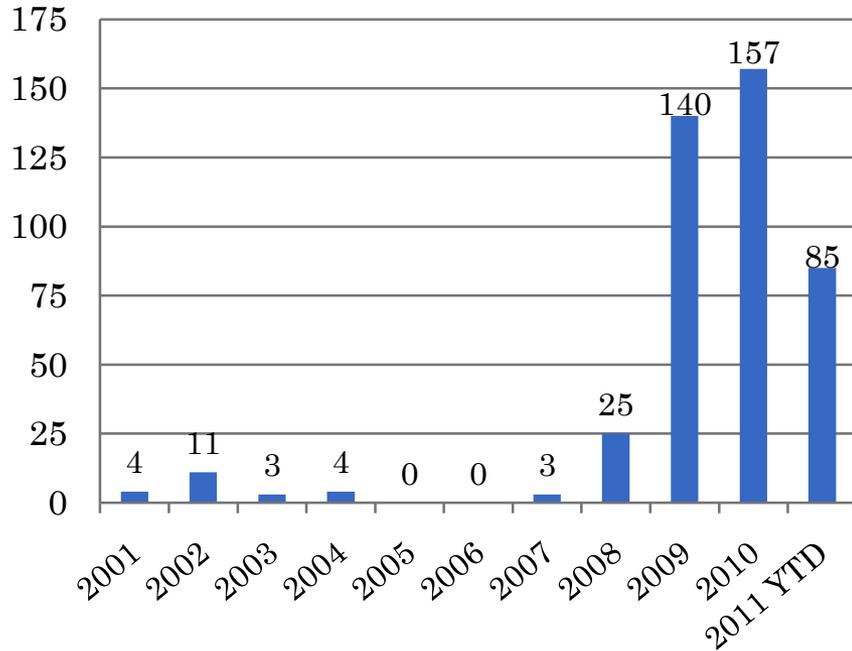


REGIONAL & COMMUNITY BANKERS CONFERENCE

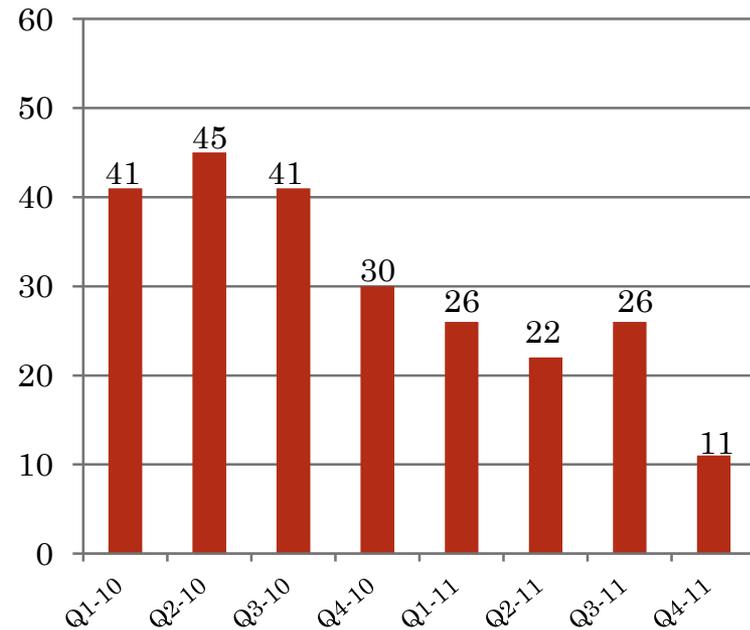
**Jim Nolan – SR&C Senior Vice President
R&C Bankers Conference
November 8, 2011**

FAILURES REACHED A RECORD HIGH IN 2010

Institution Failures since 2001



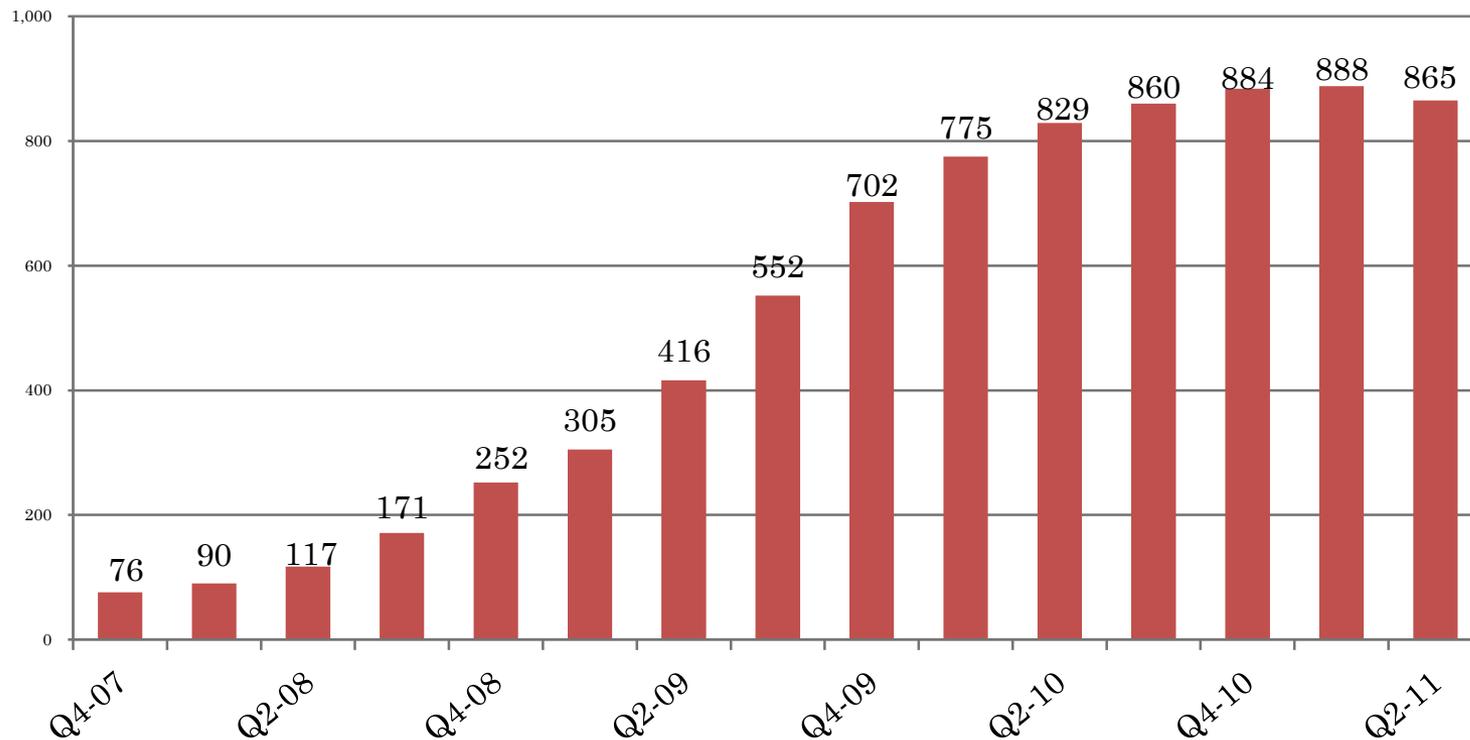
2010-2011 Institution Failures



Note: Data as of 10/28/11

PROBLEM INSTITUTIONS APPEAR TO HAVE PEAKED

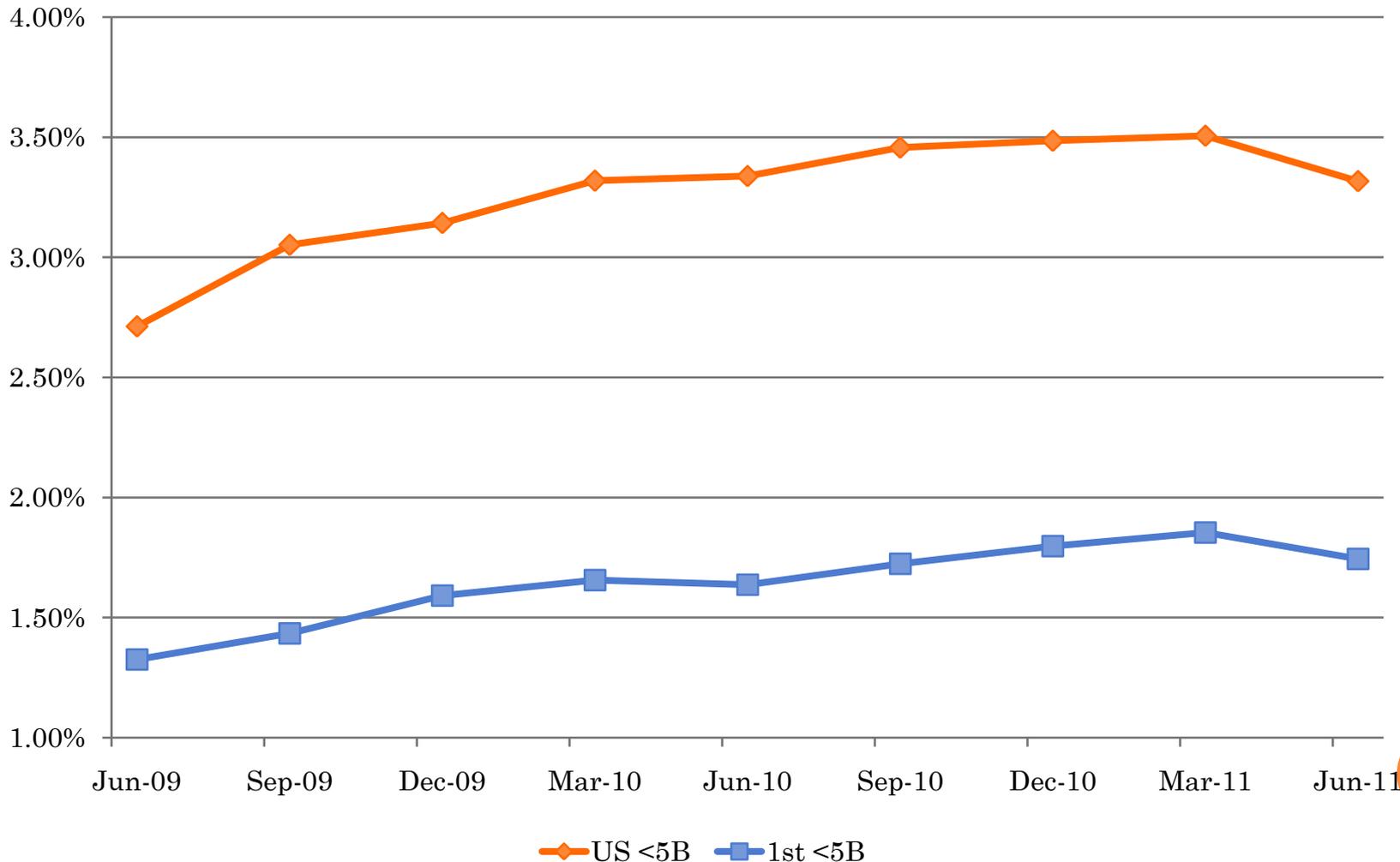
Number of Insured Institutions on the FDIC's "Problem List"



Source: FDIC

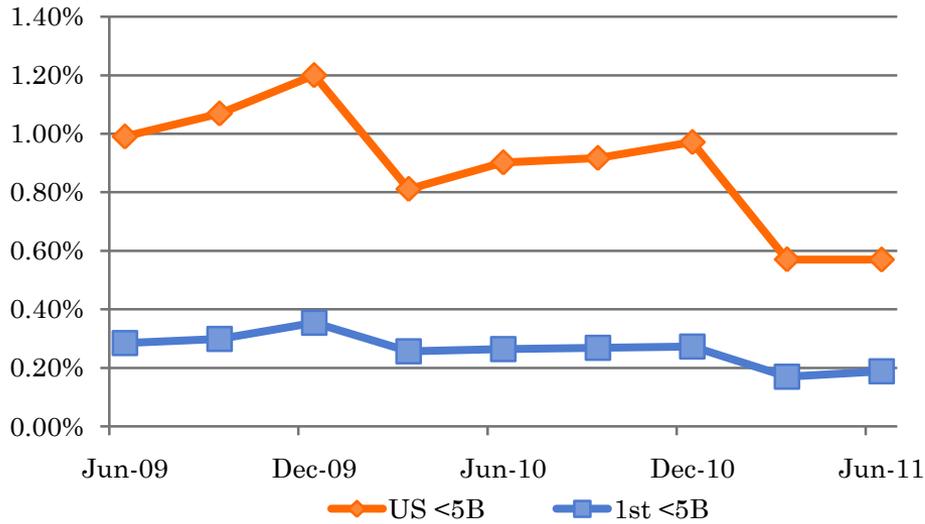
ASSET QUALITY TRENDS ARE ENCOURAGING

Nonaccrual loans to Total Loans

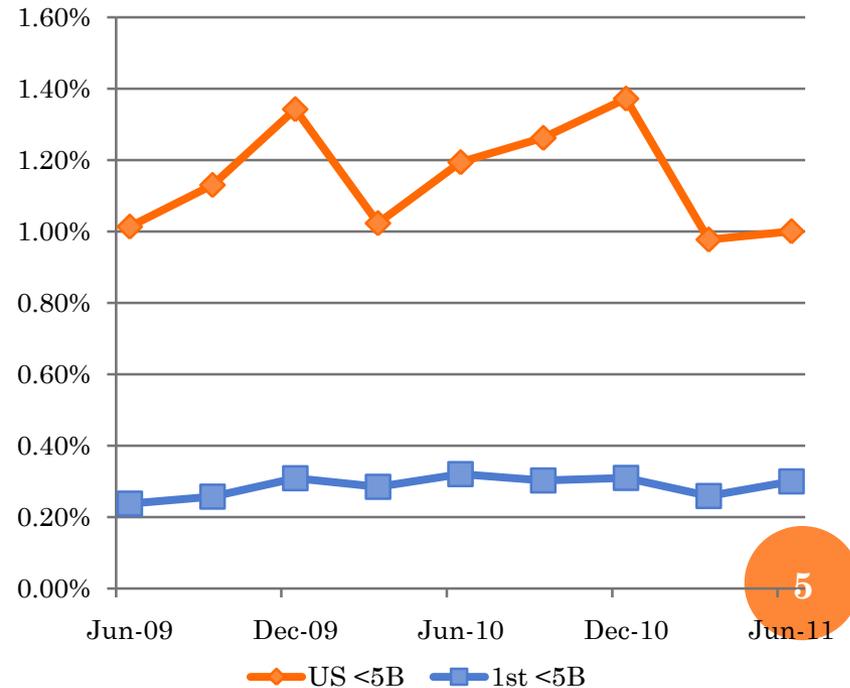


FIRST DISTRICT PROVISIONS REMAIN LOW

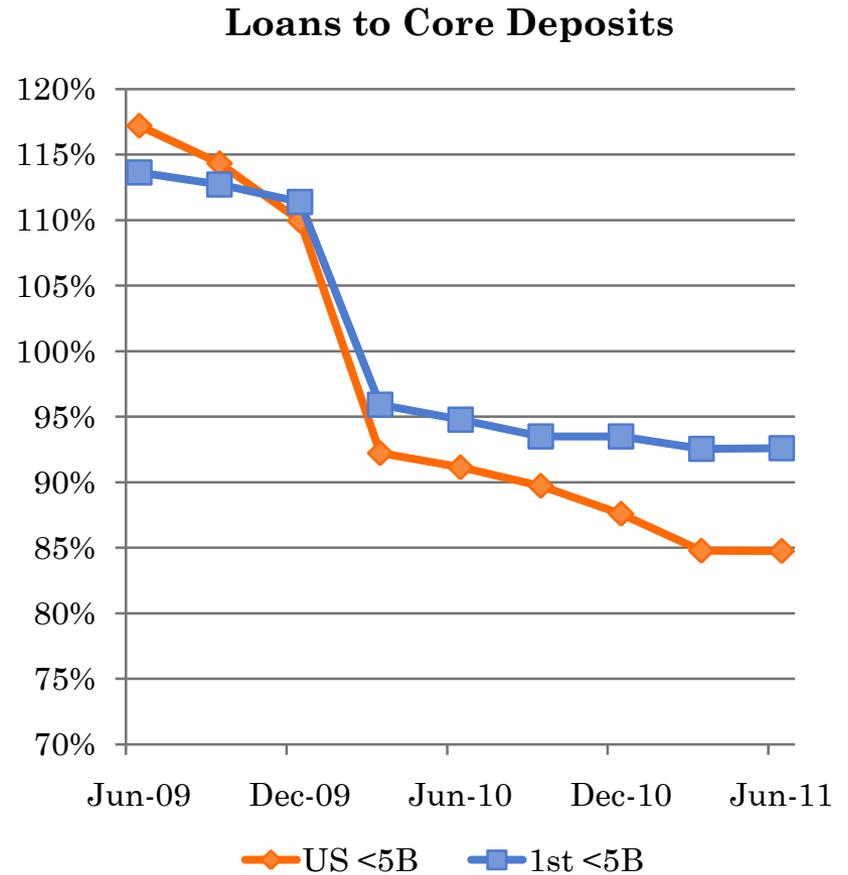
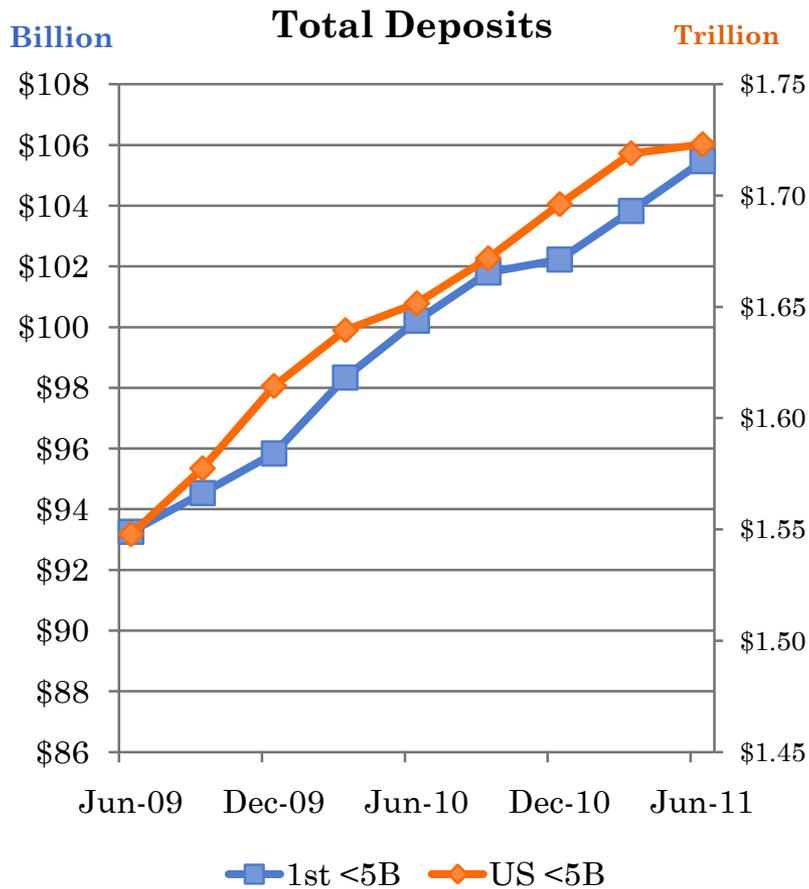
Provision to Total Assets



Annualized Charge-offs to Total Loans

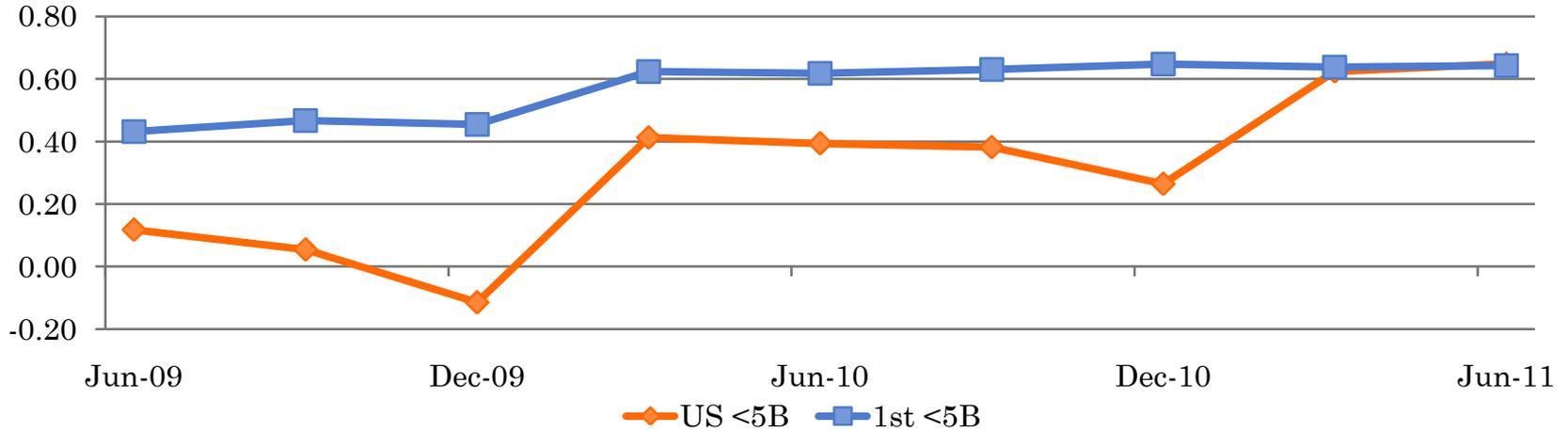


DEPOSIT INFLOWS HAVE BEEN SIGNIFICANT

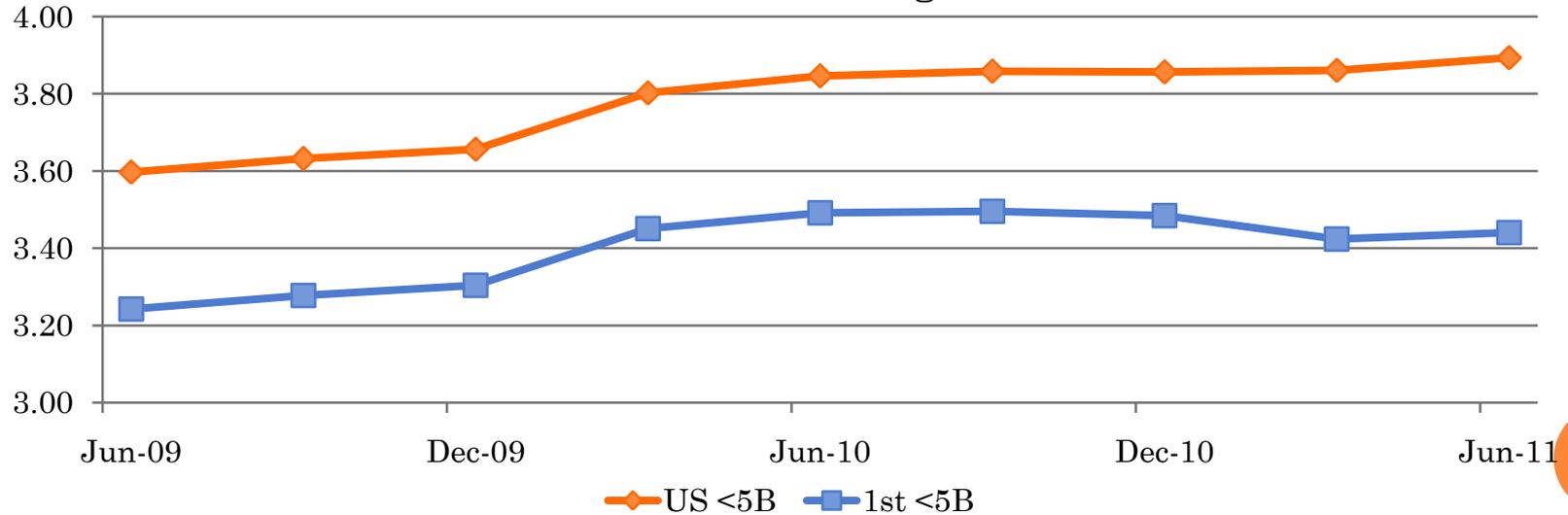


EARNINGS ARE NOT YET STRONG

ROAA

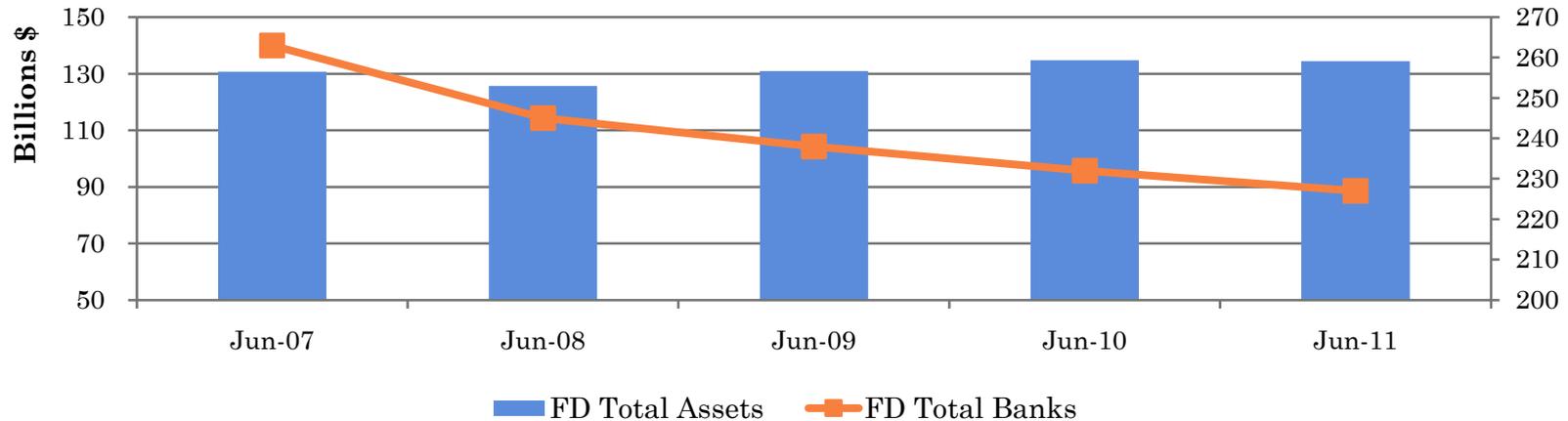


Net Interest Margin

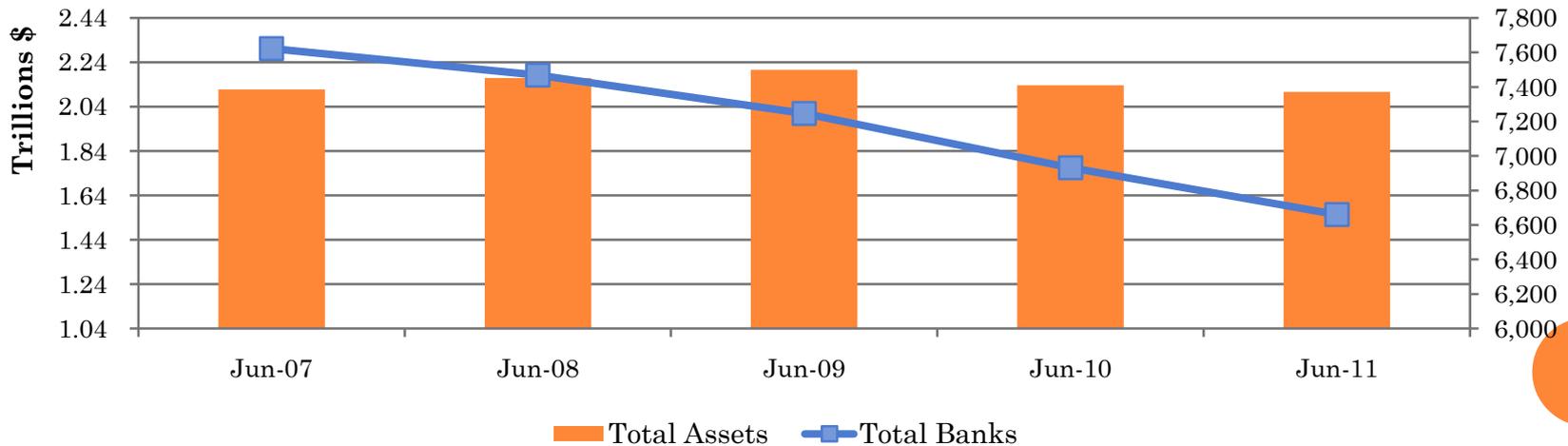


Trends in Community Banking

Commercial and Savings Banks < \$5 Billion 1st District



Commercial and Savings Banks < \$5 Billion Nationwide



ENVIRONMENTAL HEADWINDS ARE SIGNIFICANT

- Loan portfolio issues demand continued attention
- Loan demand is weak
 - Credit worthy customers are cautious
- Competition for loans is significant
- NIM management is challenging
 - Yield curve
 - Deposit inflows
- Threats to noninterest income exist
- Compliance expense pressures are increasing

...BUT WHAT HAS WORKED WELL BEFORE IS LIKELY TO CONTINUE TO WORK

- Successful community banks have always focused on relationships and deposits
- Know your customer
- Lend in market
- Fund loans with core deposits
- Provide exceptional customer service