REGIONAL & COMMUNITY BANKERS CONFERENCE

Jim Nolan – SR&C Senior Vice President
R&C Bankers Conference
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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**

- **US <5B**
- **1st <5B**
Trends in Community Banking

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

- **FD Total Assets**
- **FD Total Banks**

**Commercial and Savings Banks < $5 Billion Nationwide**

- **Total Assets**
- **Total Banks**
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
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