

# Fifth District Indicators\*

4Q 2011



## Earnings

Earnings performance improved at community banks during the fourth quarter, but remained suppressed compared with the national peer group. The number of Fifth District community banks citing quarterly net losses declined from 104 to 74, or 28.8%, during the quarter. The mean ROAA improved slightly quarter-over-quarter from negative territory to 0.15%, but remained well below the National mean of 0.61%. Loan-loss provisions continued to suppress earnings at community banks as credit quality issues prevented the reserve releases experienced at community banks outside the Fifth District.



## Liquidity and Non-Core Funding

Community bank liquidity continued to improve, as core deposit increases again outpaced modest loan growth. Additionally, reliance on non-core funding continued to trend downward. Despite these improvements, Fifth District community bank liquidity indicators still lagged improvements to the national peer group. The ratio of loans to core deposits fell to 87% for the District compared with 76% for the nation. Core deposits as a percentage of total assets climbed to 75% for the District and 78% for the nation. Non-core funding sources declined but remained significantly higher than the national peer.



### **Balance Sheet**

The gradual expansion of community bank balance sheets that began in the second quarter of 2011 continued in the fourth quarter. Total assets for Fifth District community banks increased 5.6% during 2011, while total loans rose a more modest 2.3%. The residential real estate category primarily drove loan growth, while declines were noted in Commercial Real Estate, Construction and Land Development (CLD) and consumer loans.



### **Credit Quality**

Community banks continued to display gradual improvement in credit quality trends despite relatively high levels of nonperforming loans and loan losses compared with the national peer group. Nonperforming loans declined to 3.9% of loans compared with 3.1% for the nation, and loan losses declined modestly to 1.25% of total loans compared with 0.89% for the nation. The sectors experiencing the most improvement included 1-4 family residential, CLD and commercial loans.



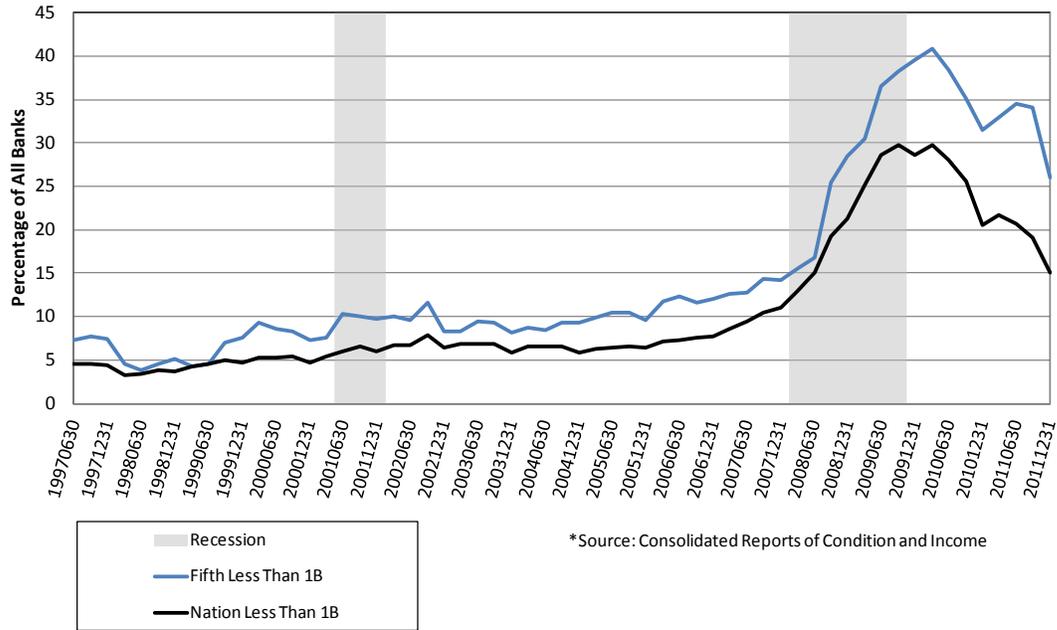
### **Capital**

Fourth-quarter capital levels remained stable, as the mean Fifth District community bank maintained its well-capitalized status according to Prompt Corrective Action guidelines. The mean leverage ratio remained around 10%, Tier 1 risk-based capital was approximately 15.5% and total risk-based capital stayed at approximately 16%.

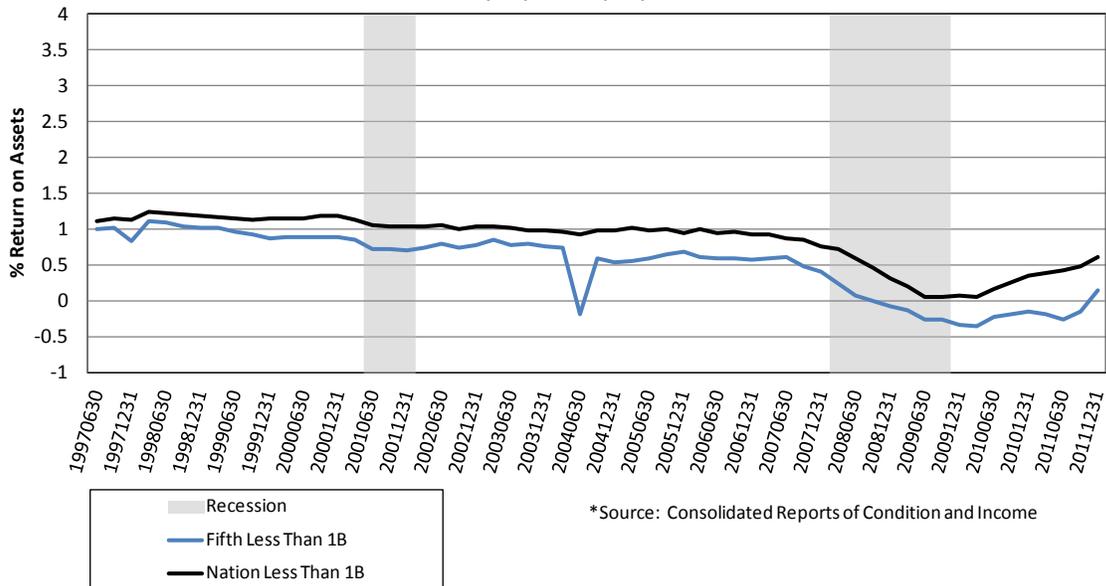
*Source: Consolidated Reports of Condition and Income. \*Fifth District Community Banks defined as those with Total Assets under \$1 Billion*

**EARNINGS**

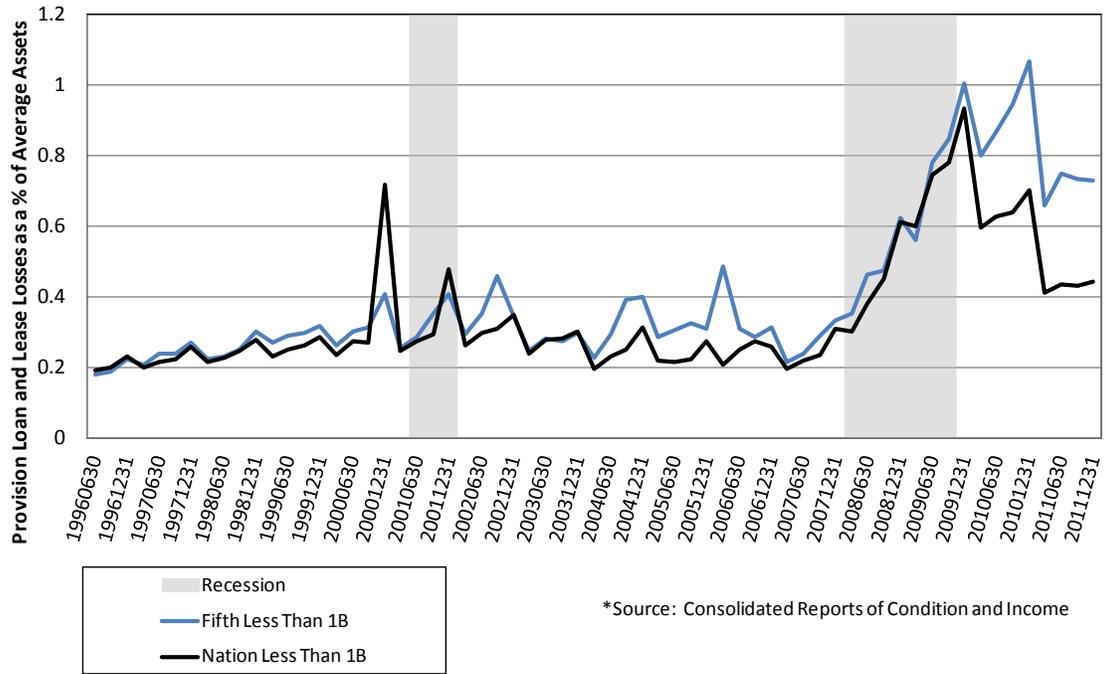
**Percentage of Banks with Negative Returns on Assets**  
 (Number of Banks / Total Banks in Each Cohort)  
 6/30/97 - 12/31/11



**Return on Assets**  
 (Mean Values)  
 6/30/97 - 12/31/11

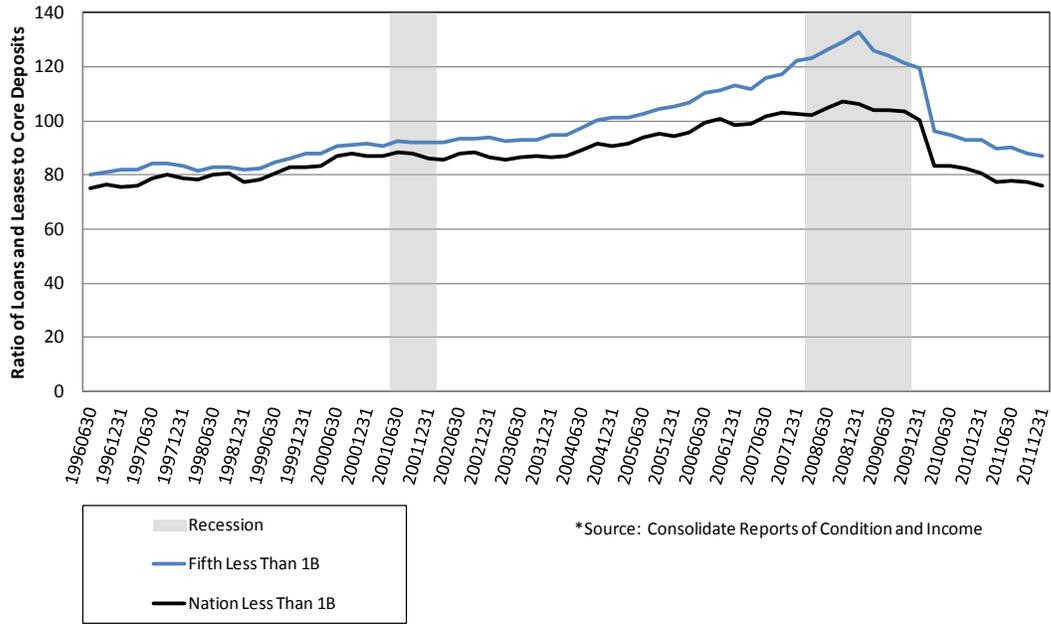


**Provision for Loan and Lease Losses  
as a Percentage of Average Assets  
(Mean Values)  
6/30/96 - 12/31/11**

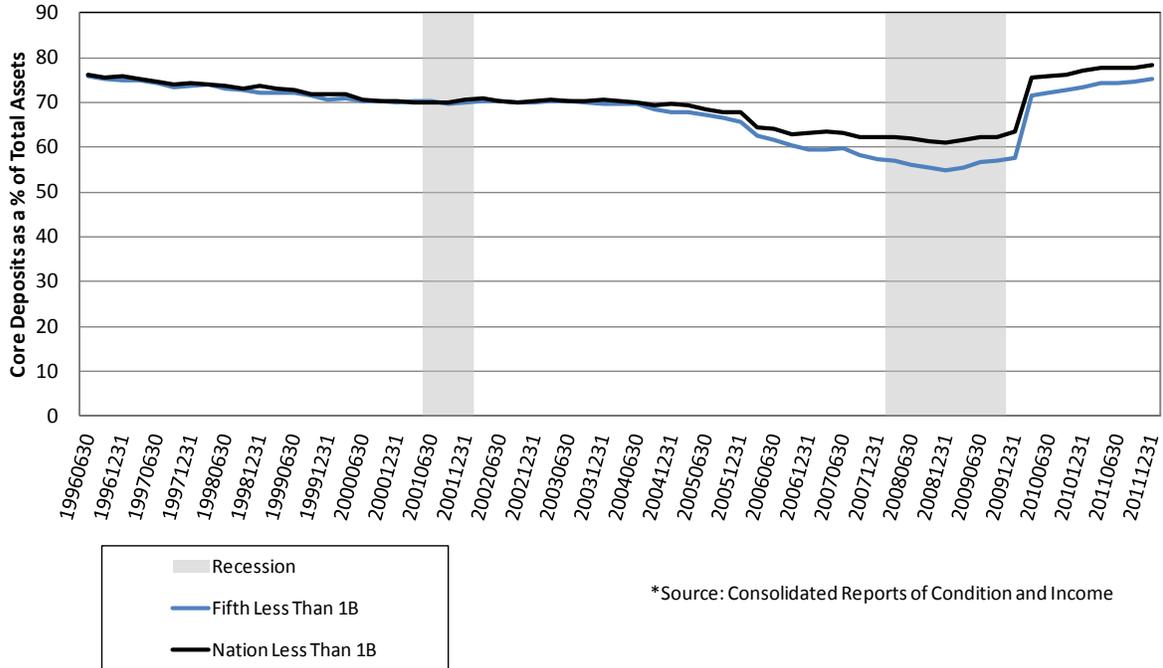


**LIQUIDITY**

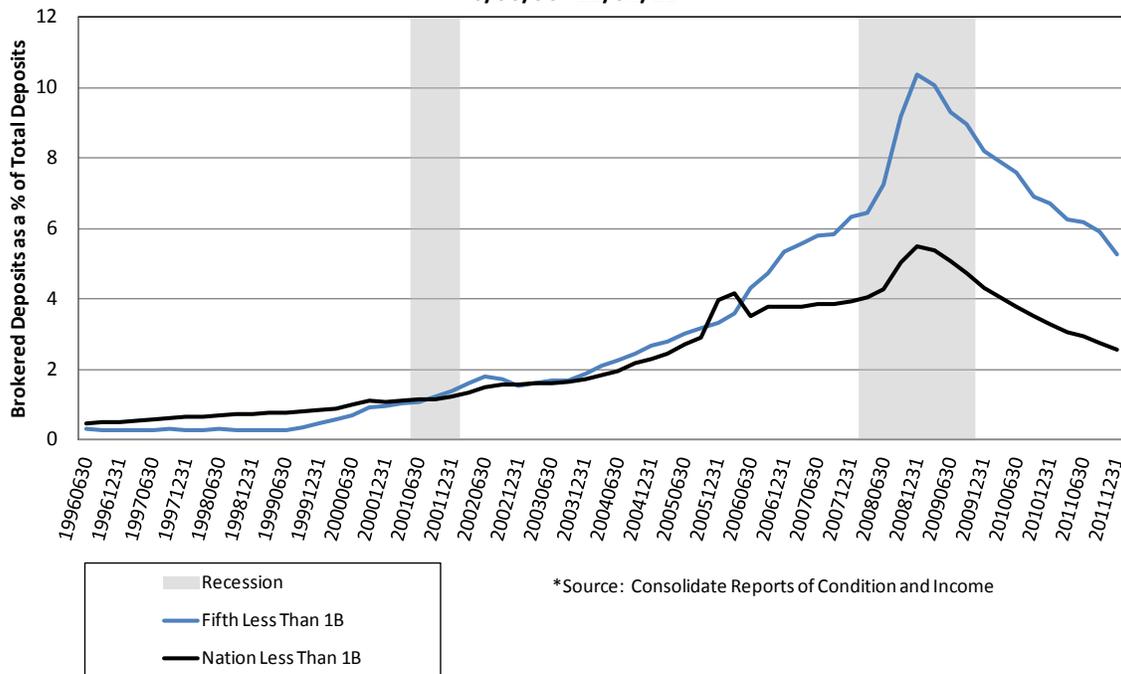
**Ratio of Net Loans and Leases to Core Deposits**  
(Median Values)  
6/30/96 - 12/31/11



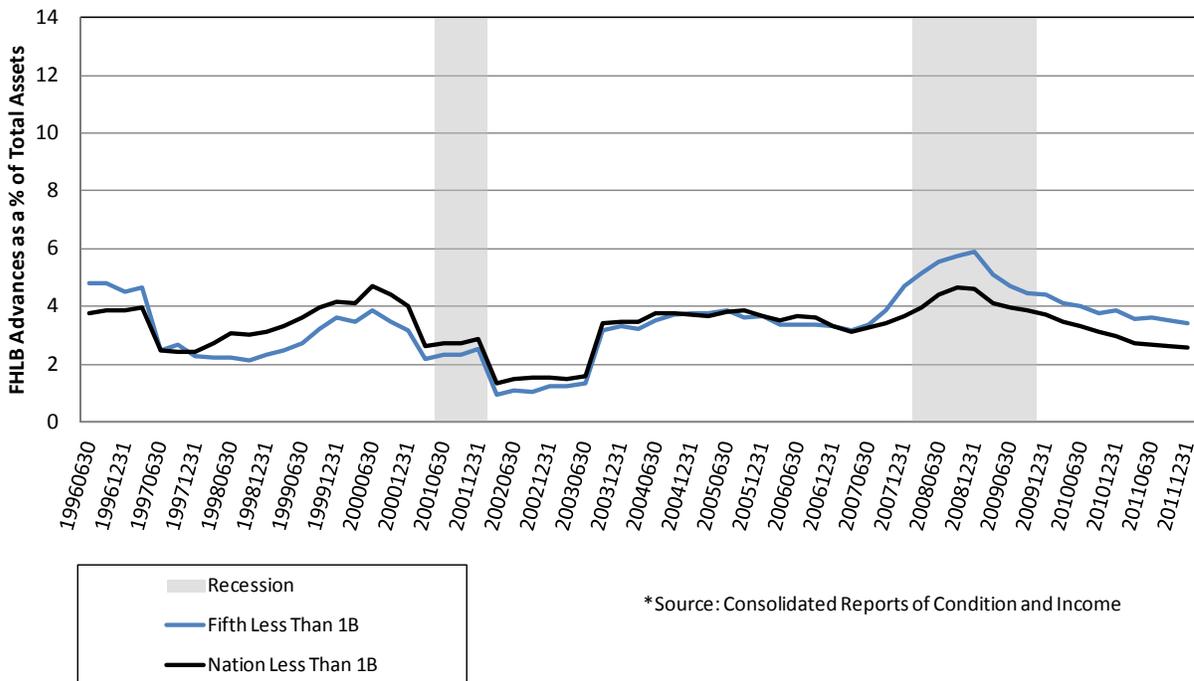
**Core Deposits**  
as a Percentage of Total Assets  
(Mean Values)  
6/30/96 - 12/31/11



**Brokered Deposits  
as a Percentage of Total Deposits  
(Mean Values)  
6/30/96 - 12/31/11**

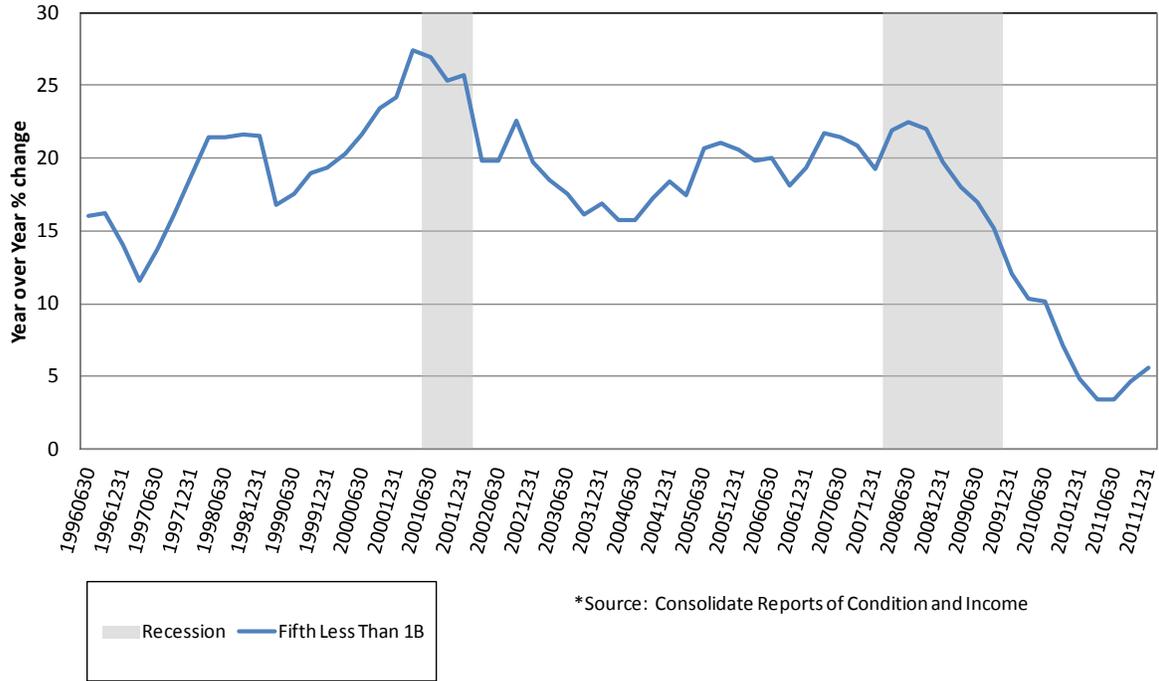


**FHLB Advances  
as a Percentage of Total Assets  
(Mean Values)  
6/30/96 - 12/31/11**

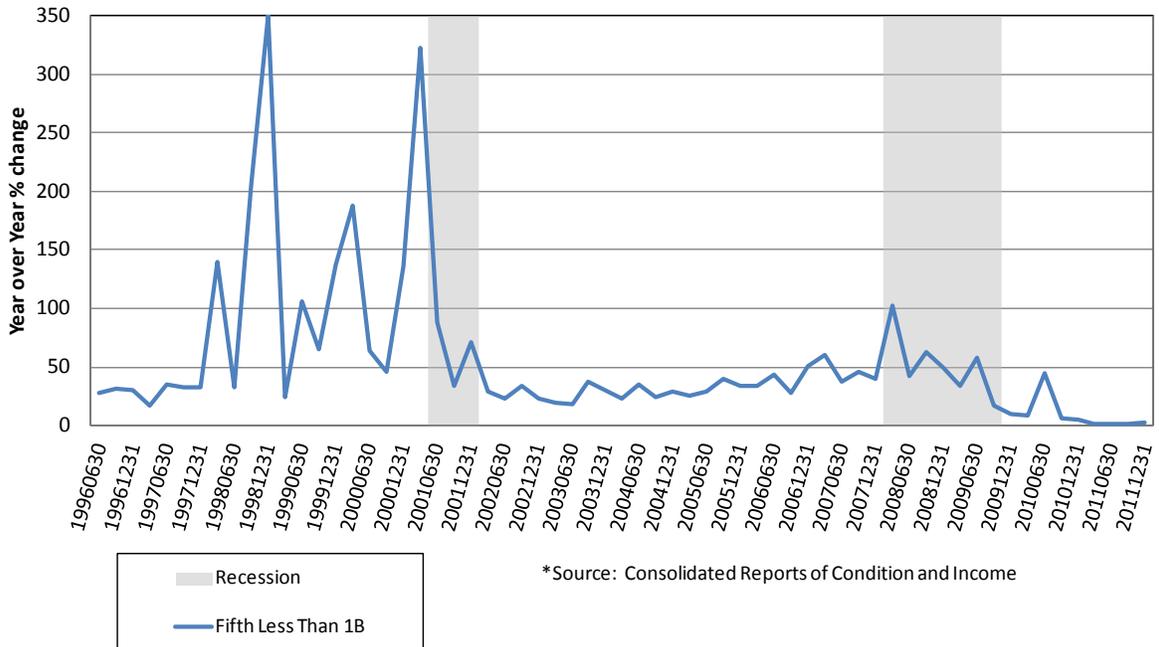


**BALANCE SHEET**

**% Change in Total Assets  
(Mean Values)  
6/30/96 - 12/31/11**

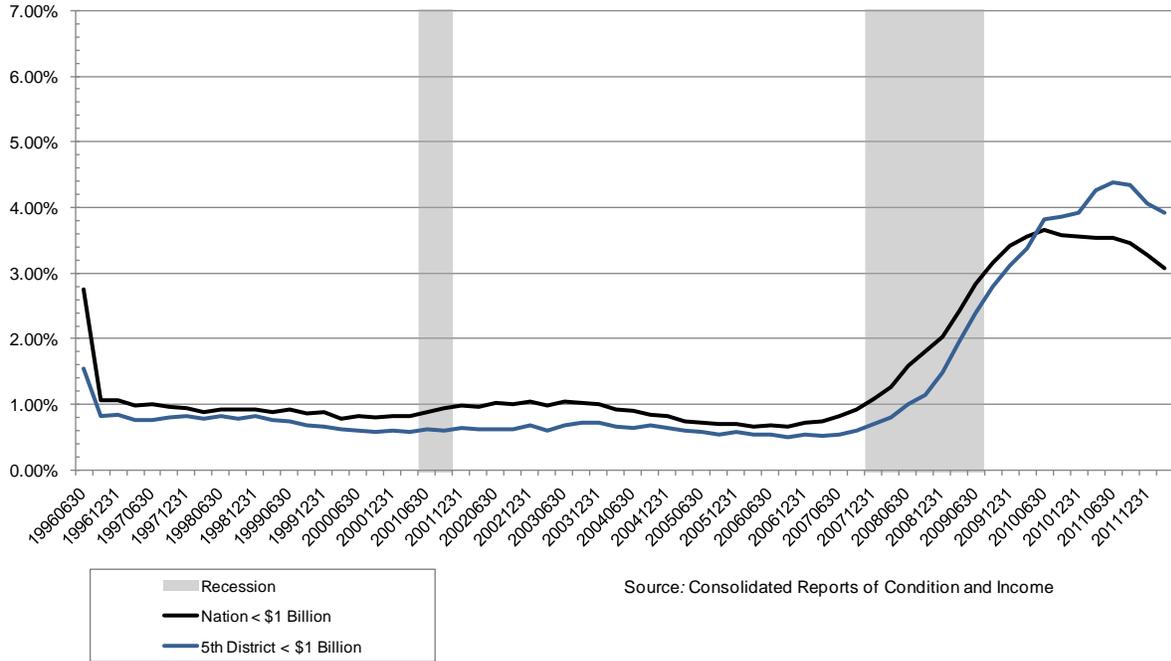


**% Change in Total Loans  
(Mean Values)  
6/30/96 - 12/31/11**

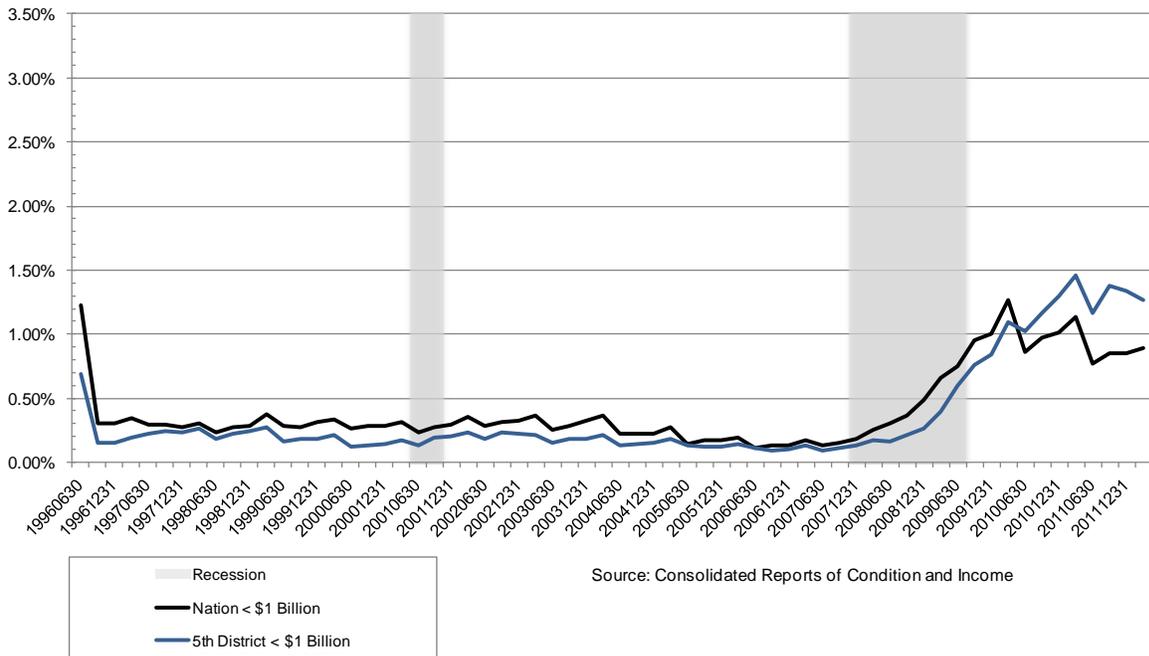


**CREDIT QUALITY**

**Non-Performing Loans  
as a Percentage of Total Loans  
(Aggregate, NSA)  
6/30/96 - 12/31/11**

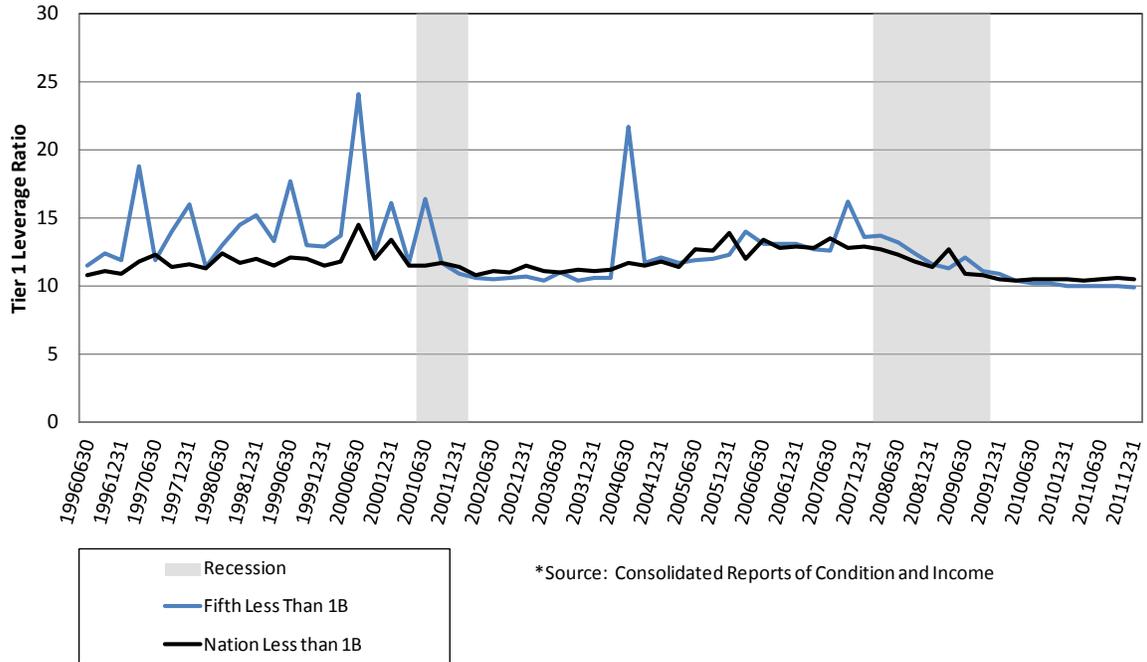


**Total Loan Losses  
as a Percentage of Total Loans  
(Aggregate)  
6/30/96 - 12/31/11**



**CAPITAL**

**Tier 1 Leverage Ratio**  
(Mean Values)  
6/30/96 - 12/31/11



**Tier 1 Risk Based Capital Ratio**  
(Mean Values)  
6/30/96 - 12/31/11

