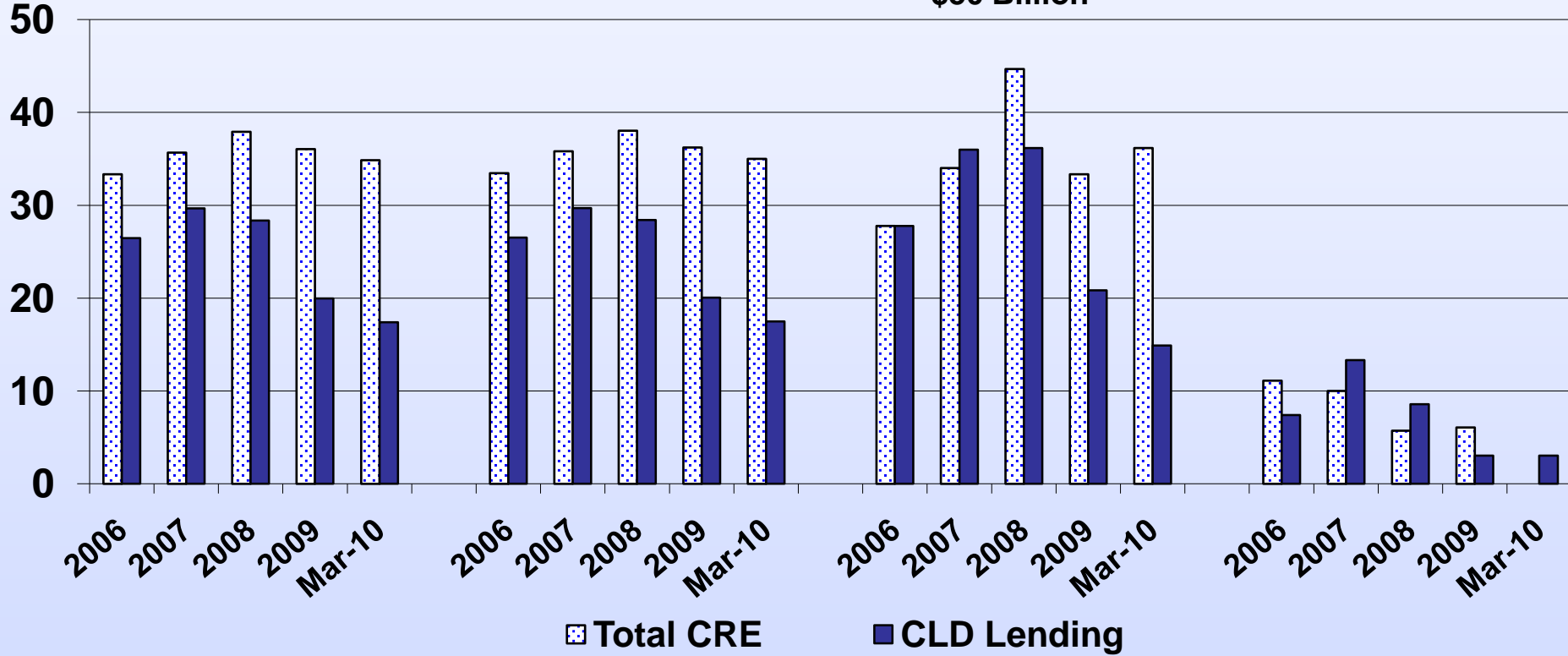
% of banks

All US

< \$10 Billion

\$10 Billion –  
\$50 Billion

> \$50 Billion



\* Percentage of banks exceeding CRE guidance thresholds, not including growth criteria & unadjusted for owner occupied properties

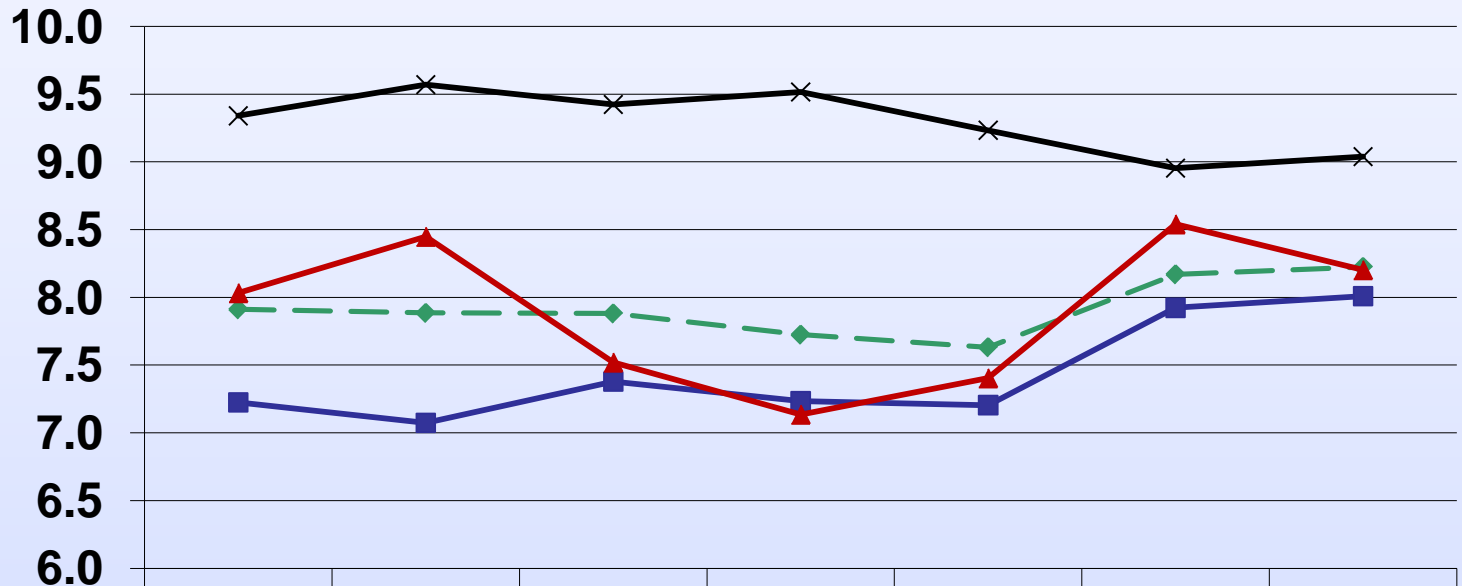
Source: Reports of Condition and Income



# Overall, Capital Levels Are Rising

(All US Commercial Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
◆ - All Banks	7.91	7.88	7.88	7.72	7.63	8.17	8.22
■ - Over \$50 Billion	7.23	7.07	7.38	7.23	7.20	7.92	8.01
▲ - \$10 - \$50 Billion	8.03	8.45	7.52	7.13	7.40	8.54	8.20
× - Under \$10 Billion	9.34	9.57	9.42	9.52	9.23	8.95	9.04

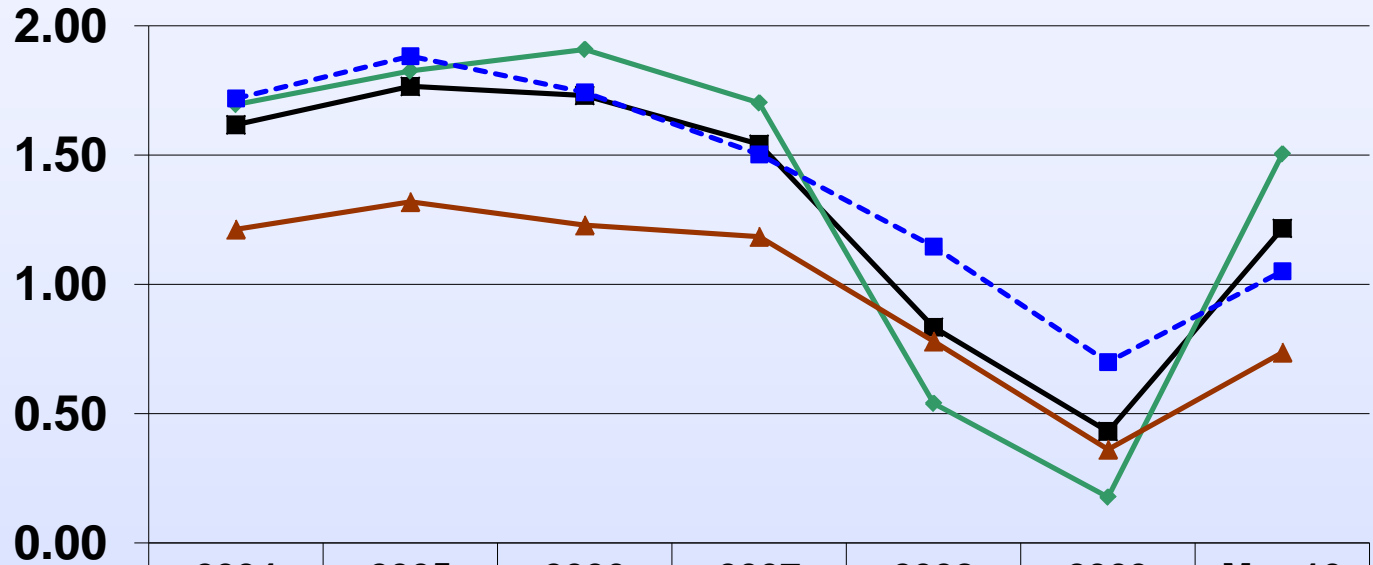
\* Tier 1 capital to average assets (TTM) – the “Leverage Ratio“

Source: Reports of Condition and Income

# District Earnings Have Improved

% of avg. assets

*(Tenth District Banks)*



	2004	2005	2006	2007	2008	2009	Mar-10
■ All District Banks	1.62	1.77	1.73	1.54	0.83	0.43	1.22
◆ Over \$1 Billion	1.70	1.83	1.91	1.70	0.54	0.18	1.50
■- - \$100 Million - \$1 Billion	1.72	1.88	1.74	1.50	1.15	0.70	1.05
▲ Under \$100 Million	1.21	1.32	1.23	1.18	0.78	0.36	0.74

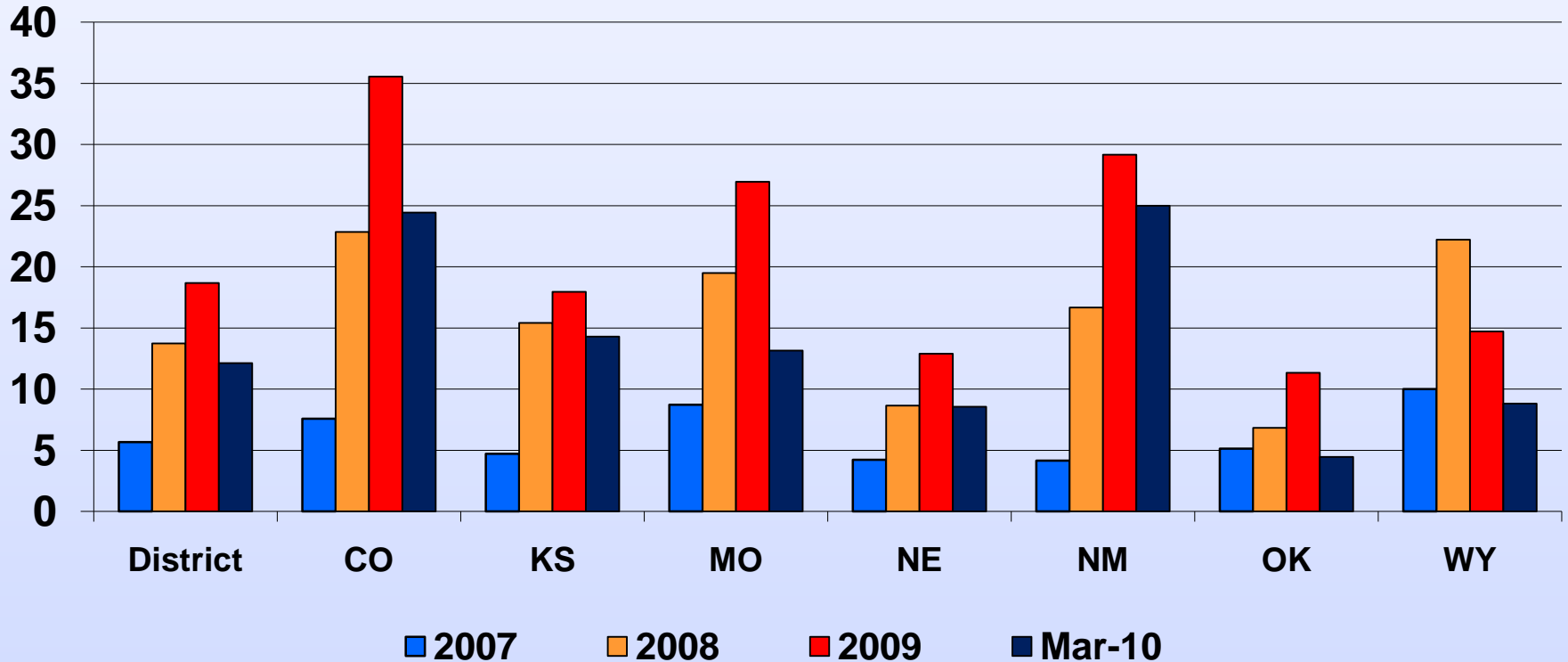
\* Net Operating Income Before Taxes, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Percentage of Banks With Losses Has Decreased

*(Tenth District Banks)*

% of banks



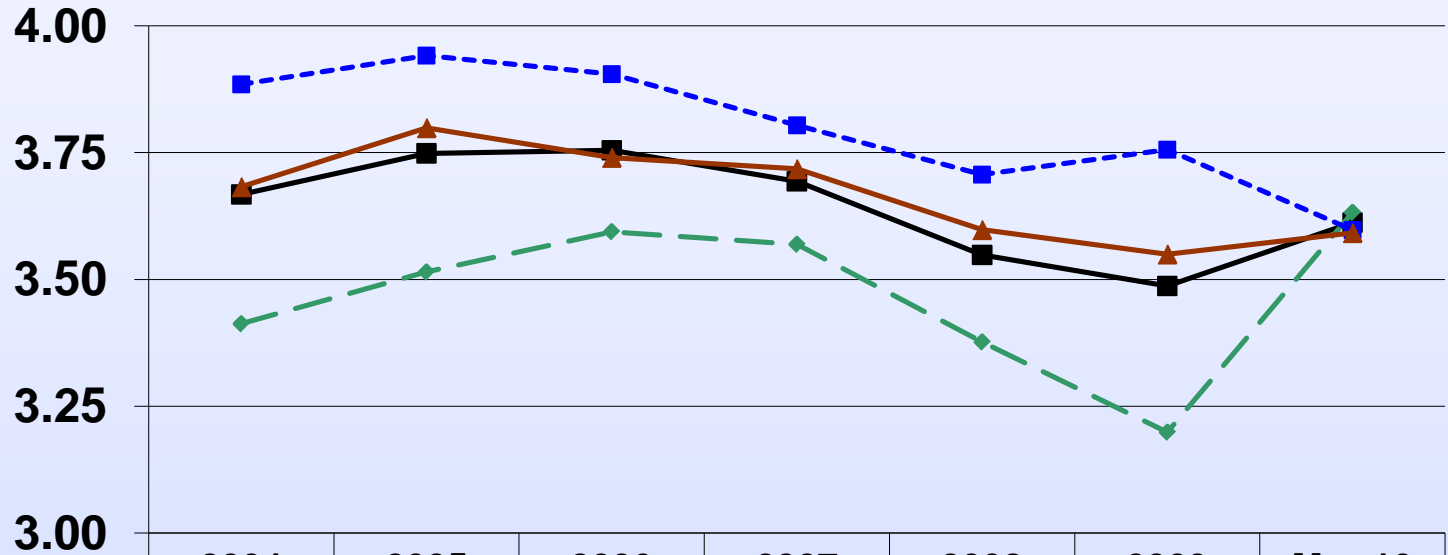
\* Percentage of banks in the Tenth District with negative net income

Source: Banks reports of condition and income

# Overall, Interest Rate Margins Showed Improvement

(Tenth District Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
■ All District Banks	3.67	3.75	3.75	3.69	3.55	3.49	3.61
◆ Over \$1 Billion	3.41	3.51	3.59	3.57	3.38	3.20	3.63
■ \$100 Million - \$1 Billion	3.88	3.94	3.90	3.80	3.71	3.76	3.60
▲ Under \$100 Million	3.68	3.80	3.74	3.72	3.60	3.55	3.59

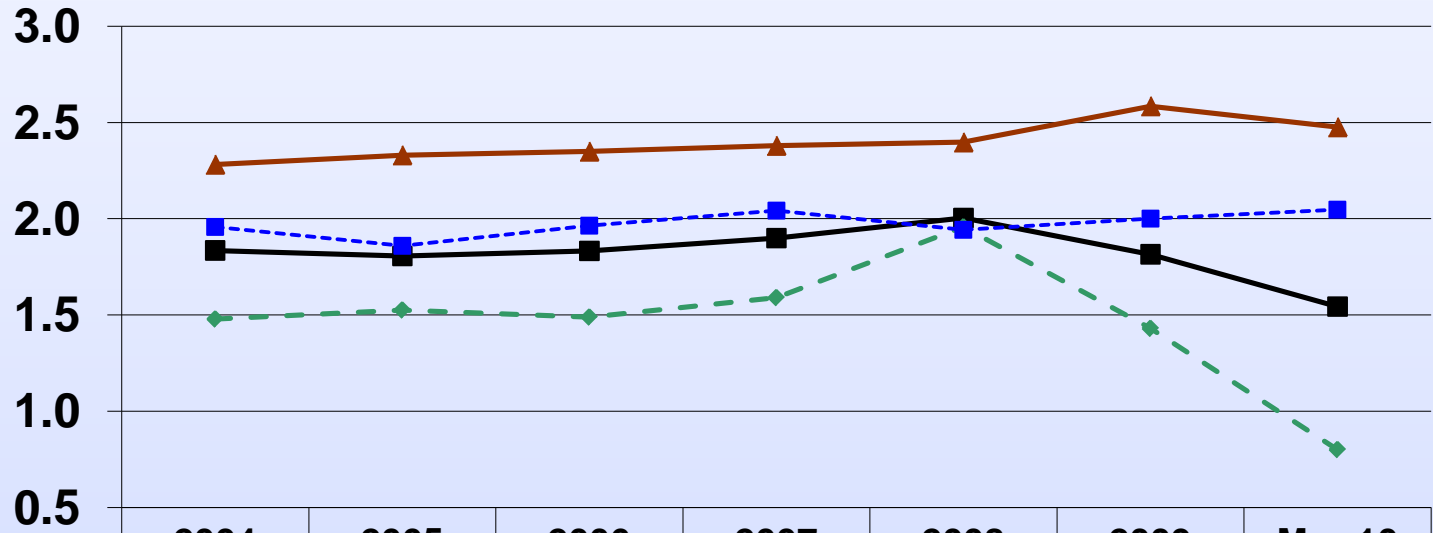
\* Interest Income Net of Interest Expense, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Net-Noninterest Expense Has Fallen At Larger Banks

*(Tenth District Banks)*

% of avg. assets



■ All District Banks

◆ Over \$1 Billion

■ \$100 Million - \$1 Billion

▲ Under \$100 Million

	2004	2005	2006	2007	2008	2009	Mar-10
All District Banks	1.84	1.81	1.83	1.90	2.00	1.82	1.54
Over \$1 Billion	1.48	1.53	1.49	1.59	1.96	1.43	0.80
\$100 Million - \$1 Billion	1.96	1.86	1.96	2.04	1.94	2.00	2.05
Under \$100 Million	2.28	2.33	2.35	2.38	2.40	2.58	2.48

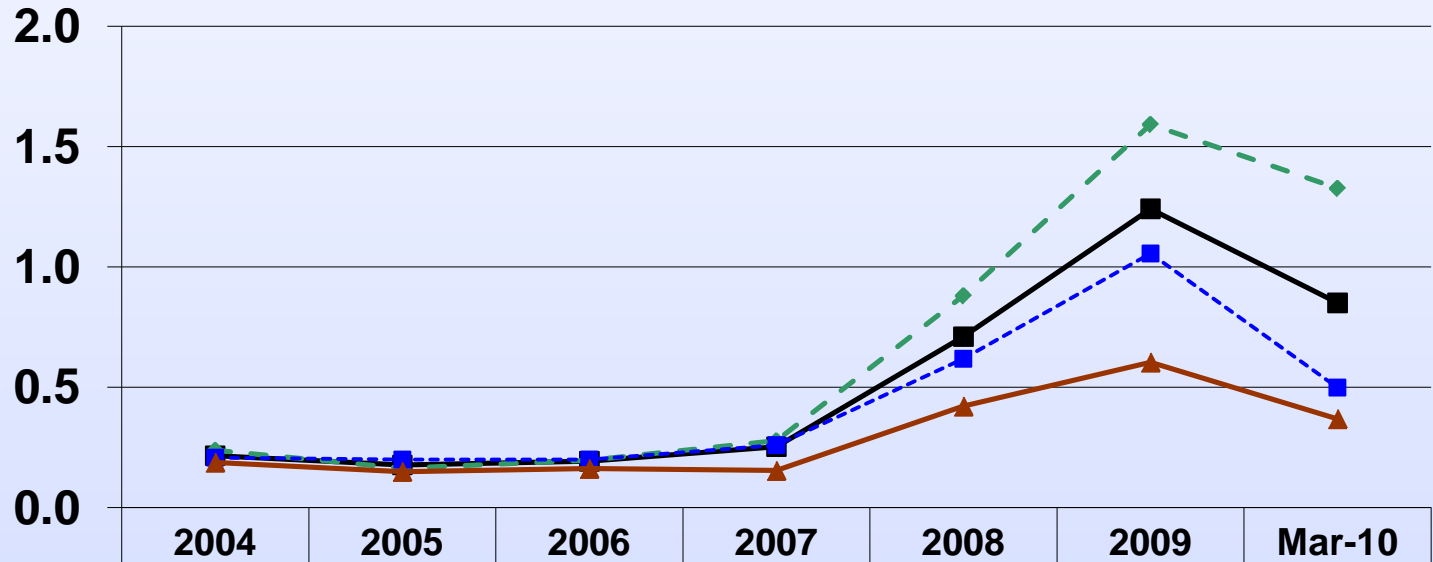
\* Noninterest Expense Net of Noninterest Income, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Loan Loss Provision Expenses Have Declined

*(Tenth District Banks)*

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
■ All District Banks	0.22	0.18	0.19	0.25	0.71	1.24	0.85
◆ Over \$1 Billion	0.24	0.16	0.20	0.28	0.88	1.59	1.33
■ \$100 Million - \$1 Billion	0.21	0.20	0.20	0.26	0.62	1.06	0.50
▲ Under \$100 Million	0.19	0.15	0.16	0.15	0.42	0.60	0.37

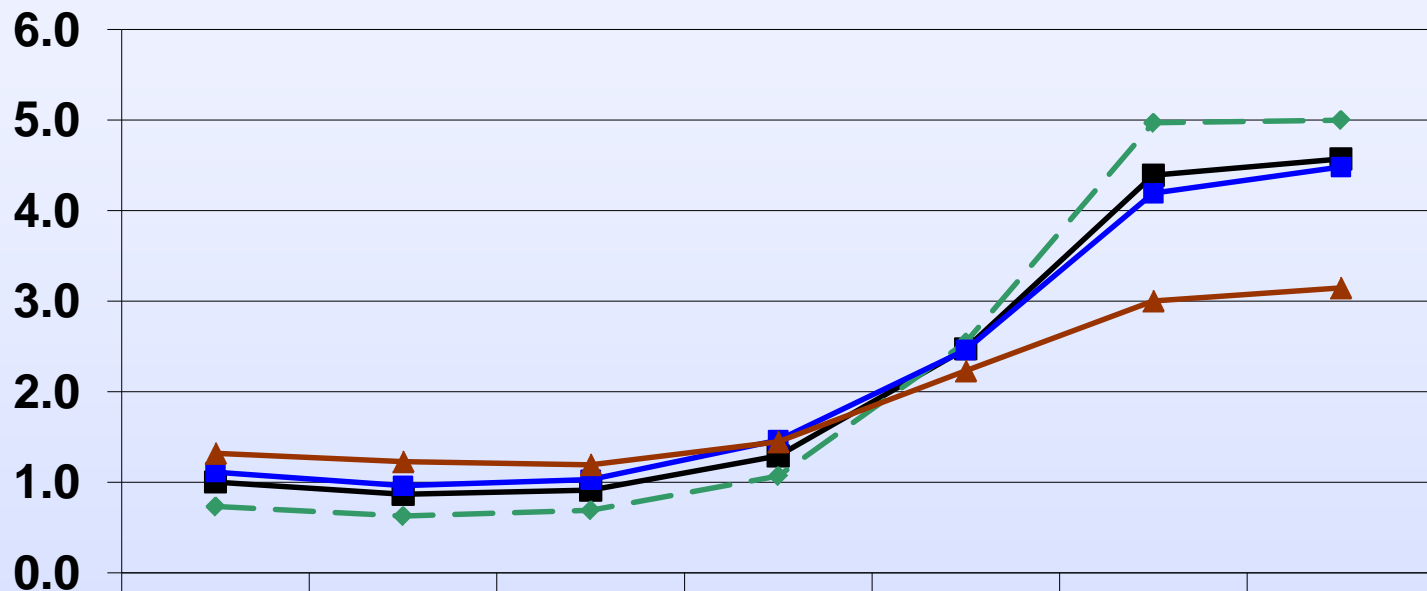
\* Loan loss provision expense, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

# Increase in Noncurrent & Other Real-Estate Assets Has Slowed in the First Quarter

*(Tenth District Banks)*

% of loans + OREO



	2004	2005	2006	2007	2008	2009	Mar-10
■ All District Banks	1.00	0.87	0.91	1.29	2.47	4.39	4.57
◆ - Over \$1 Billion	0.73	0.63	0.69	1.07	2.54	4.97	5.00
■ \$100 Million - \$1 Billion	1.11	0.96	1.03	1.47	2.46	4.19	4.48
▲ Under \$100 Million	1.32	1.23	1.20	1.45	2.23	3.00	3.15

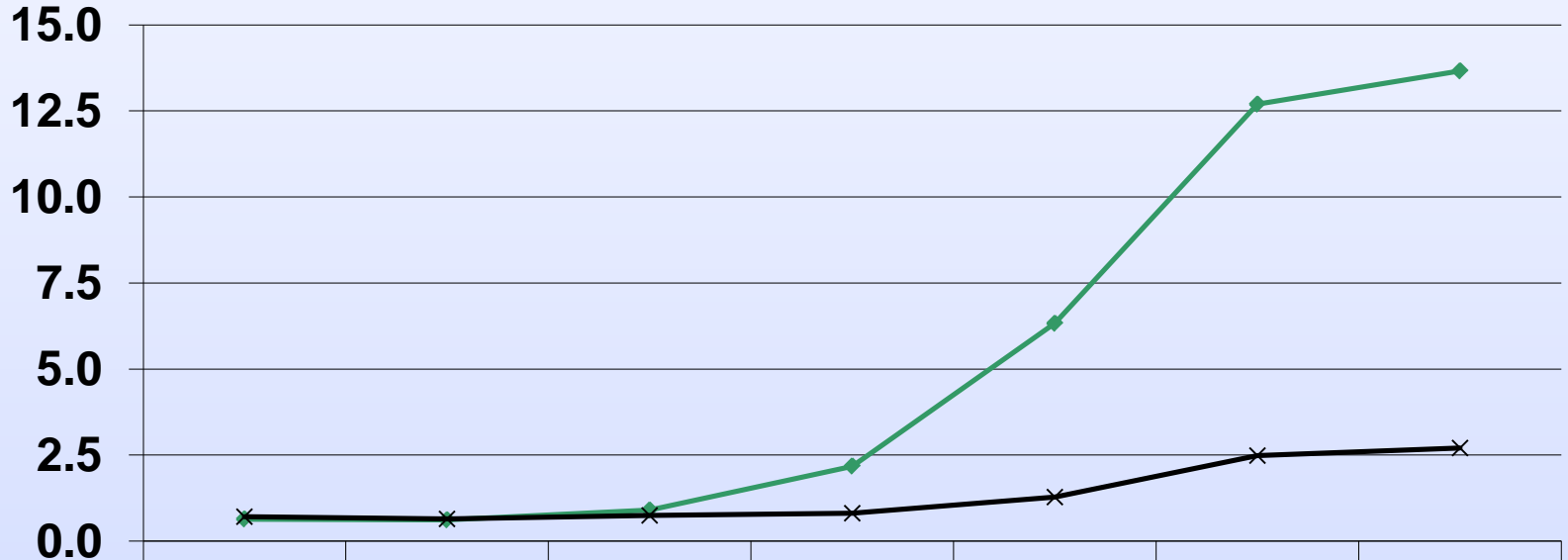
\* Loans 90+ days past due + nonaccrual loans + OREO as a percentage of total loans + OREO

Source: Reports of Condition and Income

# Noncurrent CLD Loans Continue To Increase

*(Tenth District Banks)*

% of loan type



	2004	2005	2006	2007	2008	2009	Mar-10
CLD	0.64	0.61	0.90	2.18	6.33	12.70	13.66
Other CRE	0.71	0.65	0.75	0.81	1.28	2.49	2.70

\* Noncurrent Loans to Loans - By Loan Category

\* Noncurrent includes loans 90+ days past due and nonaccrual

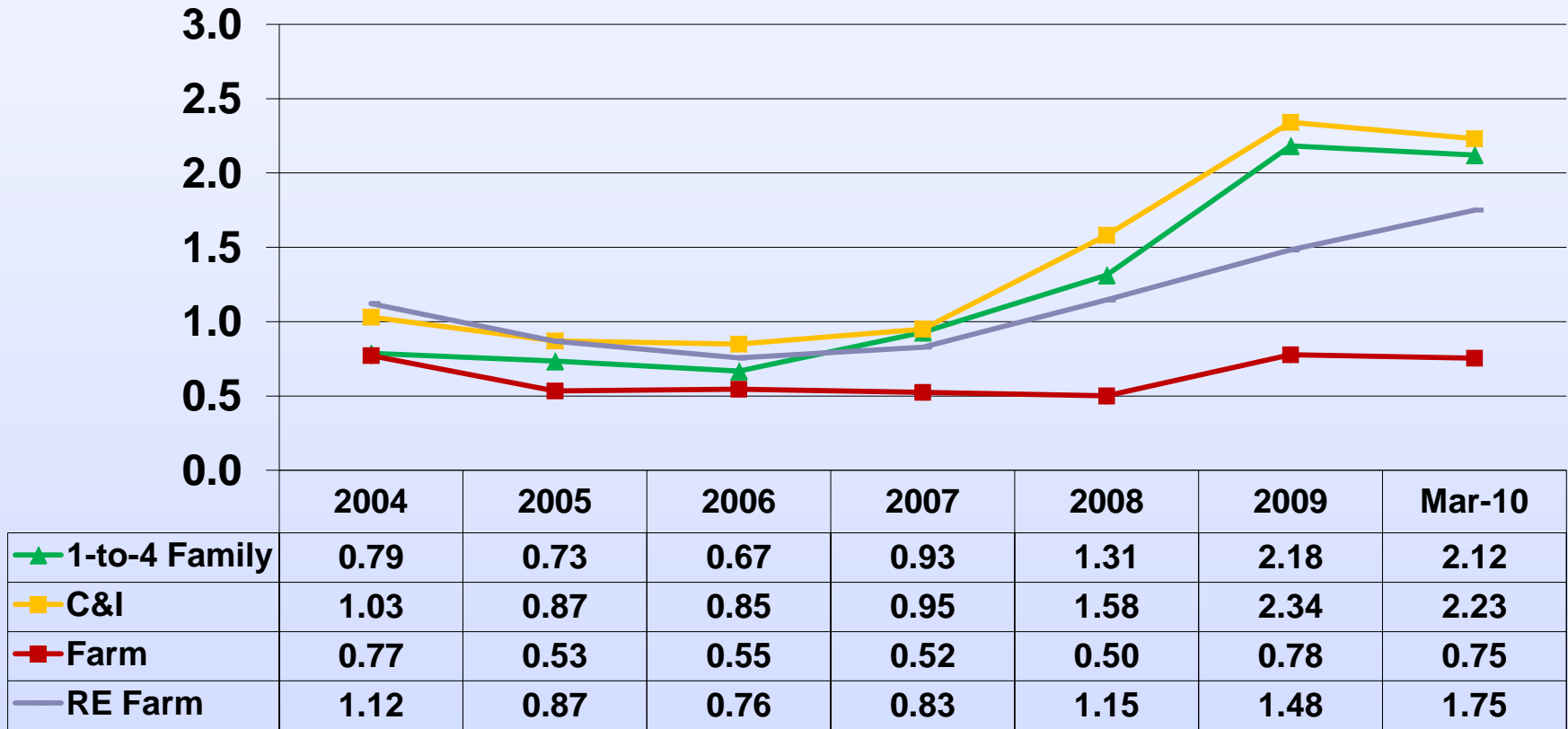
Source: Reports of Condition and Income



# Other Noncurrent Loans Have Levelled, While Noncurrent RE Farm Loans Continue to Increase

*(Tenth District Banks)*

% of loan type



\* Noncurrent Loans to Loans - By Loan Category

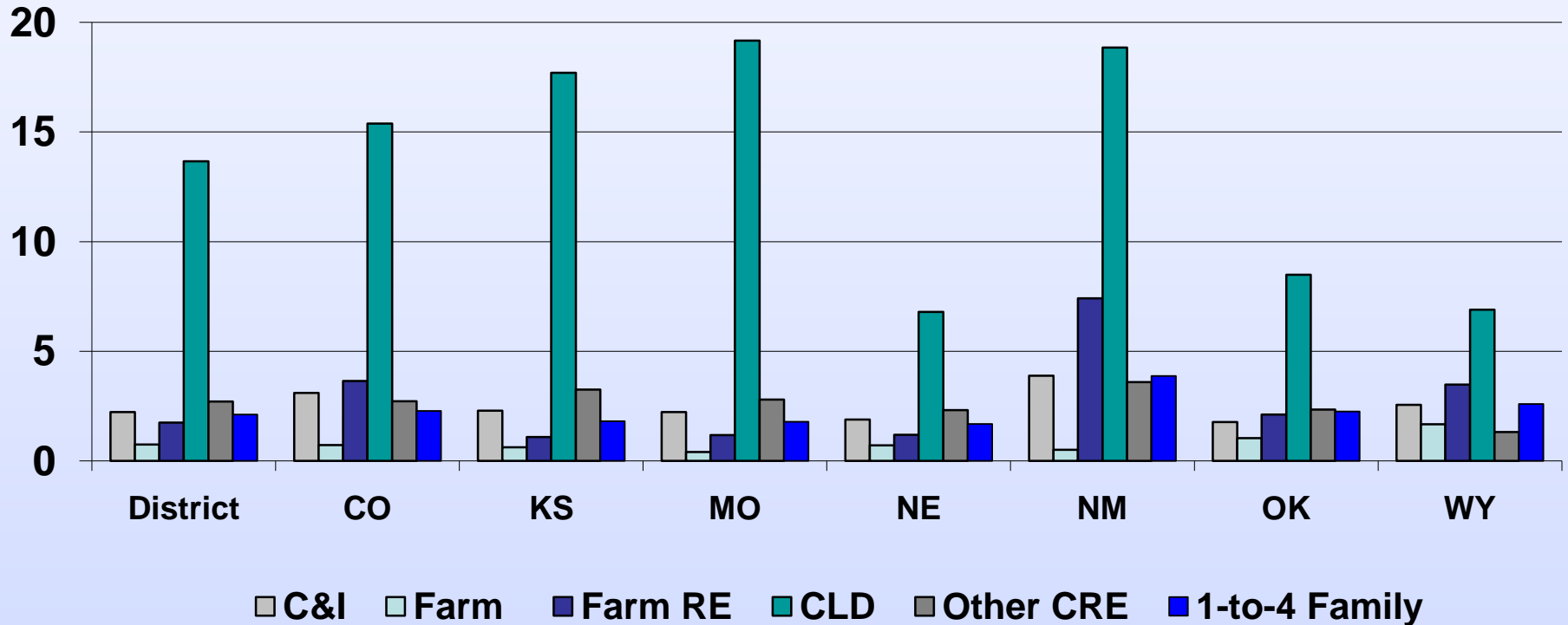
\* Noncurrent includes loans 90+ days past due and nonaccrual

Source: Reports of Condition and Income

# Noncurrent Loans By Loan Type

*(Tenth District Banks)*

Percent



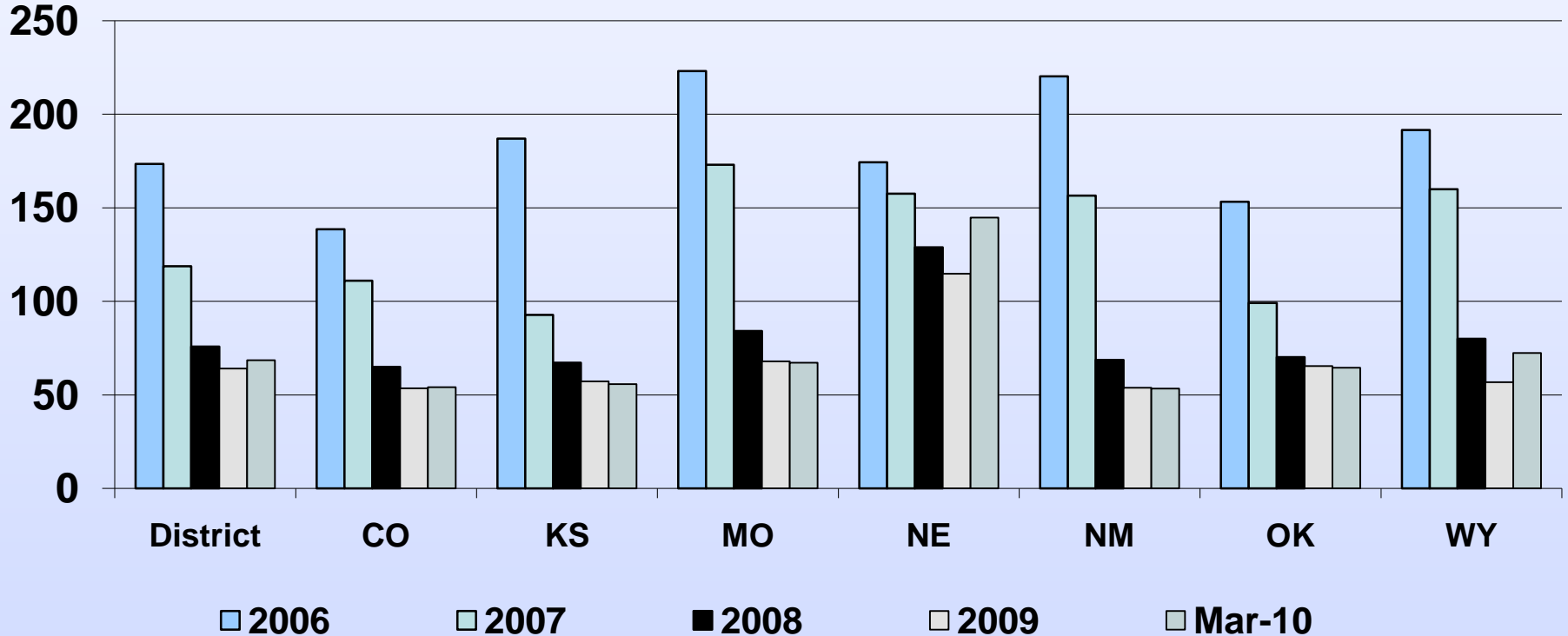
\* Noncurrent Loans to Loans - By Loan Category  
 \* Noncurrent includes loans 90+ days past due and nonaccrual  
 Source: Reports of Condition and Income – March 2010



# Coverage Ratios Slightly Increased

*(Tenth District Banks)*

Percent



\* Loan loss reserves to Noncurrent Loans  
 \* Noncurrent includes loans 90+ days past due and nonaccrual  
 Source: Reports of Condition and Income

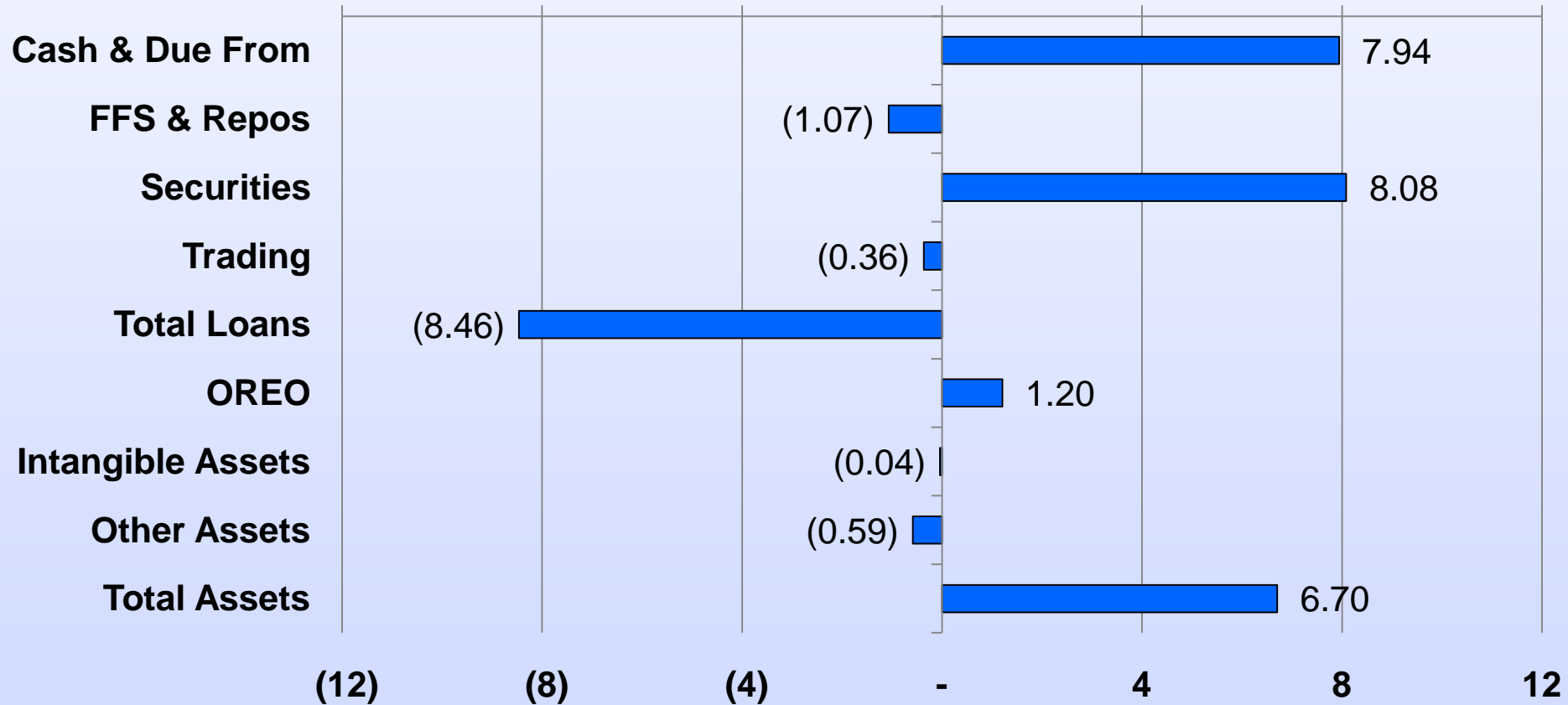


# Shifts in Banks' Assets – Tenth District Banks

Change From 2008 to March 2010

*(Tenth District Banks)*

\$ Billions

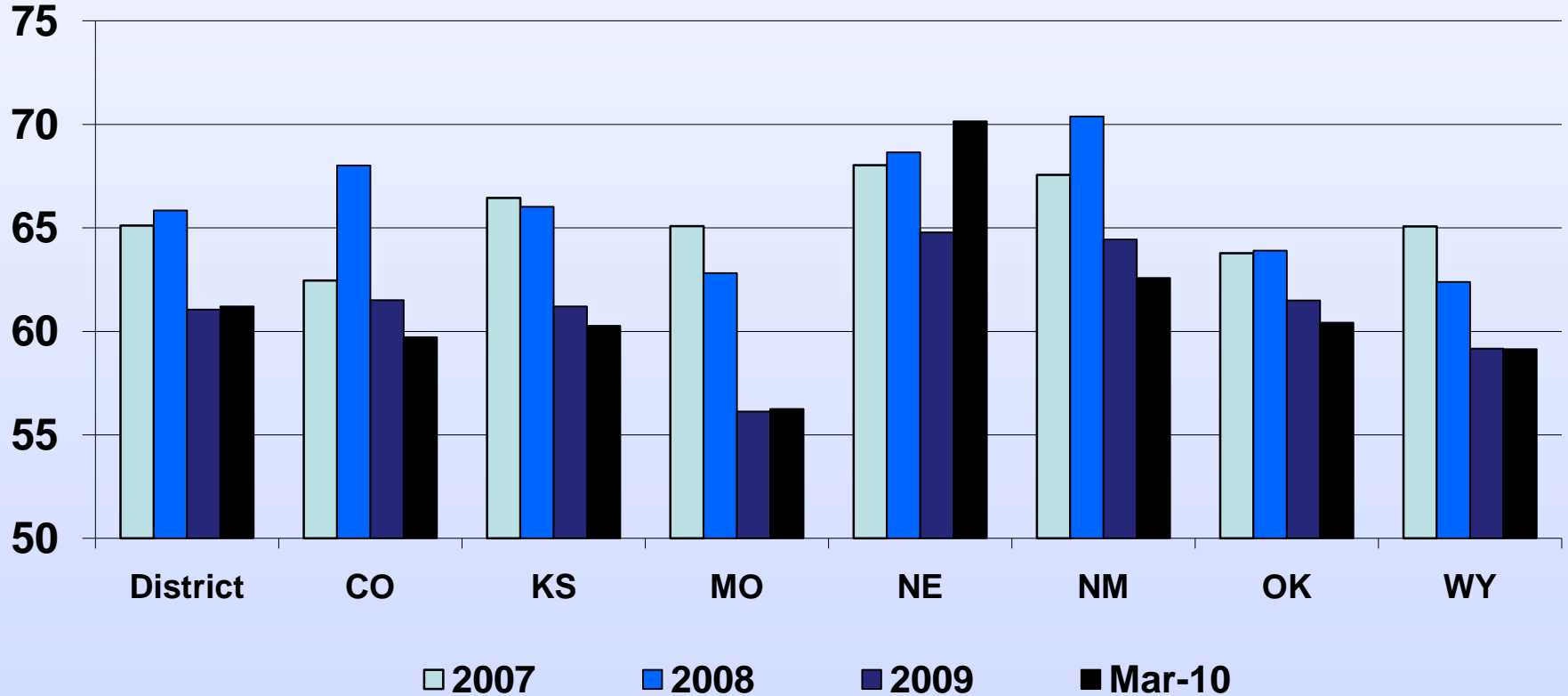


Source: Reports of Condition and Income

# Loan Levels Vary Across District States

*(Tenth District Banks)*

% of total assets



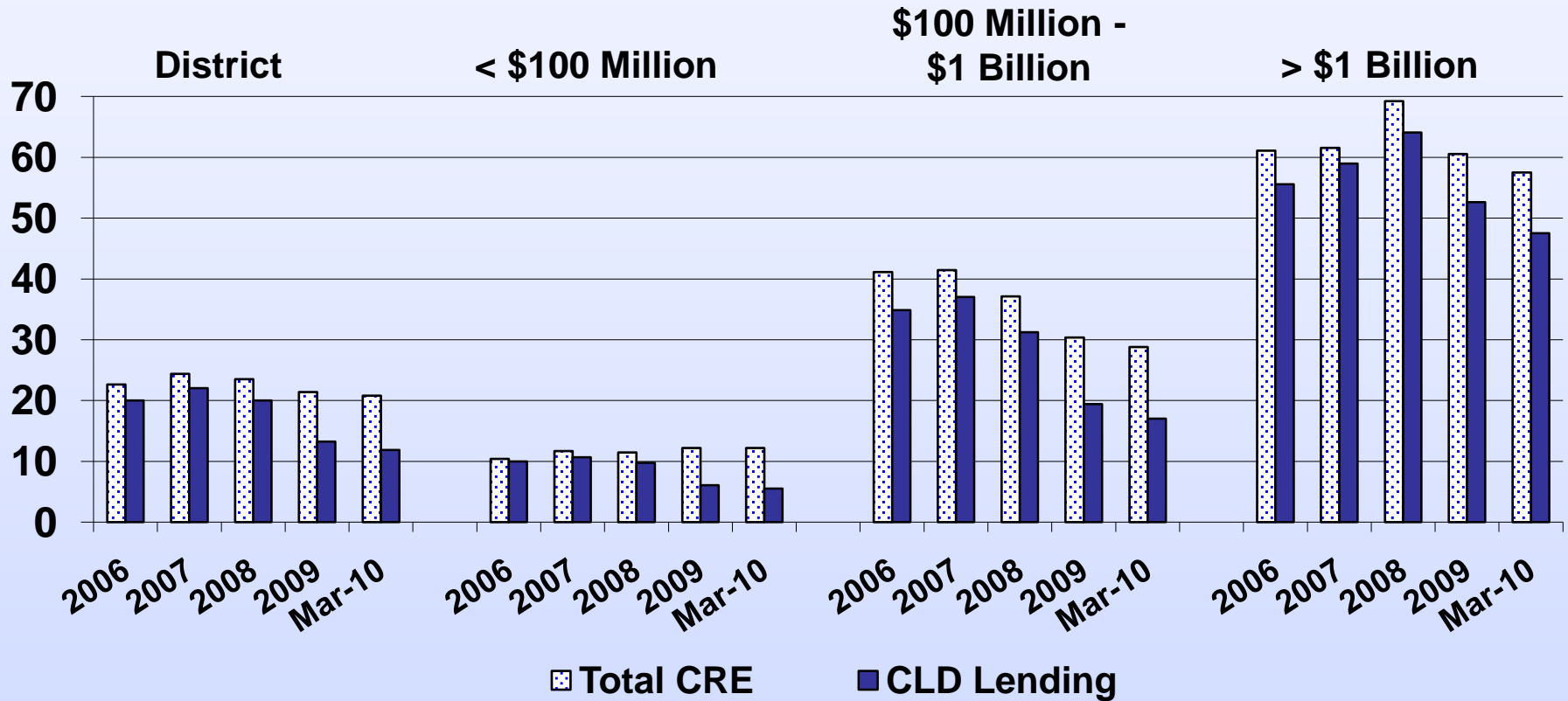
\* Total loans to assets

Source: Banks reports of condition and income

# Banks' CRE Concentrations are Declining

*(Tenth District Banks)*

% of banks



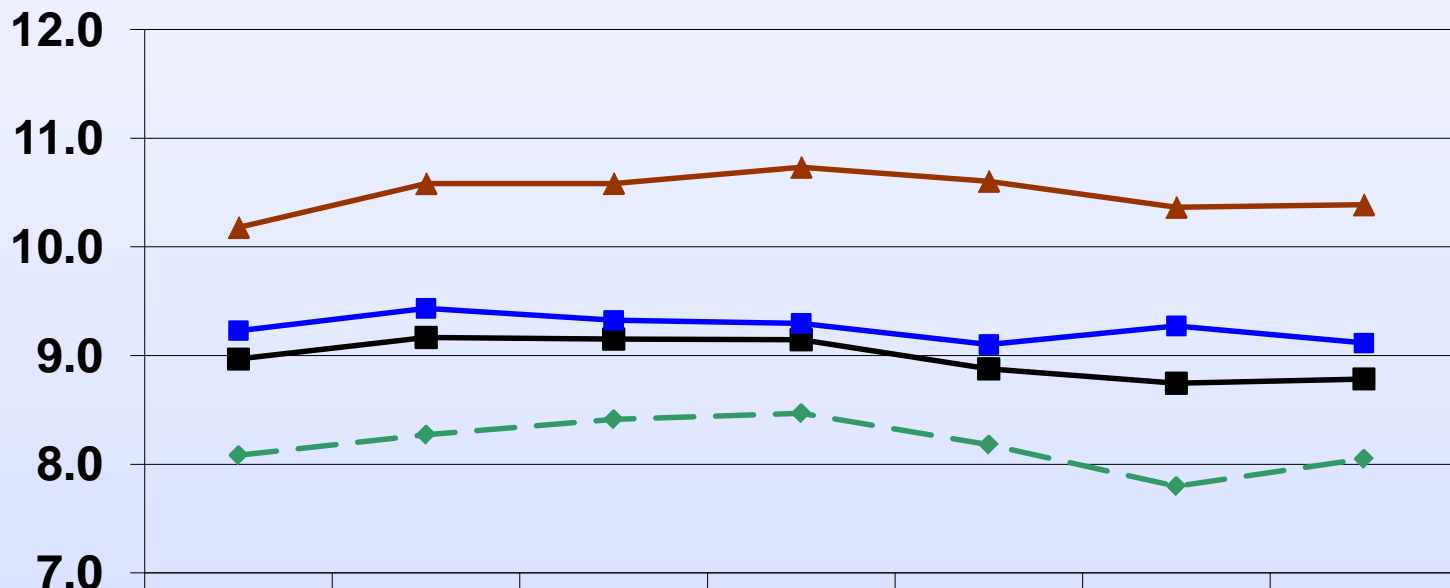
\* Percentage of banks exceeding CRE guidance thresholds, not including growth criteria & unadjusted for owner occupied properties

Source: Reports of Condition and Income

# Capital Levels Have Slightly Increased, However Remain Relatively Steady

*(Tenth District Banks)*

% of avg. assets



	2004	2005	2006	2007	2008	2009	Mar-10
■ All District Banks	8.97	9.17	9.15	9.15	8.88	8.75	8.78
◆ Over \$1 Billion	8.08	8.27	8.41	8.47	8.18	7.80	8.05
■ \$100 Million - \$1 Billion	9.23	9.43	9.32	9.30	9.10	9.27	9.12
▲ Under \$100 Million	10.18	10.58	10.58	10.73	10.60	10.36	10.39

\* Tier 1 capital to average assets (TTM) – the “Leverage Ratio“

Source: Reports of Condition and Income