# Fifth District Indicators*

3Q 2011

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| ⇧ | **Annual Balance Sheet Growth**<br>After a prolonged period of marginal contraction since the beginning of the recession, community bank balance sheets began experiencing gradual expansion in 2011 that continued through the third quarter. Specifically, year-over-year percent change in total assets increased from 3.38% in the first quarter to 4.64% by the third quarter. Percent change in total loans also improved from a 1.15% year-over-year change to 1.57%. |
| ⇔ | **Credit Quality**<br>Though the levels of nonperforming loans and loan losses remain significantly high as compared to pre-recessionary time periods, credit quality trends exhibit slight stabilization. Although overall loan losses increased in the third quarter, certain loan categories including CLD, commercial, consumer and real estate losses stabilized. Nonperforming levels as a percentage of total loans declined. |
| ⇔ | **Capital**<br>Capital levels remain stable as the average leverage ratio hovers around 10%, Tier 1 risk-based capital ratio around 15% and total risk-based capital ratio around 16%. While the average bank stands firmly in well-capitalized status according to PCA guidelines, ratios have been unable to gain upward traction since declining during the recession. |

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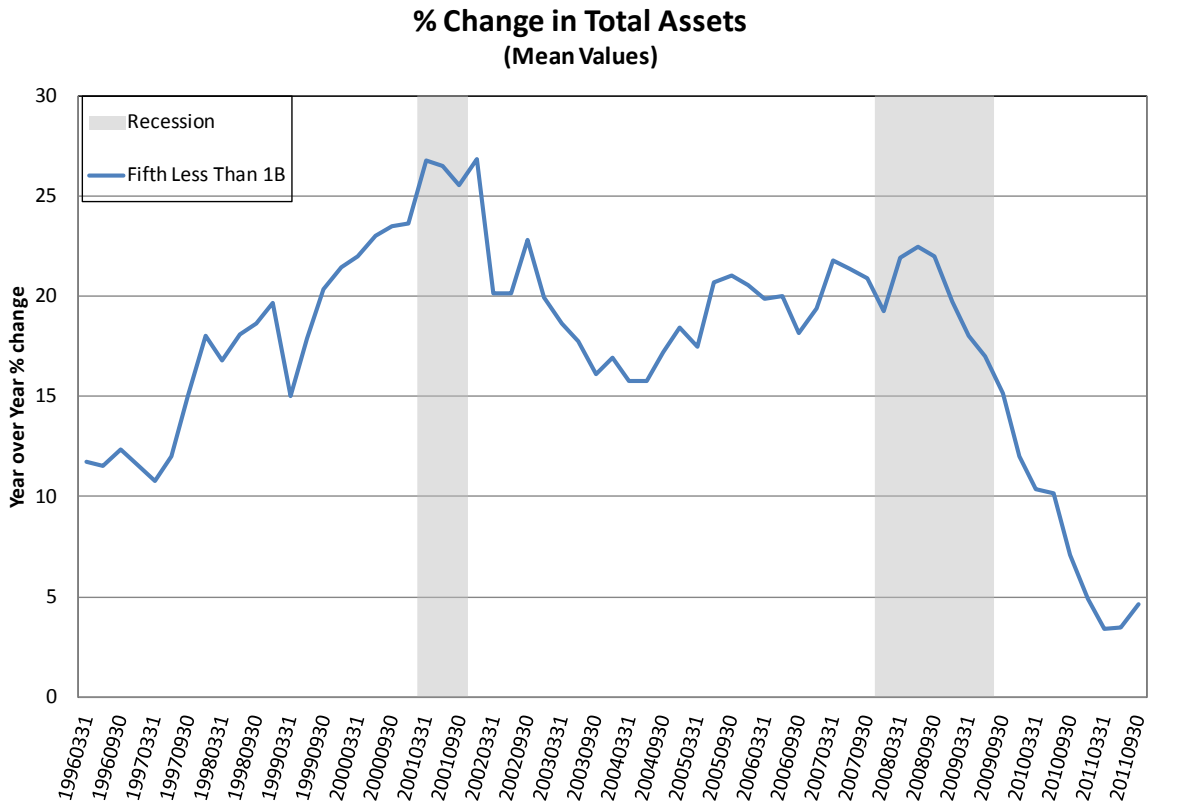
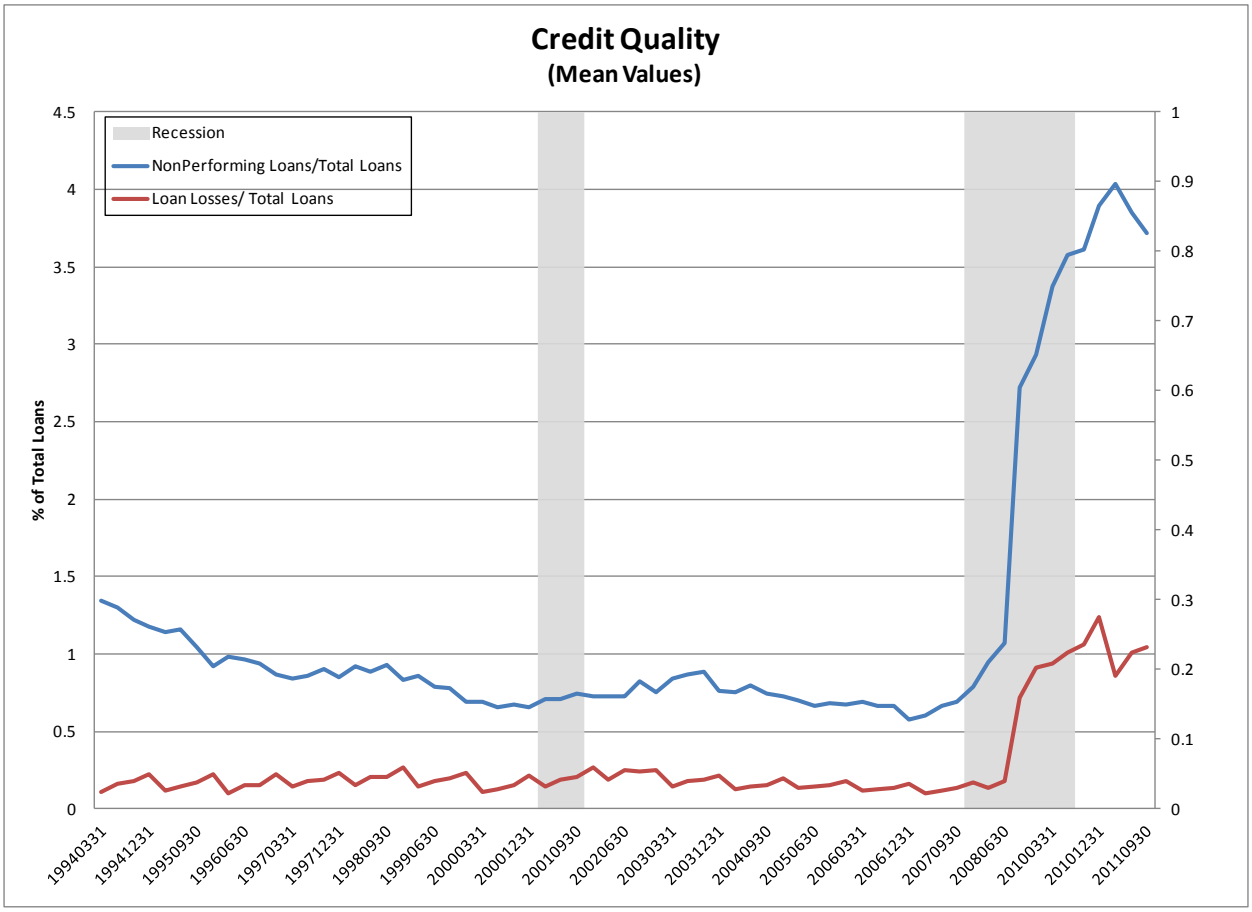
| ⇧ | **Liquidity**<br>Liquidity ratios showed signs of improvement in the third quarter as evidenced by efforts to enhance core deposits and decrease reliance on noncore funding sources. The average community bank's ratio of loans as a percentage of deposits continues to decline, rounding out at approximately 90% in the third quarter. Though this downward trend has been ongoing since 2008, previous declines were largely driven by shrinking balance sheets. More recently, however, as balance sheets have begun to show signs of marginal growth, liquidity ratios improved as a result of increasing core deposits. |
| ⇩ | **Non-Core Funding Dependence**<br>Before the 2008 recession, reliance on noncore funding at community banks gradually trended upward over almost a decade. This trend reversed at the start of 2009 and continued to decline through the third quarter. Since peaking, noncore funding, such as FHLB advances and brokered deposits, has declined by approximately 40%. FHLB advances declined from 5.87% to 3.5% of total assets while brokered funding fell from 10% to 6% of total assets. |

*Source: Consolidated Reports of Condition and Income.*
**Fifth District Community Banks defined as those with Total Assets under $1 Billion*
*http://www.richmondfed.org/banking/supervision_and_regulation/newsletter/2012/spring/pdf/5th-dist-ind.pdf*




*Source: Consolidated Reports of Condition


Credit Quality
(Mean Values)
Recession
NonPerforming Loans/Total Loans
Loan Losses/ Total Loans
% of Total Loans
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
1
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
0
19940331
19941231
19950930
19960630
19970331
19971231
19980930
19990630
20000331
20001231
20010930
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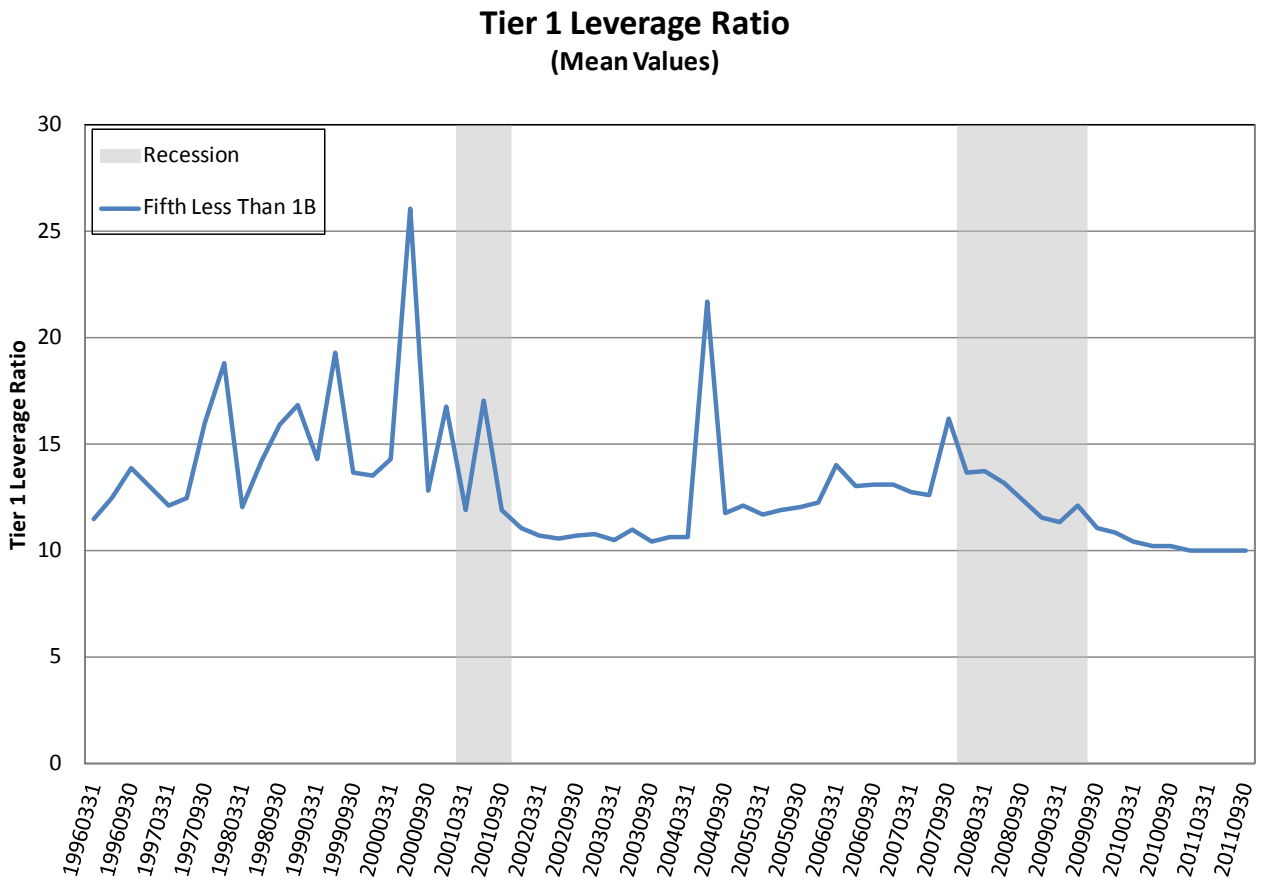
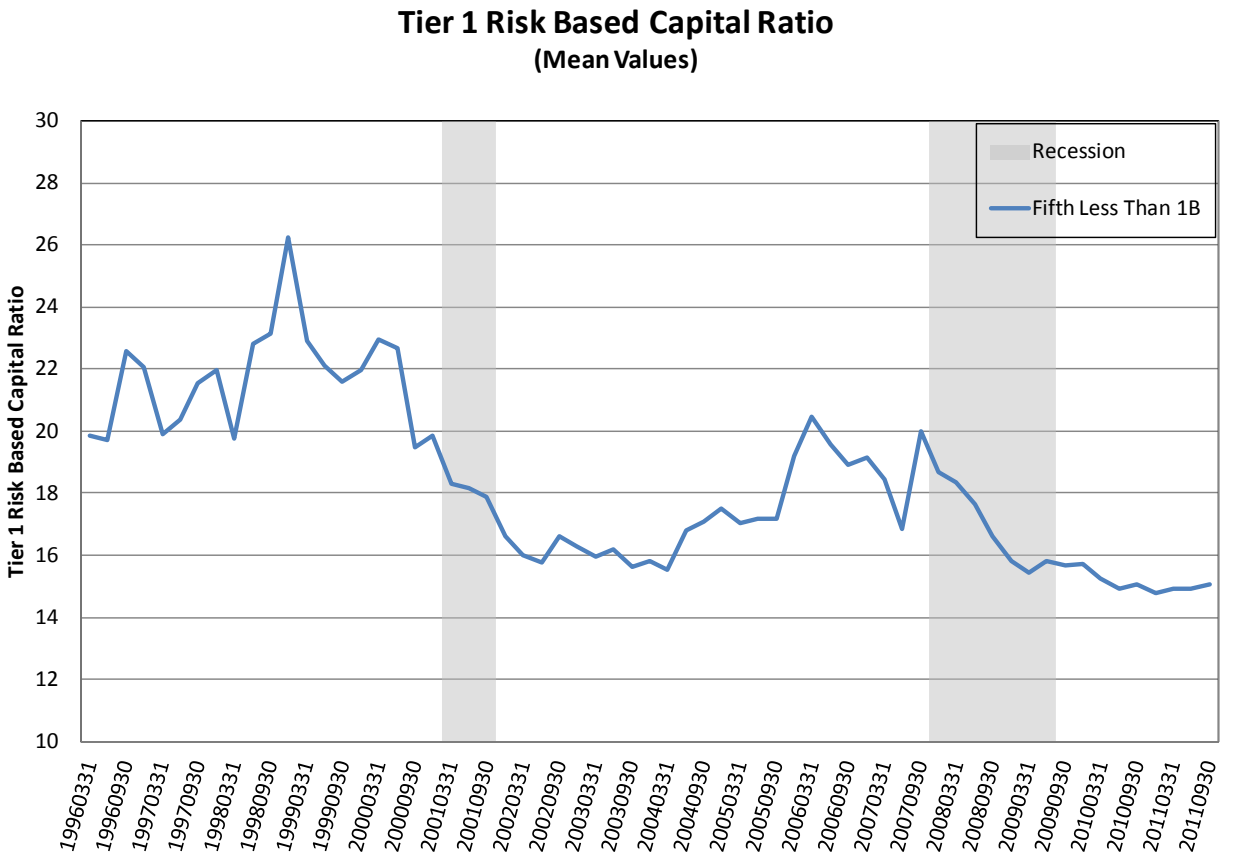



*Source: Consolidated Reports of Condition

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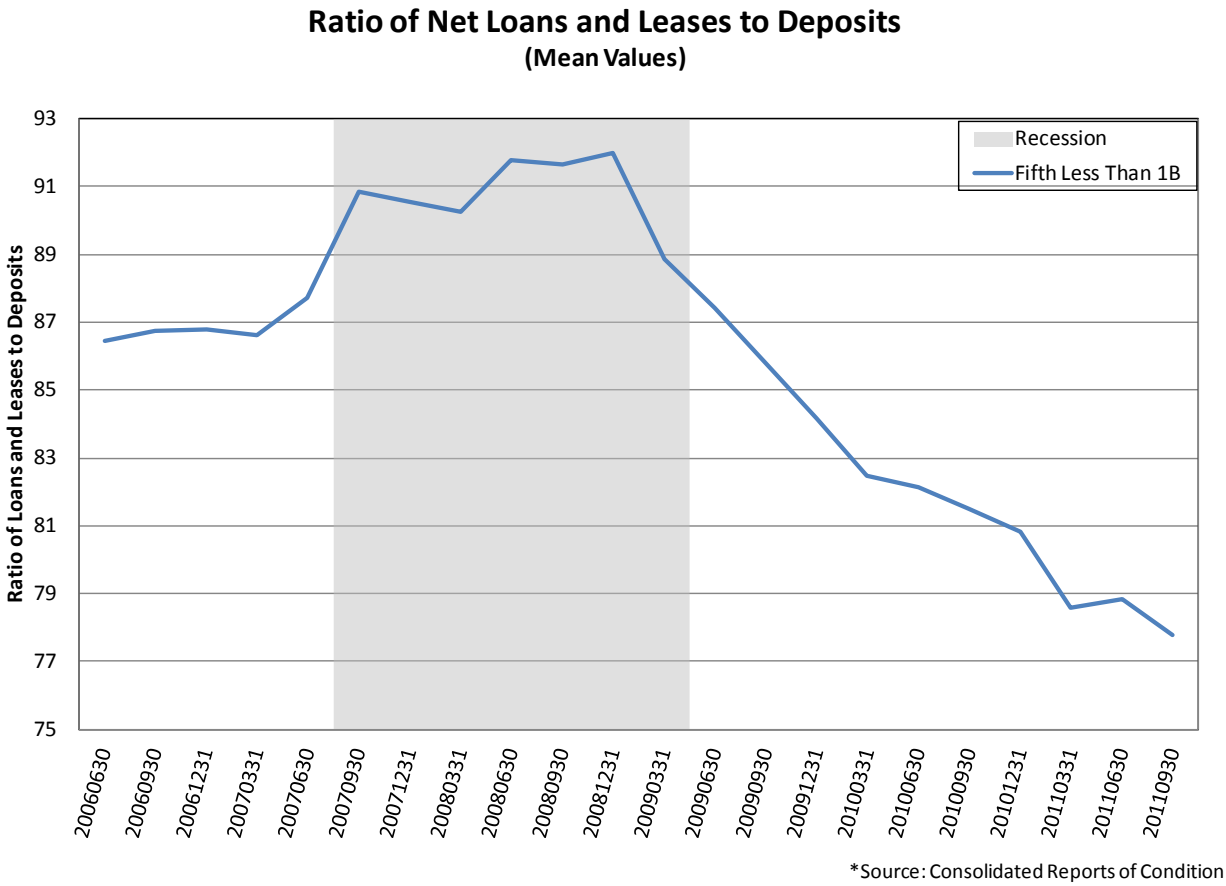
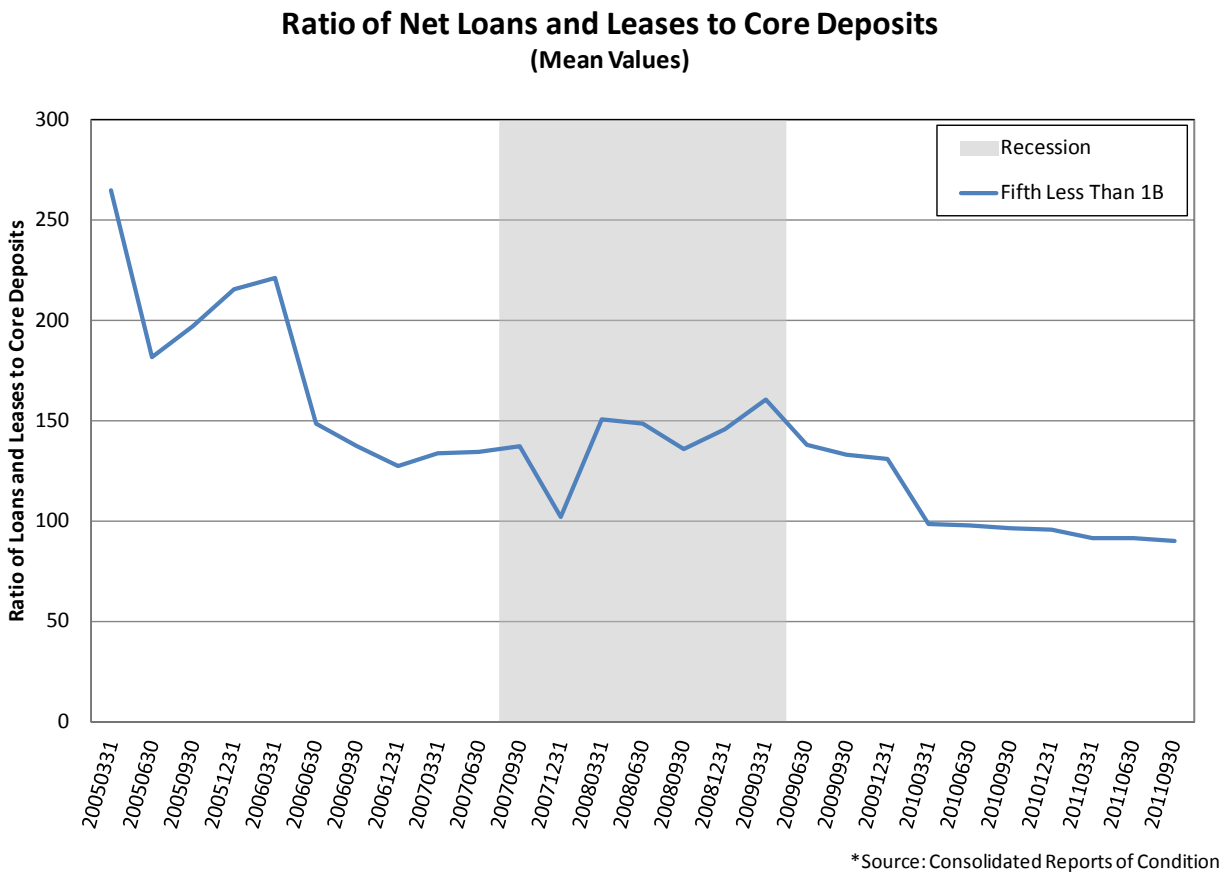
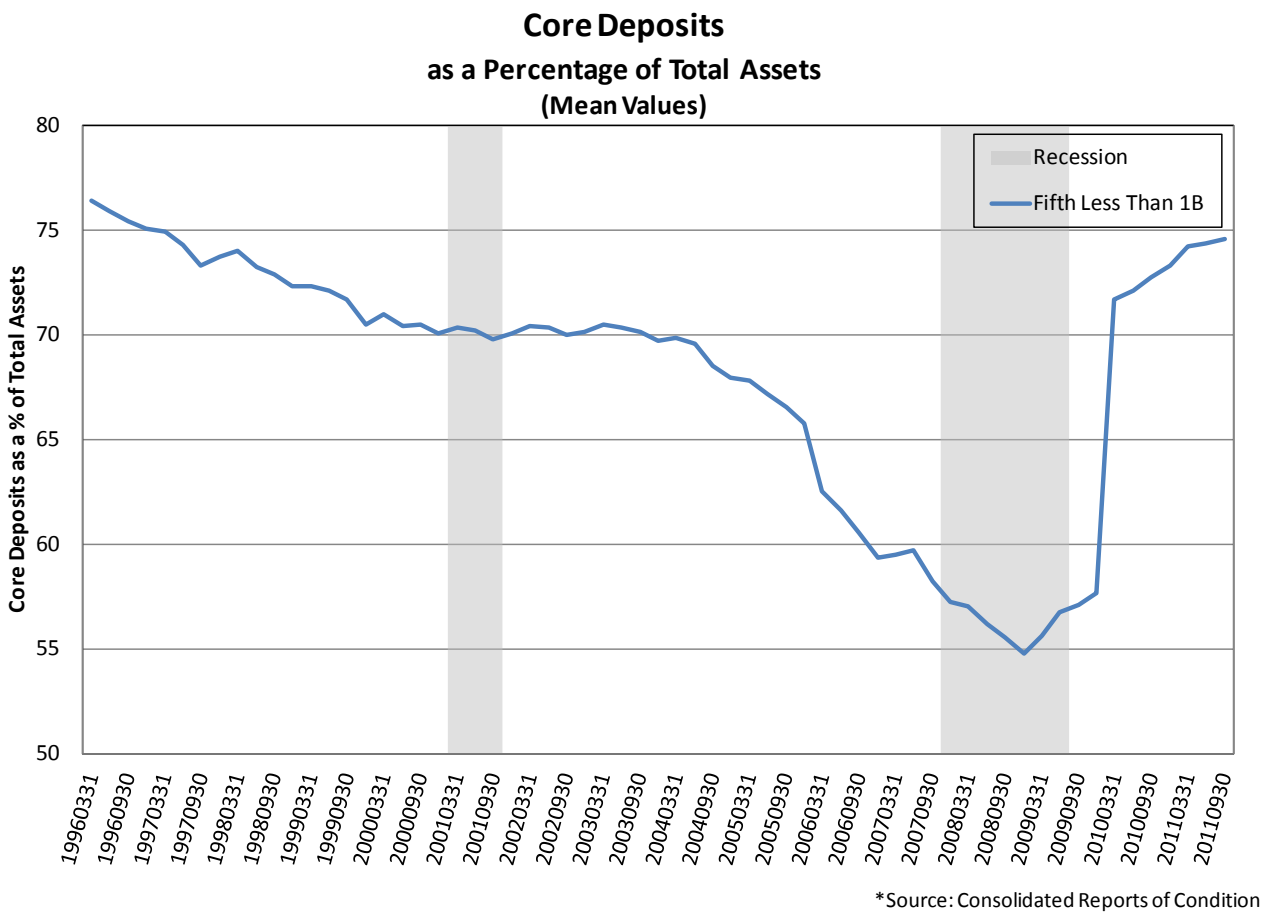

Ratio of Net Loans and Leases to Deposits
(Mean Values)
Ratio of Loans and Leases to Deposits
93
91
89
87
85
83
81
79
77
75
Recession
Fifth Less Than 1B
20060630
20060930
20061231
20070331
20070630
20070930
20071231
20080331
20080630
20080930
20081231
20090331
20090630
20090930
20091231
20100331
20100630
20100930
20101231
20110331
20110630
20110930
*Source: Consolidated Reports of Condition


Ratio of Net Loans and Leases to Core Deposits
(Mean Values)
Ratio of Loans and Leases to Core Deposits
300
250
200
150
100
50
0
Recession
Fifth Less Than 1B
20050331
20050630
20050930
20051231
20060331
20060630
20060930
20061231
20070331
20070630
20070930
20071231
20080331
20080630
20080930
20081231
20090331
20090630
20090930
20091231
20100331
20100630
20100930
20101231
20110331
20110630
20110930
*Source: Consolidated Reports of Condition

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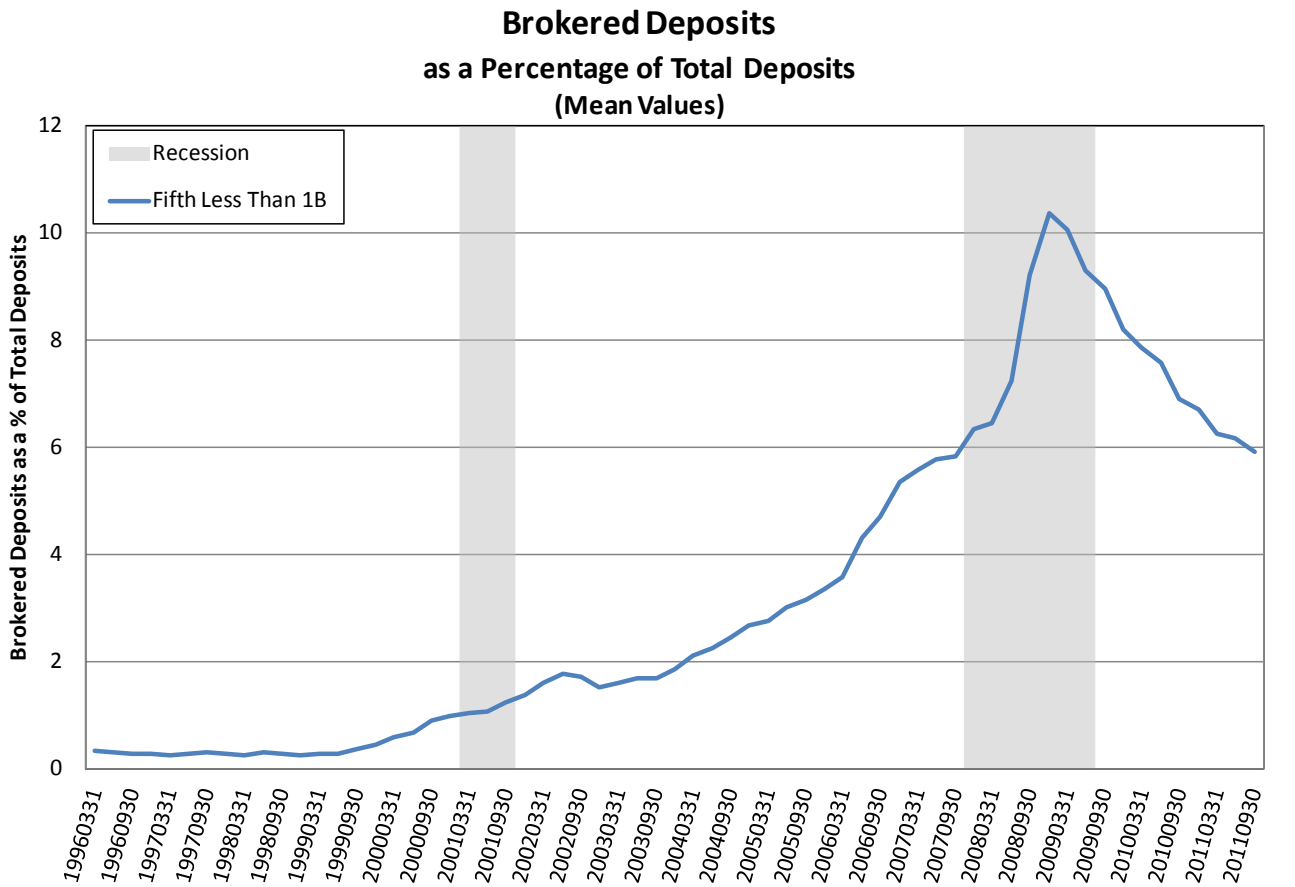


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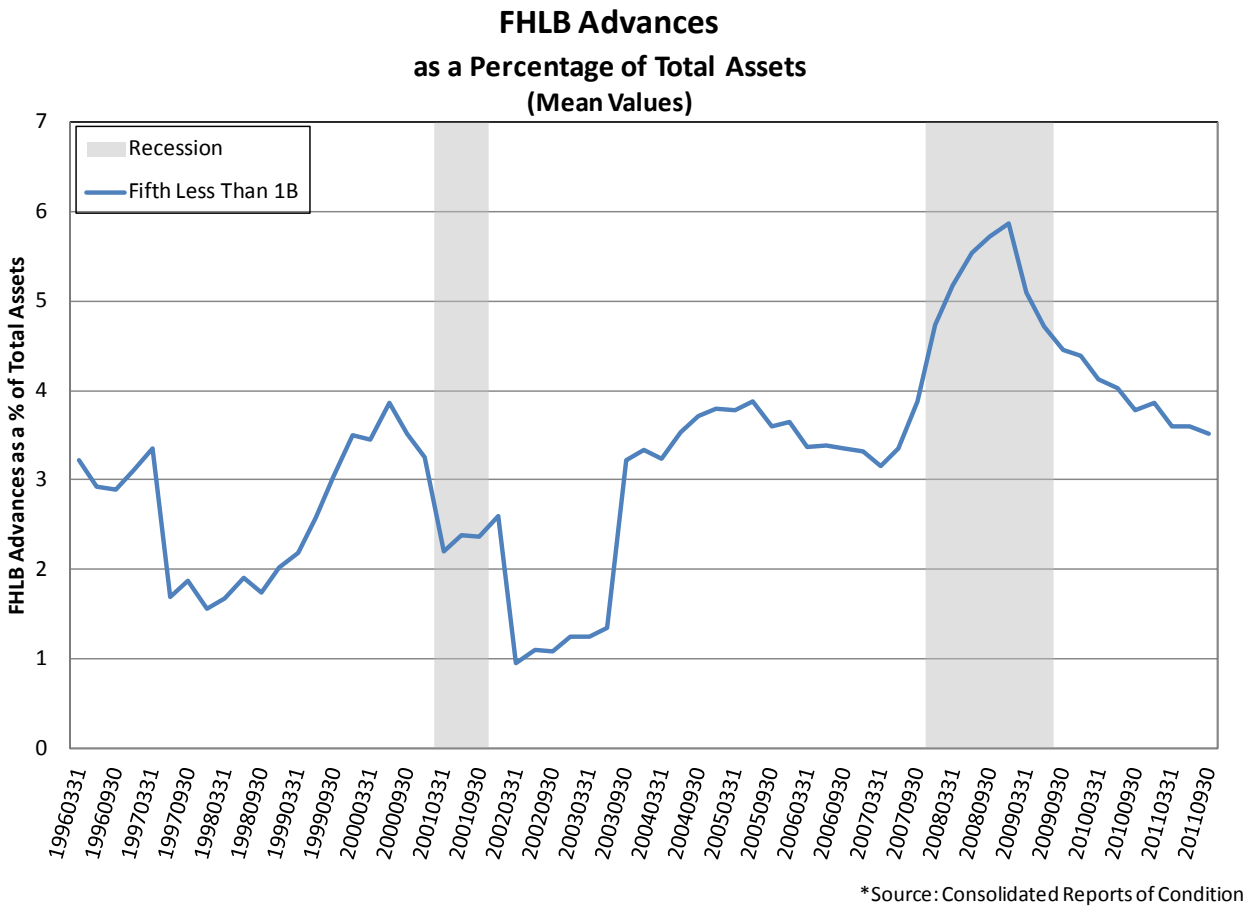


*Source: Consolidated Reports of Condition