

Tenth District Banking Conditions As of December 31, 2009



2009 Banking Conditions

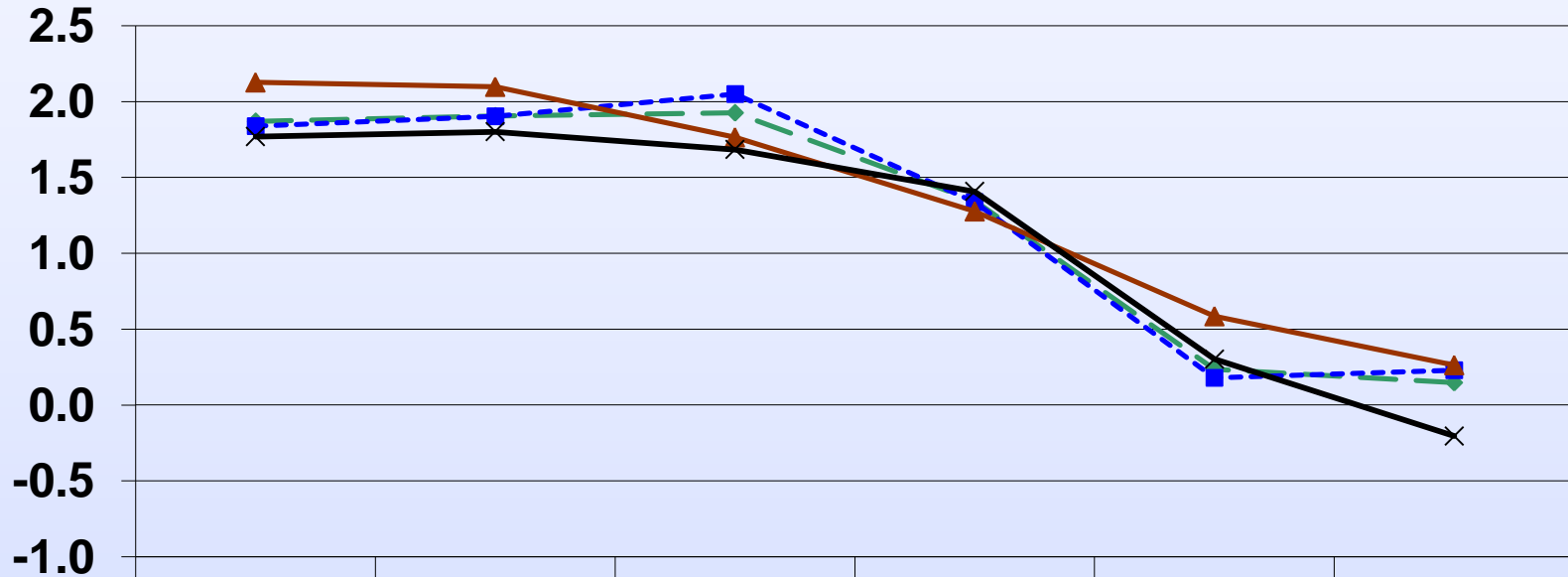
- At the national level, earnings decreased in 2009 but leveled the past three quarters. While earnings may be stabilizing, many banks are still experiencing losses.
- Loan loss provisions remain at high levels; however, have also leveled the past three quarters. While provisions have leveled, noncurrent loans continued to rise.
- Noncurrent construction & land development (CLD) loans rose to extremely high levels along with residential real estate.
- Tenth District banks exhibited similar earnings trends, as earnings fell in 2009; however, leveled the last two quarters. The percentage of banks experiencing losses, meanwhile, continued to rise.
- Provisions also increased in 2009 in the Tenth District, while steadying the last three quarters. While provisions leveled in the District, noncurrent loans continued to rise, causing the coverage ratio to further deteriorate.
- Noncurrent loans in the District are predominantly the result of problems in CLD lending.

Nationwide, Earnings Slightly Decreased

However Have Levelled the Past 3 Quarters

(All US Commercial Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009
◆ - All Banks	1.87	1.91	1.93	1.35	0.24	0.15
■ - Over \$50 Billion	1.84	1.90	2.05	1.34	0.18	0.23
▲ - \$10 - \$50 Billion	2.13	2.10	1.76	1.28	0.59	0.26
× - Under \$10 Billion	1.77	1.80	1.68	1.41	0.30	-0.21

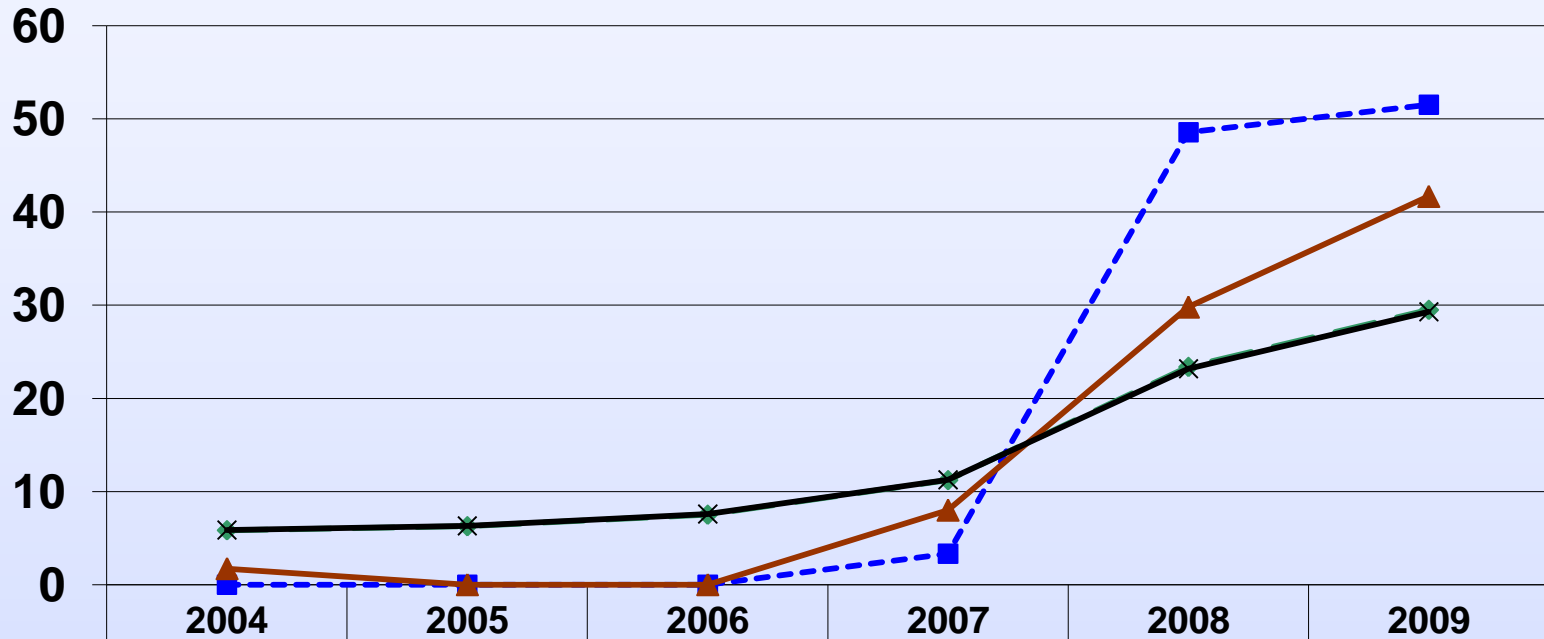
* Net Operating Income Before Taxes, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

Many Banks Are Still Experiencing Losses

(All US Commercial Banks)

% of banks



◆ - All Banks	5.81	6.25	7.48	11.19	23.36	29.49
■ - Over \$50 Billion	0.00	0.00	0.00	3.33	48.57	51.52
▲ - \$10 - \$50 Billion	1.72	0.00	0.00	8.00	29.79	41.67
✕ - Under \$10 Billion	5.86	6.32	7.57	11.25	23.19	29.29

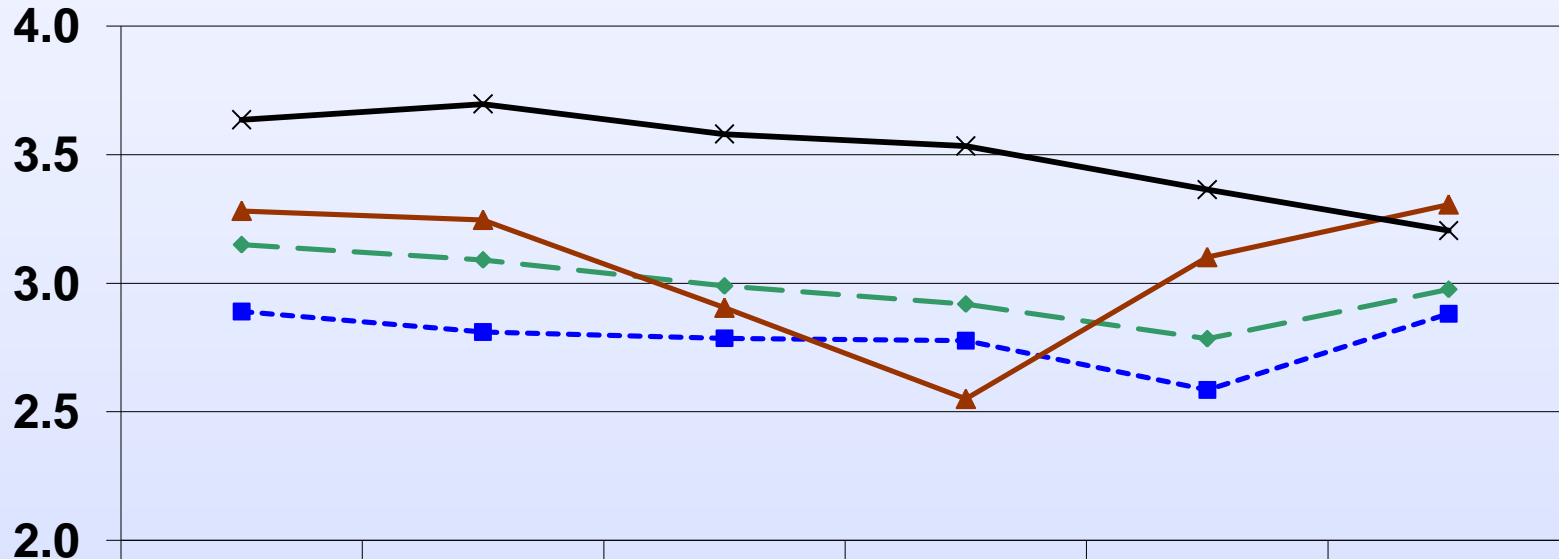
* Percentage of banks with negative net income

Source: Reports of Condition and Income

Net Interest Margins Overall Have Improved, While Small Banks' Net Interest Margins Are Still Declining

(All US Commercial Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009
◆ All Banks	3.15	3.09	2.99	2.92	2.78	2.98
■ Over \$50 Billion	2.89	2.81	2.79	2.78	2.59	2.88
▲ \$10 - \$50 Billion	3.28	3.25	2.91	2.55	3.10	3.31
✕ Under \$10 Billion	3.64	3.70	3.58	3.53	3.36	3.21

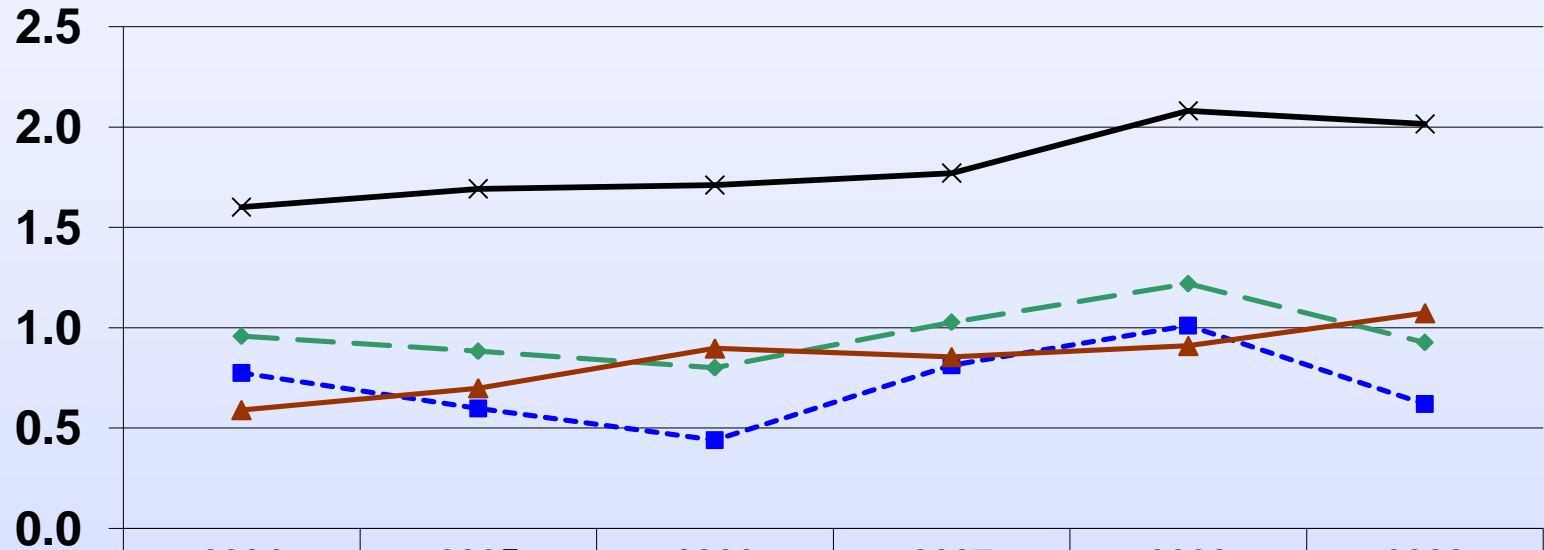
* Interest Income Net of Interest Expense, as a percentage of average assets (TTM)

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
◆ - All Banks	0.96	0.88	0.80	1.03	1.22	0.93
■ - Over \$50 Billion	0.78	0.60	0.44	0.81	1.01	0.62
▲ - \$10 - \$50 Billion	0.59	0.70	0.90	0.85	0.91	1.07
✕ - Under \$10 Billion	1.60	1.69	1.71	1.77	2.08	2.02

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

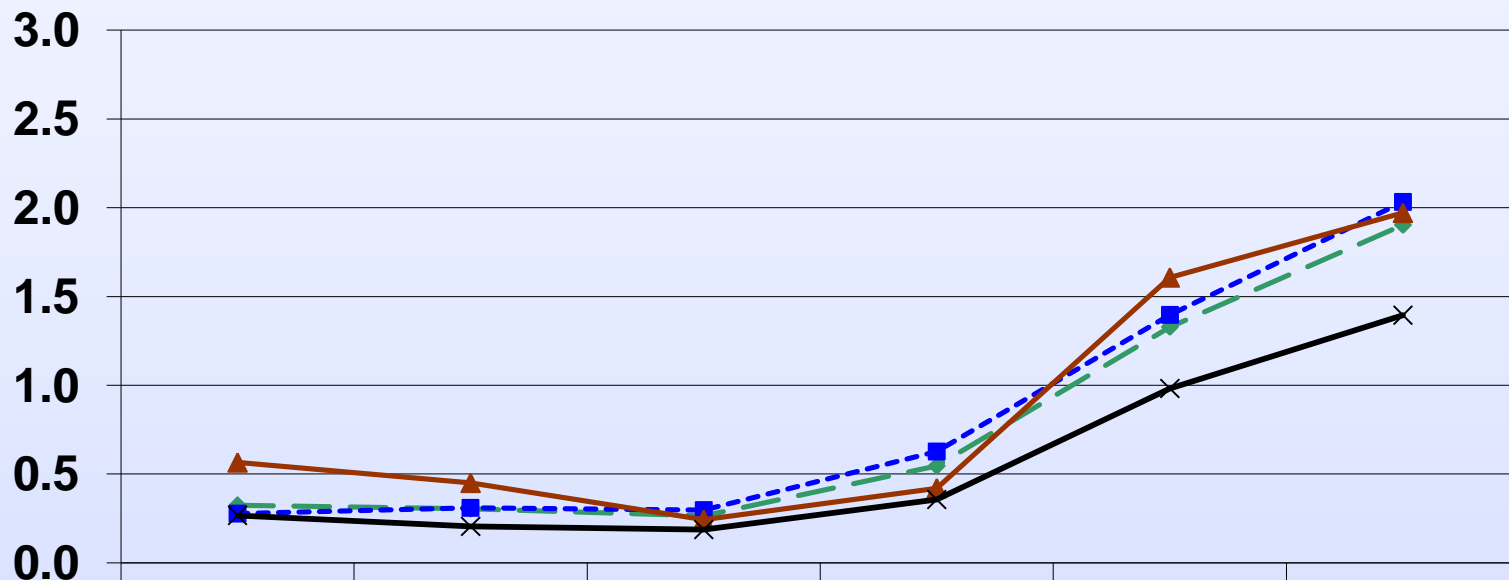
Source: Reports of Condition and Income

Loan Loss Provisions Remain At Very High Levels

However Have Levelled the Past 3 Quarters

(All US Commercial Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009
◆ - All Banks	0.32	0.30	0.26	0.55	1.33	1.90
■ - Over \$50 Billion	0.28	0.31	0.30	0.63	1.40	2.03
▲ - \$10 - \$50 Billion	0.57	0.45	0.24	0.42	1.61	1.97
× - Under \$10 Billion	0.27	0.20	0.19	0.36	0.98	1.39

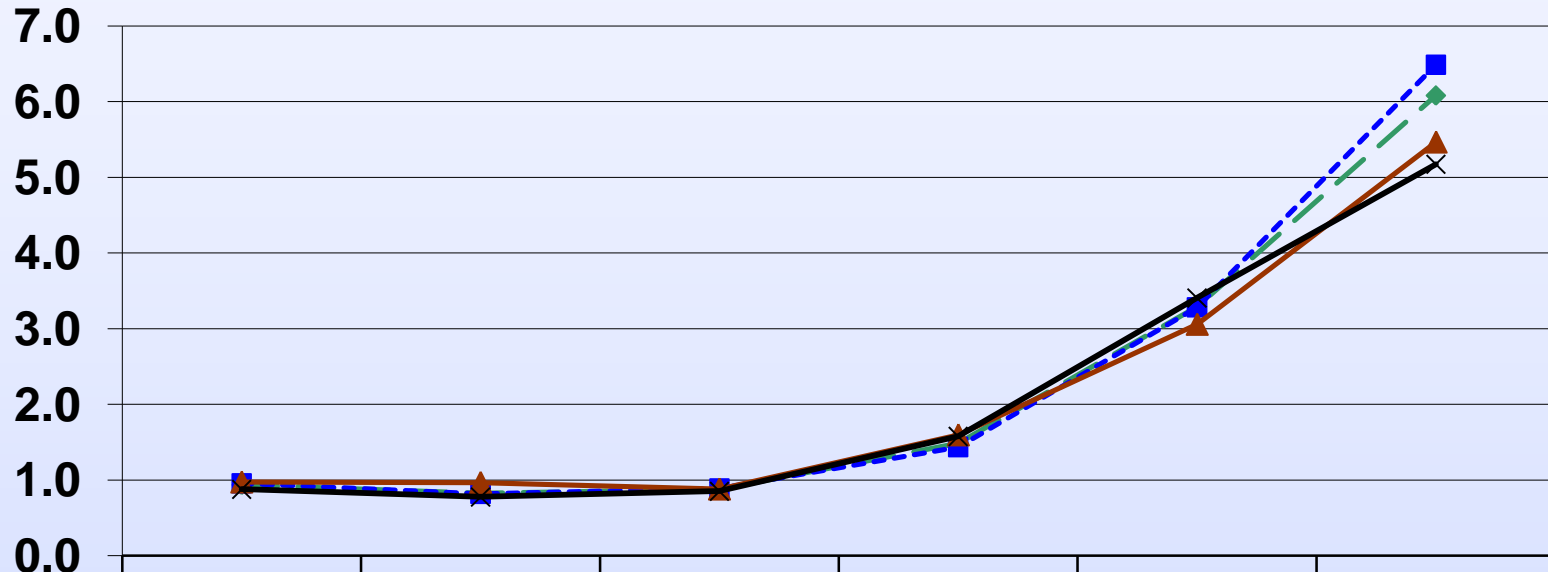
* Loan Loss Provision Expense, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

Noncurrent Loans and Other Real-Estate Assets Continue to Rise

(All US Commercial Banks)

% of loans + OREO



	2004	2005	2006	2007	2008	2009
◆ All Banks	0.94	0.83	0.88	1.49	3.29	6.08
■ Over \$50 Billion	0.96	0.82	0.89	1.44	3.28	6.49
▲ \$10 - \$50 Billion	0.97	0.97	0.88	1.60	3.06	5.47
× Under \$10 Billion	0.88	0.78	0.85	1.58	3.41	5.17

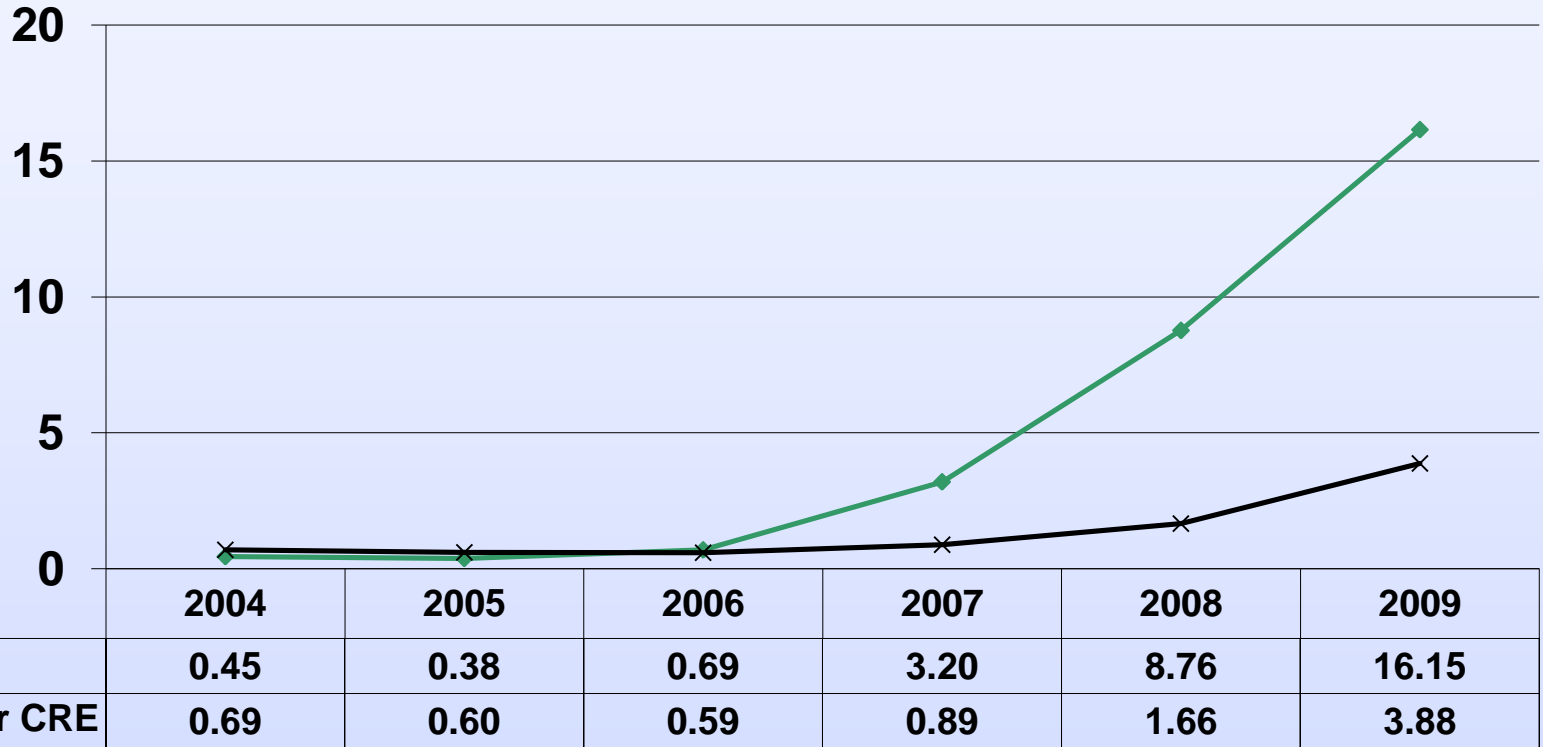
* Loans 90+ days past due + nonaccrual loans + OREO as a percentage of total loans + OREO

Source: Reports of Condition and Income

Noncurrent CLD Is Still Increasing

(All US Commercial Banks)

% of loan type



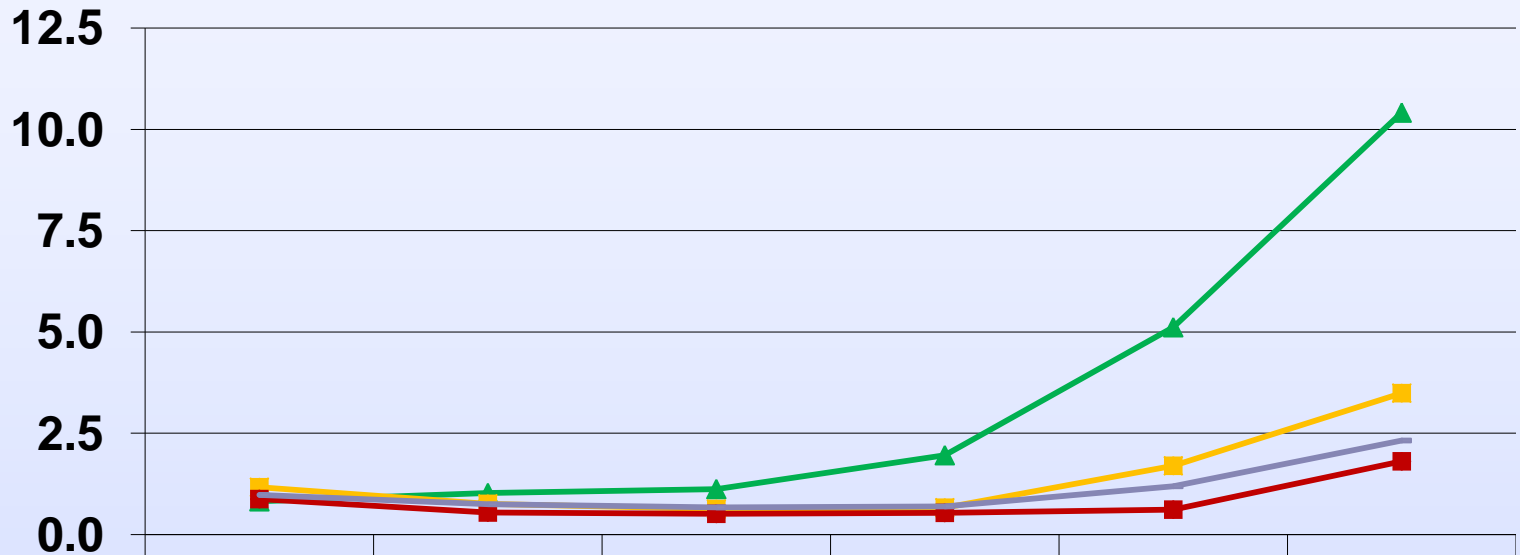
* Noncurrent Loans to Loans - By Loan Category
 * Noncurrent includes loans 90+ days past due and nonaccrual
 ** CLD 1-4 RE & Other CLD was not separated until 2007
 Source: Reports of Condition and Income



As Well As Noncurrent Residential Loans

(All US Commercial Banks)

% of loan type



	2004	2005	2006	2007	2008	2009
▲ 1-to-4 Family	0.83	1.03	1.13	1.97	5.12	10.42
■ C&I	1.17	0.76	0.63	0.66	1.70	3.49
■ Farm	0.88	0.55	0.52	0.54	0.62	1.81
■ Secured by Farm RE	0.98	0.75	0.67	0.70	1.19	2.33

* Noncurrent Loans to Loans - By Loan Category

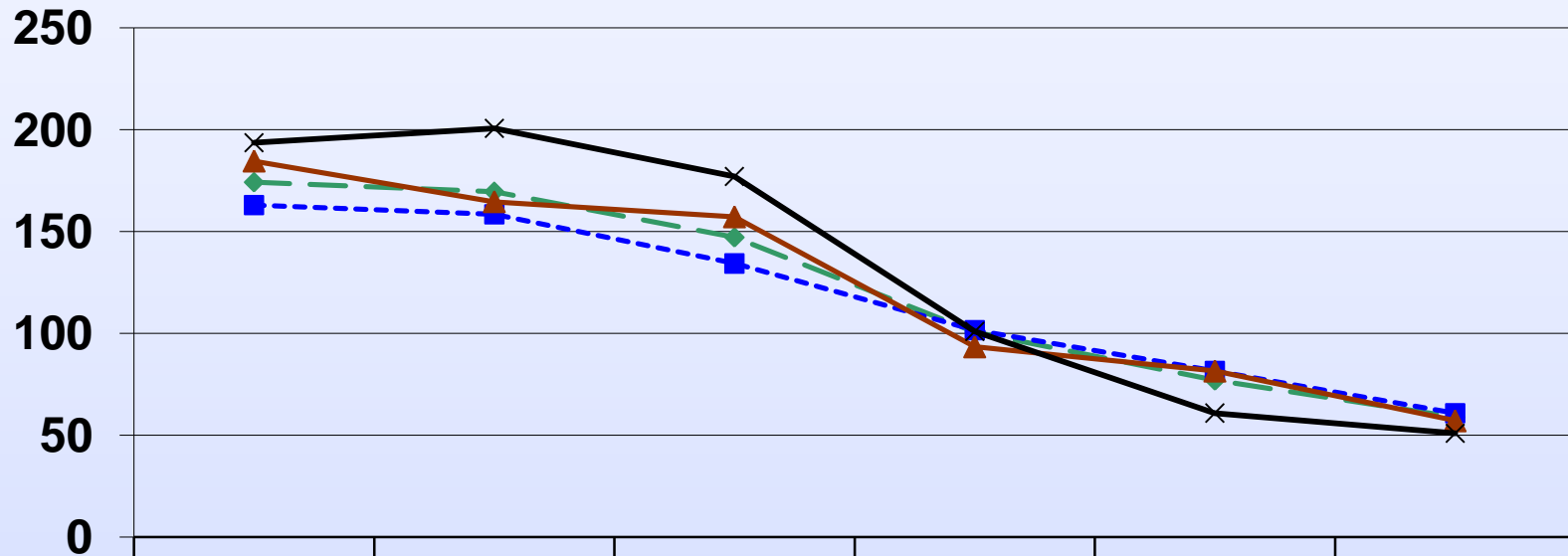
* Noncurrent includes loans 90+ days past due and nonaccrual

Source: Reports of Condition and Income

Coverage Ratios Have Fallen

(All US Commercial Banks)

% of noncurrent loans



	2004	2005	2006	2007	2008	2009
◆ All Banks	174.2	169.5	147.1	100.5	76.9	58.9
■ Over \$50 Billion	163.0	158.6	134.4	101.6	81.7	60.9
▲ \$10 - \$50 Billion	184.6	164.7	157.2	93.4	81.6	57.2
✕ Under \$10 Billion	193.6	200.6	177.1	100.9	60.9	51.0

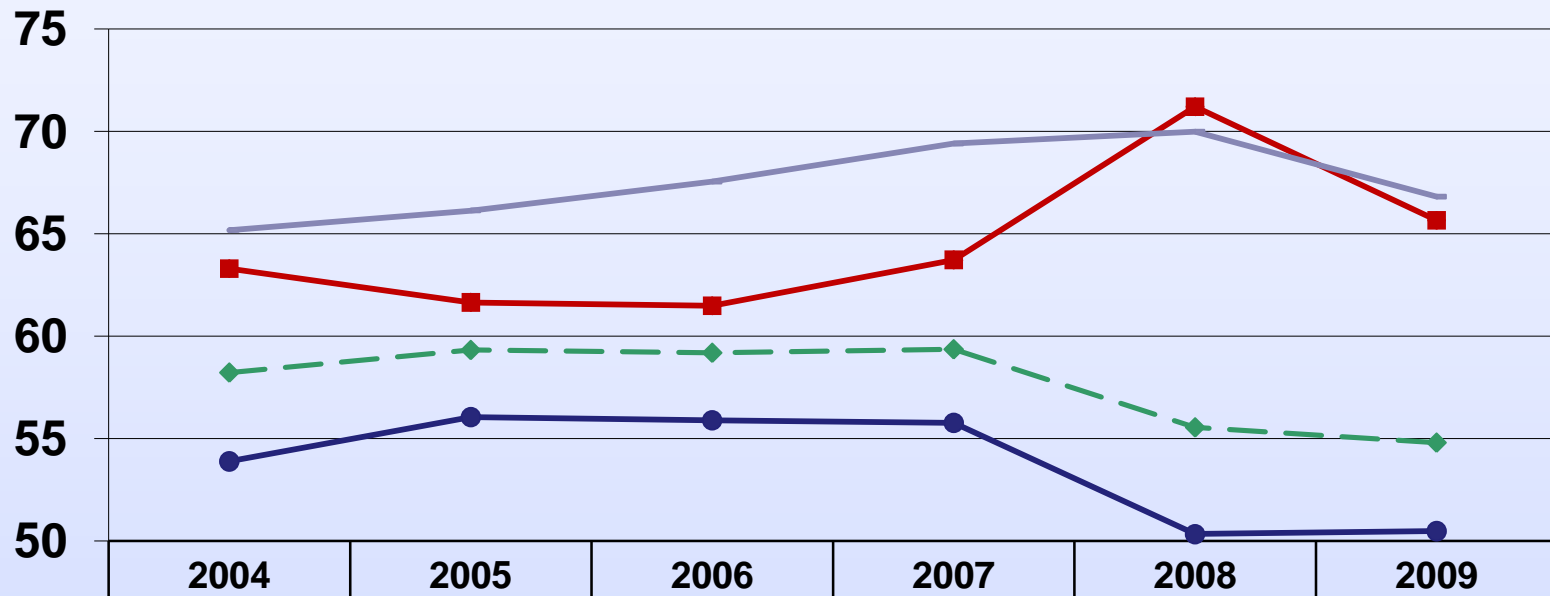
* Loan loss reserves to loans 90+ days past due and in nonaccrual status

Source: Reports of Condition and Income

Loan Levels Have Dropped Particularly At Smaller Institutions

(All US Commercial Banks)

% of assets



	2004	2005	2006	2007	2008	2009
◆ - All Banks	58.2	59.3	59.2	59.4	55.5	54.8
● - Over \$50 Billion	53.9	56.1	55.9	55.8	50.3	50.5
■ - \$10 - \$50 Billion	63.3	61.7	61.5	63.7	71.2	65.7
— Under \$10 Billion	65.2	66.1	67.5	69.4	70.0	66.8

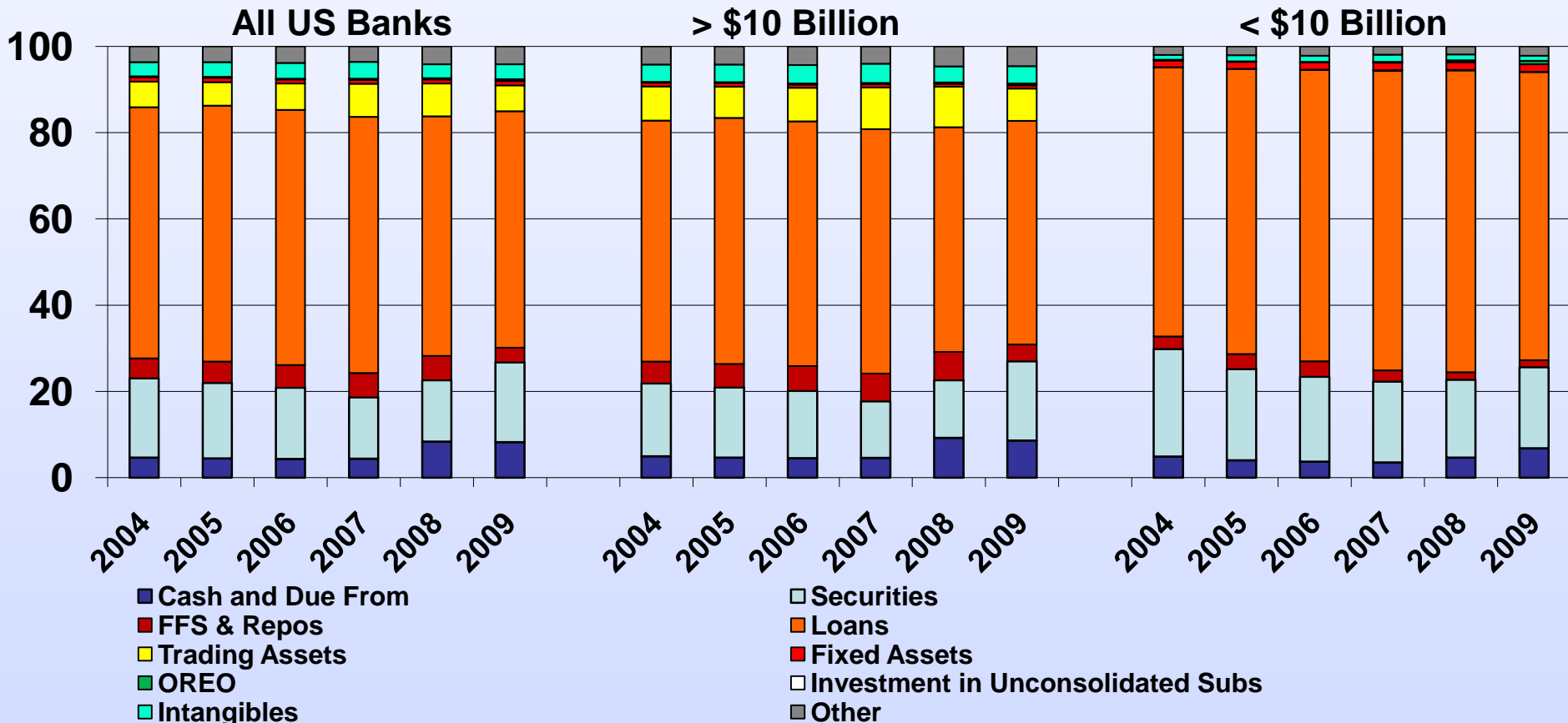
* Total loans as a percentage of total assets

Source: Reports of Condition and Income

Asset Portfolio

(All US Commercial Banks)

% of total assets



* Asset category as a percentage of total assets

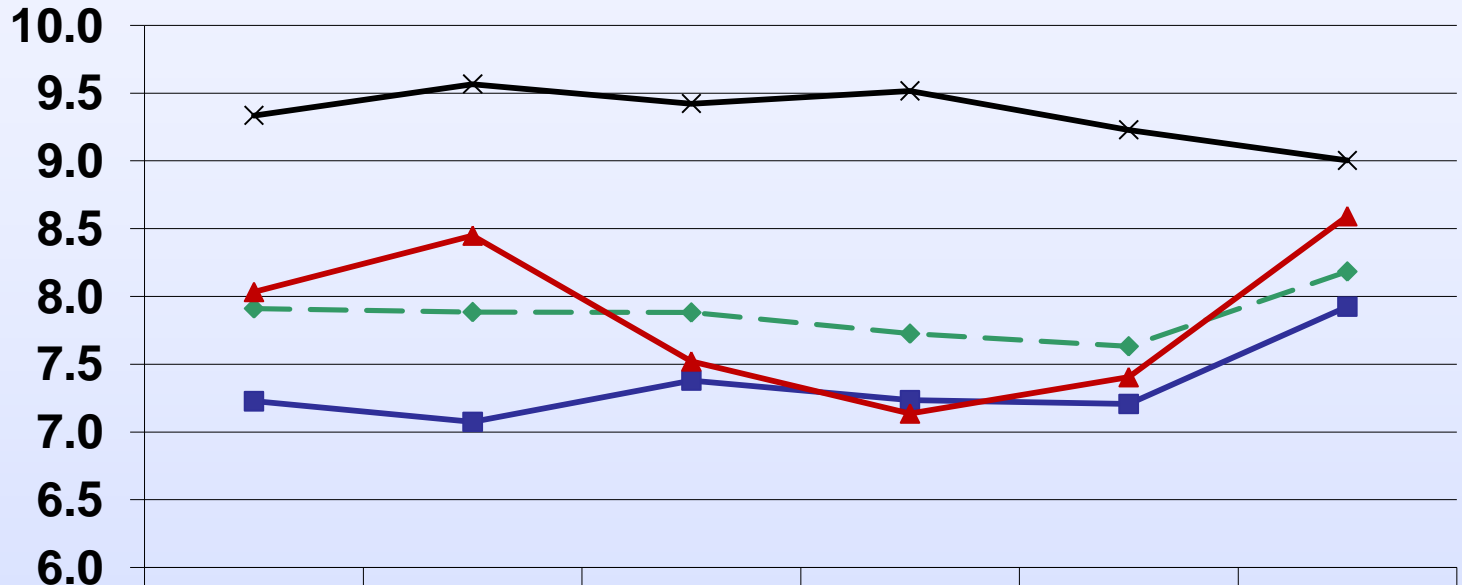
Source: Reports of Condition and Income



Capital Levels Are Rising At Larger Banks

(All US Commercial Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009
◆ - All Banks	7.91	7.88	7.88	7.72	7.63	8.18
■ - Over \$50 Billion	7.23	7.07	7.38	7.23	7.20	7.92
▲ - \$10 - \$50 Billion	8.03	8.45	7.52	7.13	7.40	8.59
× - Under \$10 Billion	9.34	9.57	9.42	9.52	9.23	9.00

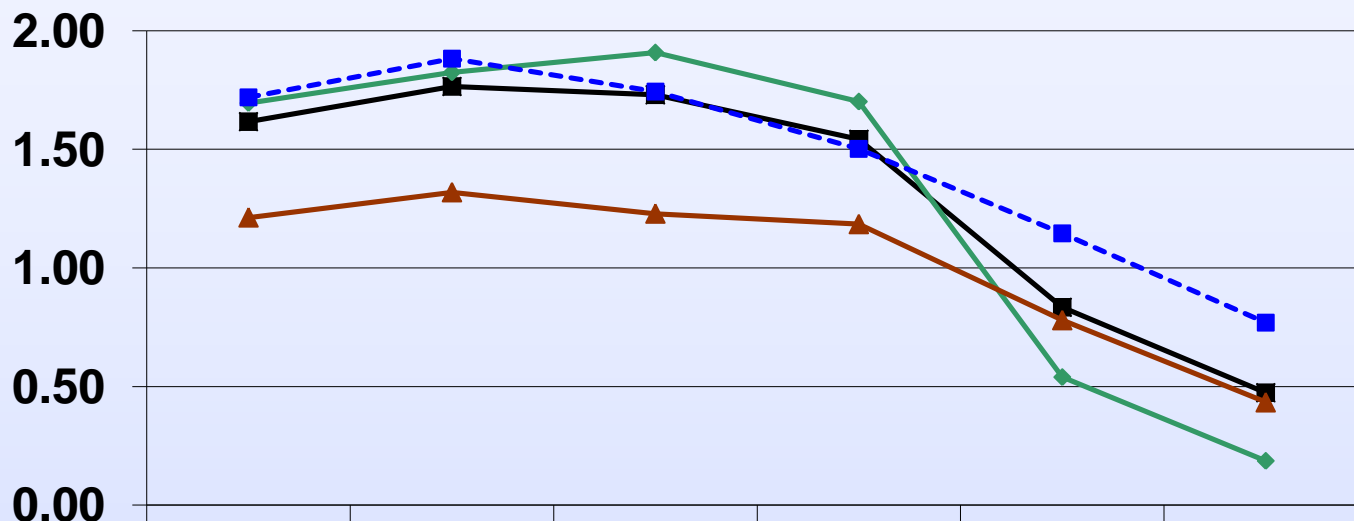
* Tier 1 capital to average assets (TTM) – the “Leverage Ratio”

Source: Reports of Condition and Income

District Earnings Have Fallen But Remained Steady the Last 2 Quarters

(Tenth District Banks)

% of avg. assets



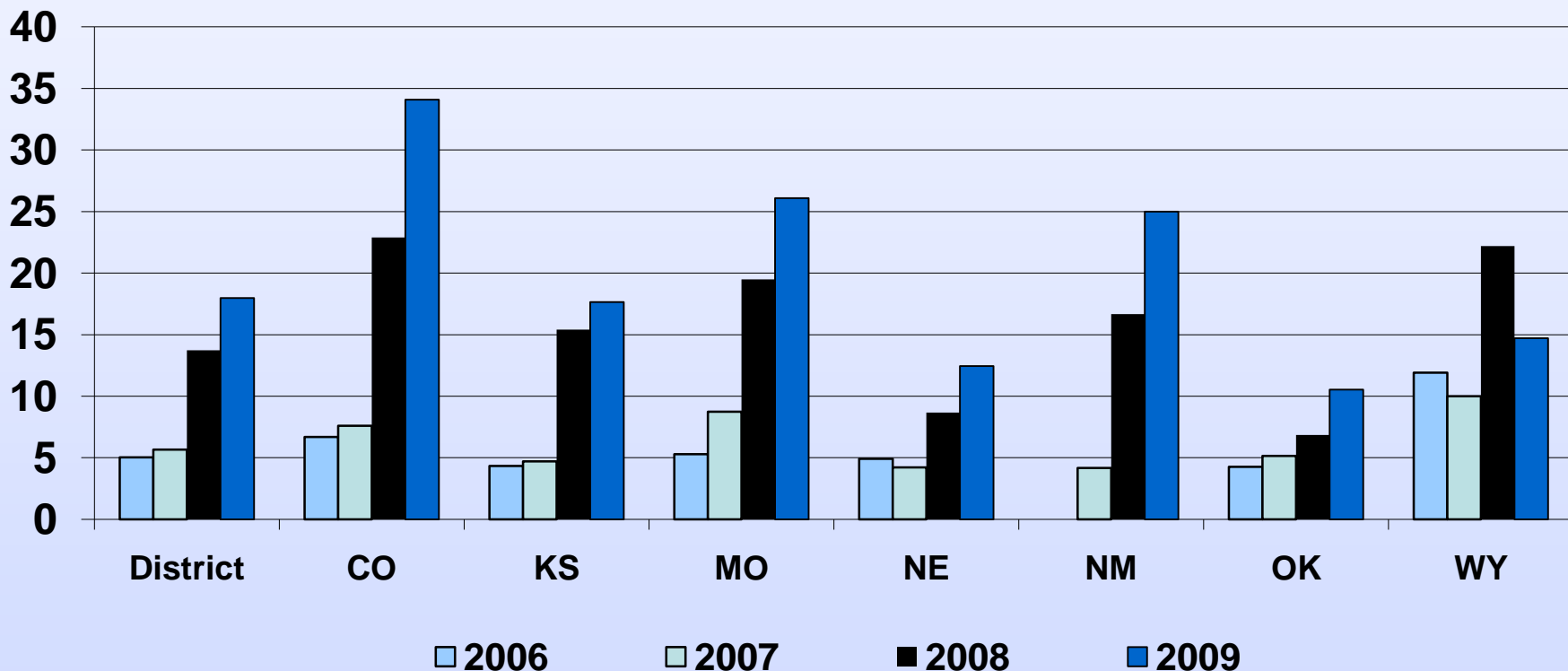
	2004	2005	2006	2007	2008	2009
■ All District Banks	1.62	1.77	1.73	1.54	0.83	0.47
◆ Over \$1 Billion	1.70	1.83	1.91	1.70	0.54	0.19
---■--- \$100 Million - \$1 Billion	1.72	1.88	1.74	1.50	1.15	0.77
▲ Under \$100 Million	1.21	1.32	1.23	1.18	0.78	0.43

* Net Income Before Security G&L, Extraordinary Items and Taxes, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

Percentage of Banks With Losses Tenth District & District States

% of banks



* Percentage of banks with negative net income

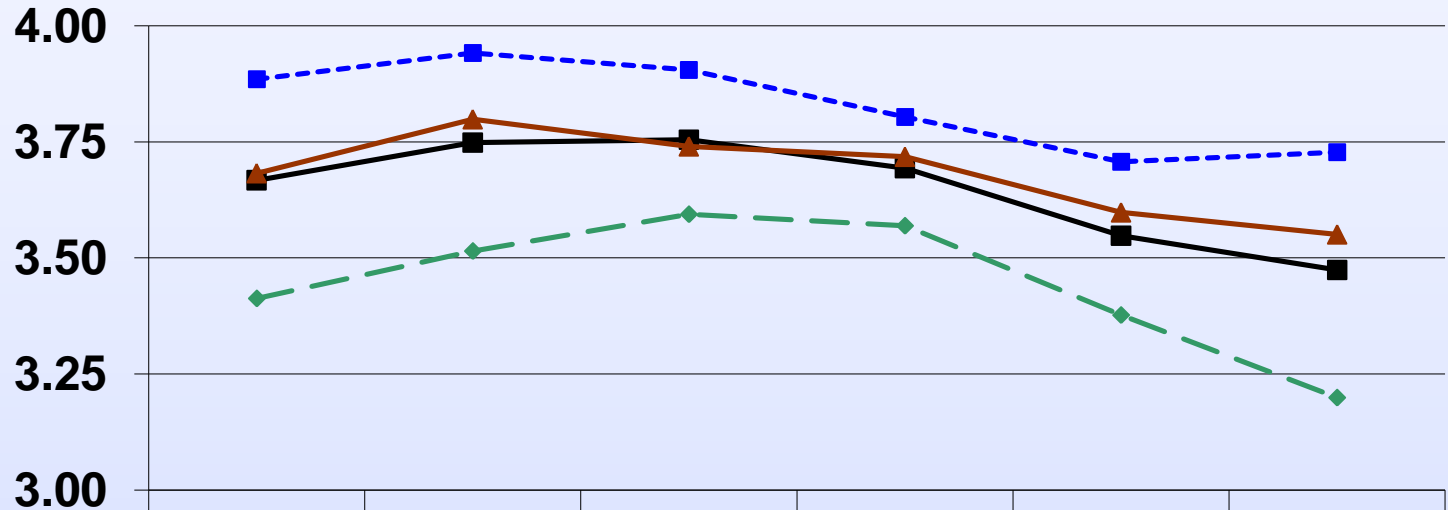
Source: Banks reports of condition and income

Interest Rate Margins Slightly Decreased

But Have Stabilized The Last 3 Quarters

(Tenth District Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009
■ All District Banks	3.67	3.75	3.75	3.69	3.55	3.47
◆ Over \$1 Billion	3.41	3.51	3.59	3.57	3.38	3.20
■ \$100 Million - \$1 Billion	3.88	3.94	3.90	3.80	3.71	3.73
▲ Under \$100 Million	3.68	3.80	3.74	3.72	3.60	3.55

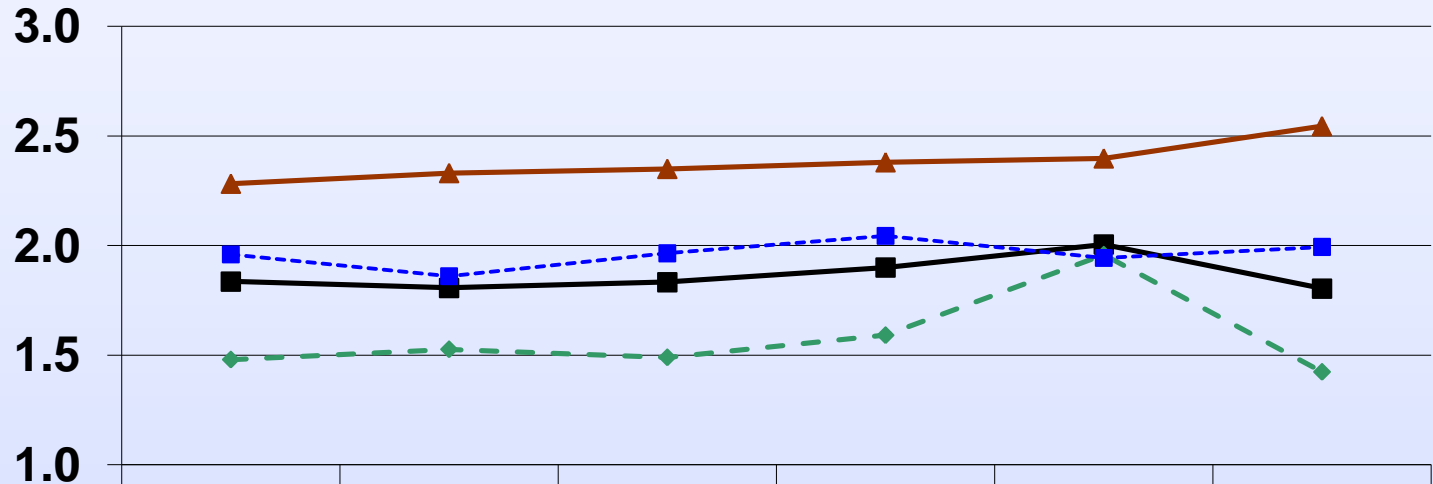
* Net Interest Income, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

Net-Noninterest Expense Has Fallen At Larger Banks

(Tenth District Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009
■ All District Banks	1.84	1.81	1.83	1.90	2.00	1.80
-◆- Over \$1 Billion	1.48	1.53	1.49	1.59	1.96	1.42
-■- \$100 Million - \$1 Billion	1.96	1.86	1.96	2.04	1.94	1.99
▲ Under \$100 Million	2.28	2.33	2.35	2.38	2.40	2.54

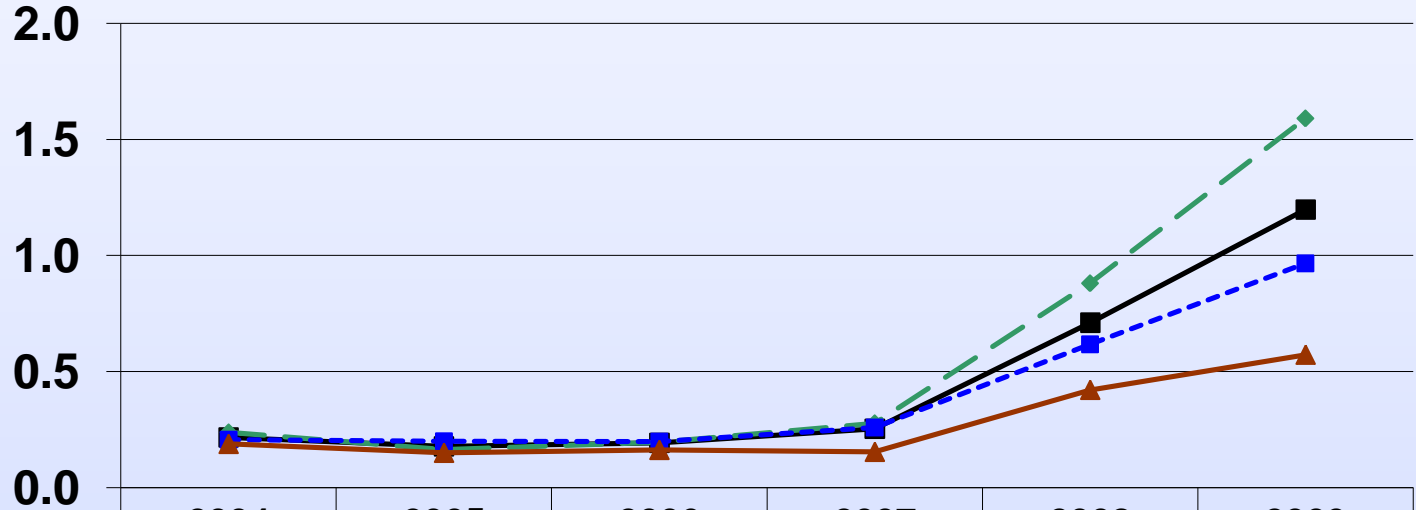
* Noninterest Expense Net of Noninterest Income, as a percentage of average assets (TTM)

Source: Reports of Condition and Income

Loan Loss Provision Expenses Have Increased But Have Held Steady the Past 3 Quarters

(Tenth District Banks)

% of avg. assets



	2004	2005	2006	2007	2008	2009
■ All District Banks	0.22	0.18	0.19	0.25	0.71	1.20
◆ Over \$1 Billion	0.24	0.16	0.20	0.28	0.88	1.59
■-\$100 Million - \$1 Billion	0.21	0.20	0.20	0.26	0.62	0.97
▲ Under \$100 Million	0.19	0.15	0.16	0.15	0.42	0.57

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

Source: Reports of Condition and Income

Noncurrent Loans and Other Real-Estate Assets Continue to Rise

(Tenth District Banks)

% of loans + OREO



	2004	2005	2006	2007	2008	2009
■ All District Banks	1.00	0.87	0.91	1.29	2.47	4.33
◆ - Over \$1 Billion	0.73	0.63	0.69	1.07	2.54	4.98
■ \$100 Million - \$1 Billion	1.11	0.96	1.03	1.47	2.46	4.05
▲ Under \$100 Million	1.32	1.23	1.20	1.45	2.23	3.00

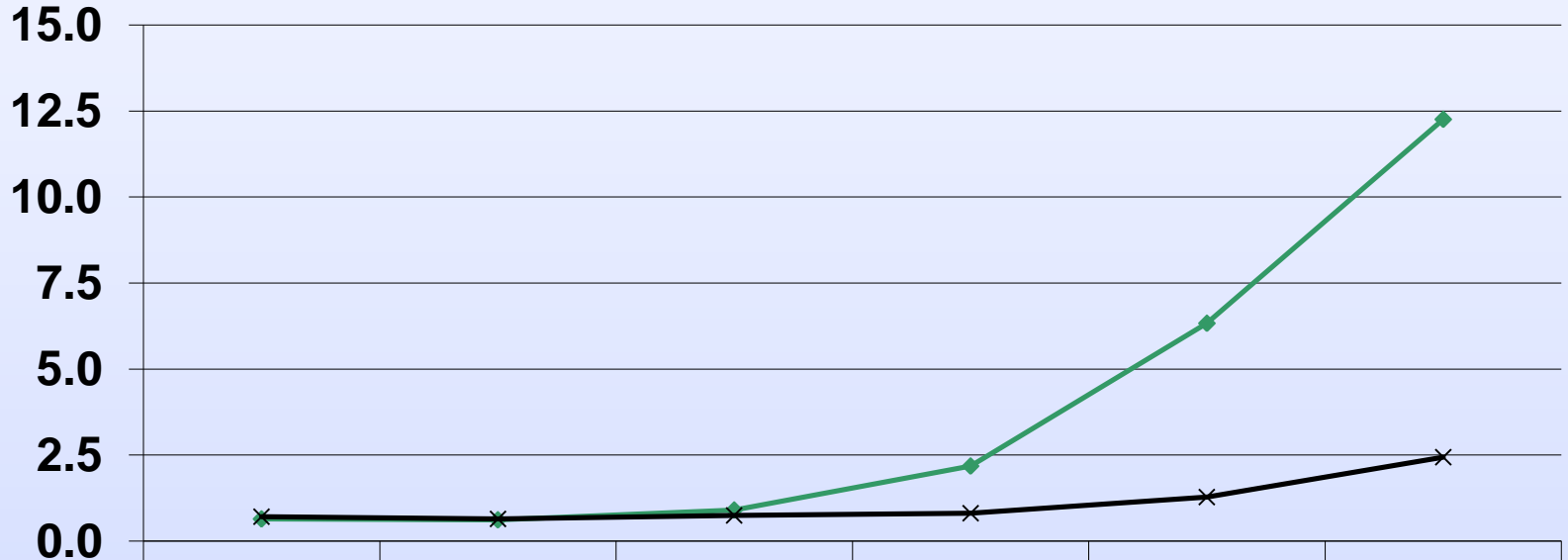
* Loans 90+ days past due + nonaccrual loans + OREO as a percentage of total loans + OREO

Source: Reports of Condition and Income

Noncurrent CLD Loans Continue To Increase

(Tenth District Banks)

% of loan type



	2004	2005	2006	2007	2008	2009
CLD	0.64	0.61	0.90	2.18	6.33	12.26
Other CRE	0.71	0.65	0.75	0.81	1.28	2.44

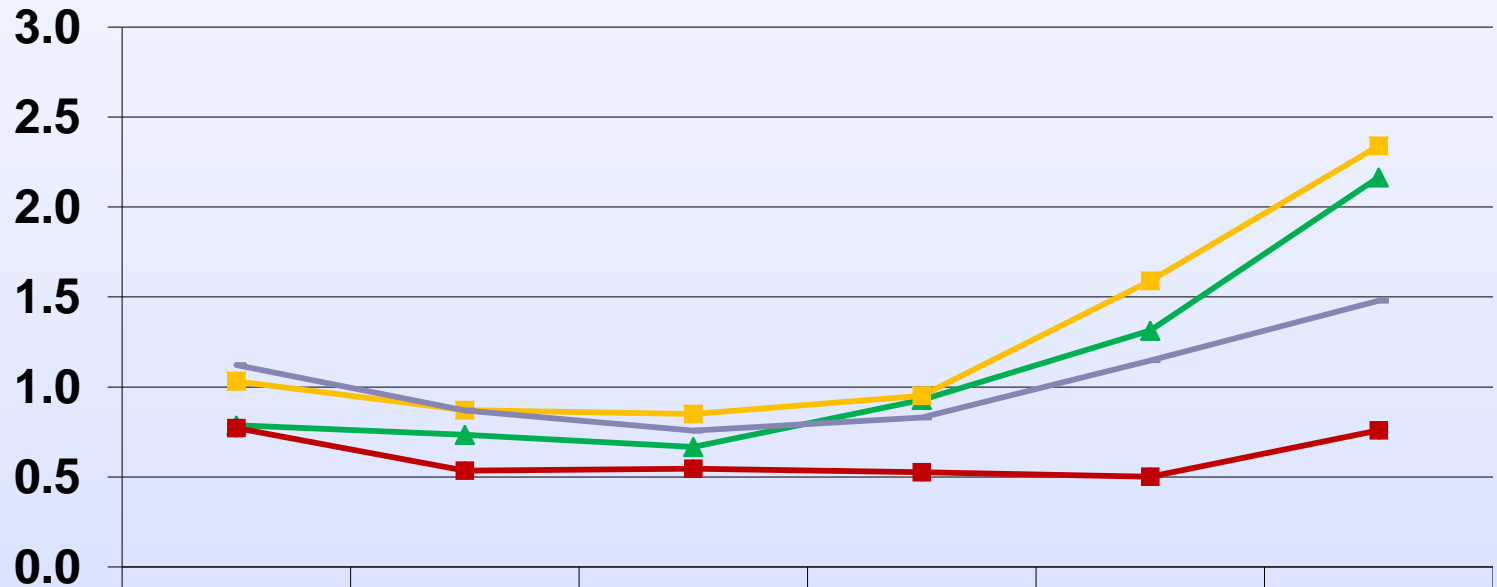
* Noncurrent Loans to Loans - By Loan Category
 * Noncurrent includes loans 90+ days past due and nonaccrual
 Source: Reports of Condition and Income



Other Noncurrent Loans Have Risen, but to a Much Lesser Extent

(Tenth District Banks)

% of loan type



	2004	2005	2006	2007	2008	2009
▲ 1-to-4 Family	0.79	0.73	0.67	0.93	1.31	2.16
■ C&I	1.03	0.87	0.85	0.95	1.59	2.34
■ Farm	0.77	0.53	0.55	0.52	0.50	0.76
■ Secured by Farm RE	1.12	0.87	0.76	0.83	1.15	1.48

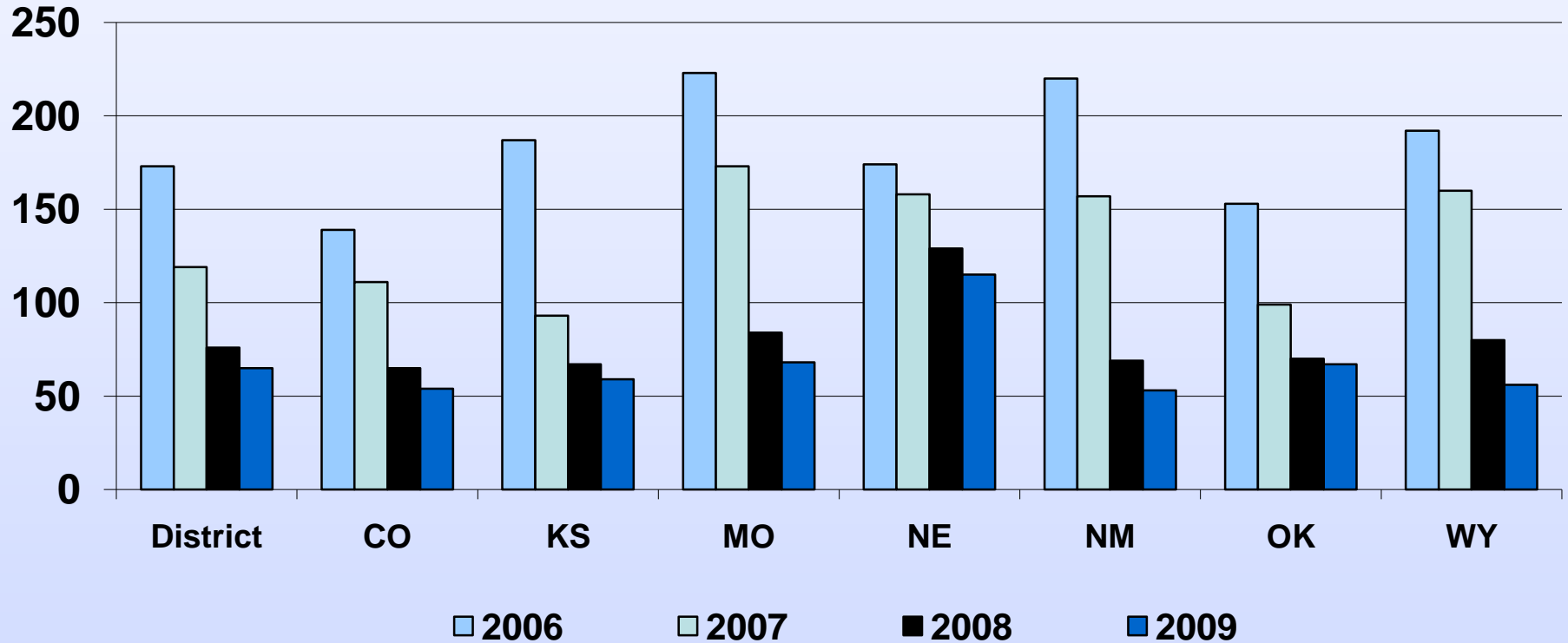
* Noncurrent Loans to Loans - By Loan Category

* Noncurrent includes loans 90+ days past due and nonaccrual

Source: Reports of Condition and Income

Coverage Ratios are Falling Tenth District & District States

Percent



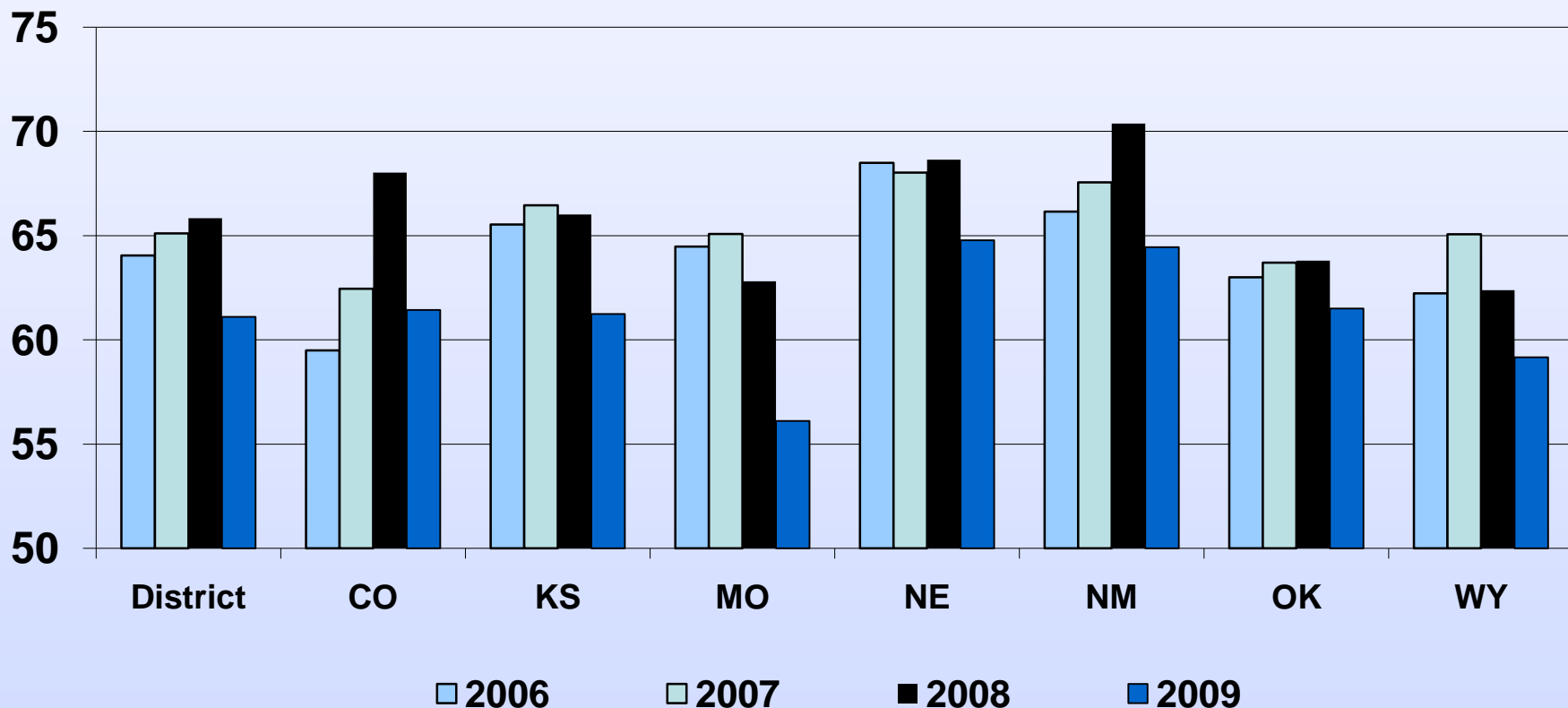
* Loan loss reserves to Noncurrent Loans
 * Noncurrent includes loans 90+ days past due and nonaccrual
 Source: Reports of Condition and Income



Loan Levels

Tenth District & District States

% of total assets



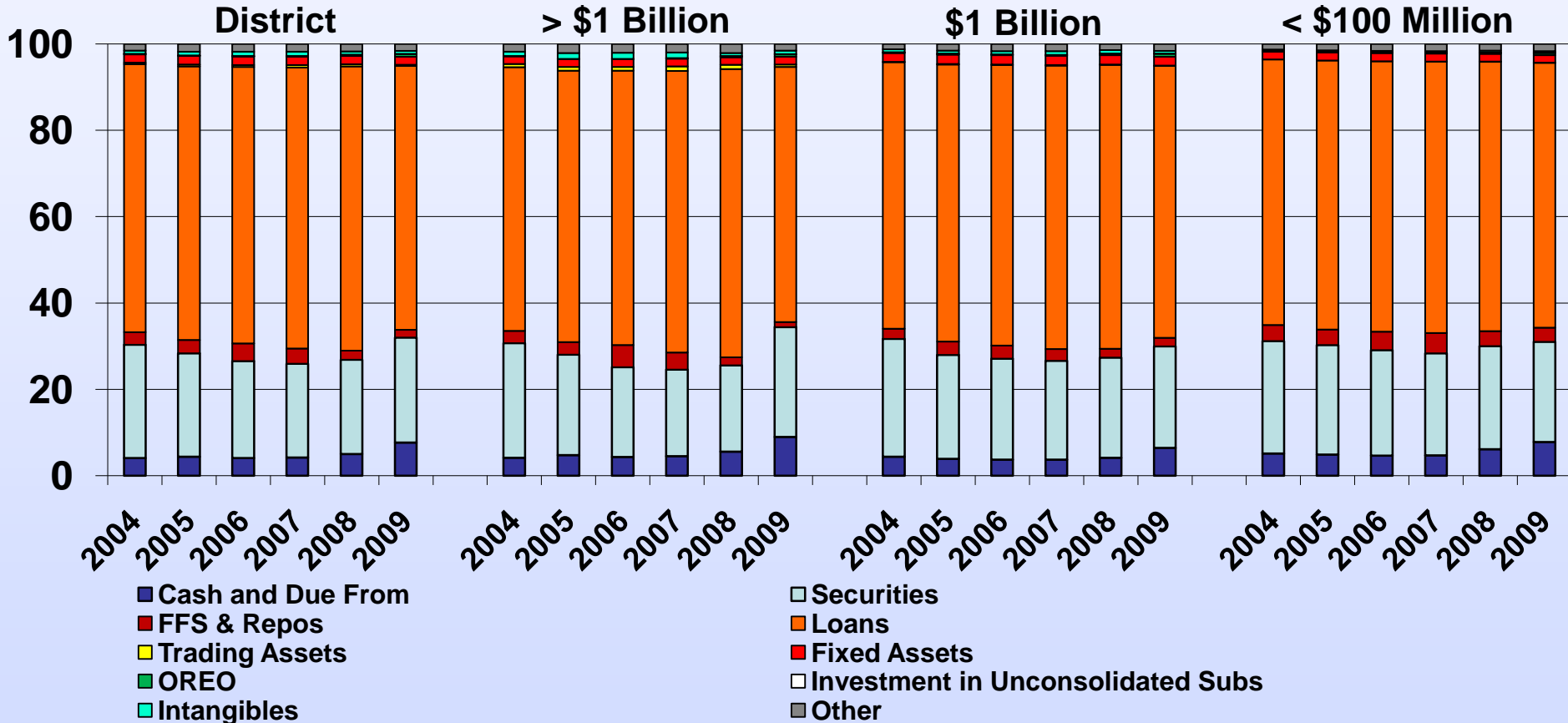
* Total loans to assets

Source: Banks reports of condition and income

Asset Portfolio

(Tenth District Banks)

% of total assets



* Asset category as a percentage of total assets

Source: Reports of Condition and Income

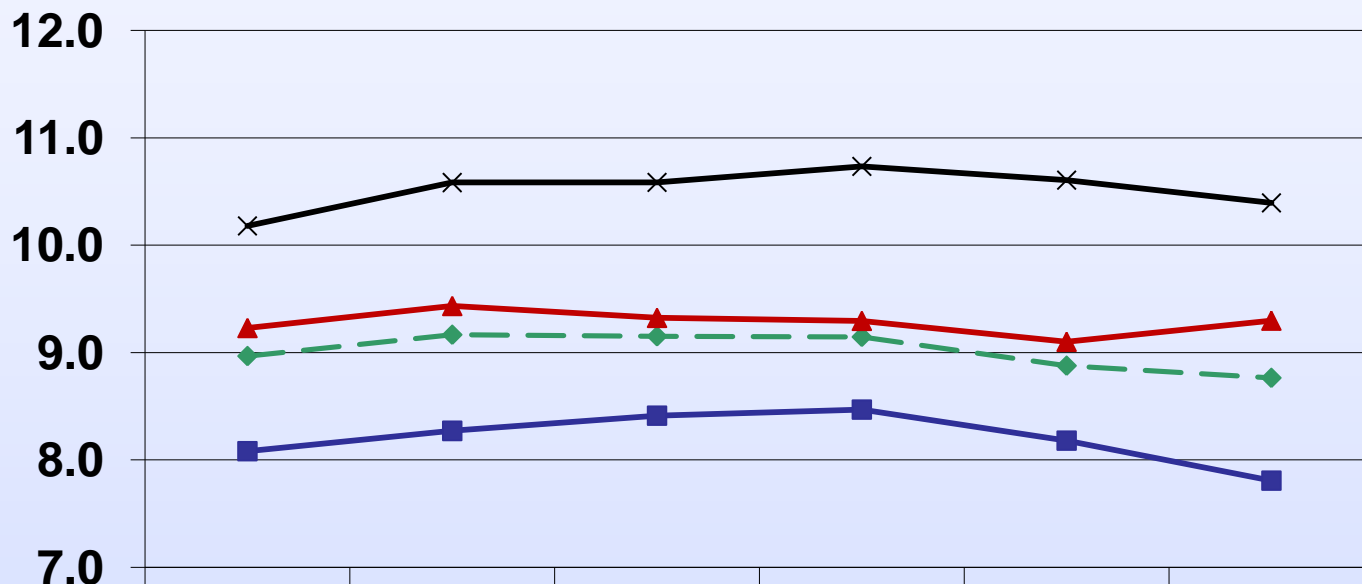


Capital Levels Have Slightly Decreased

However Remain Relatively Steady

(Tenth District Banks)

% of average assets



	2004	2005	2006	2007	2008	2009
◆ - All Banks	8.97	9.17	9.15	9.15	8.88	8.76
■ - Over \$1 Billion	8.08	8.27	8.41	8.47	8.18	7.81
▲ - \$100 Million - \$1 Billion	9.23	9.43	9.32	9.30	9.10	9.30
× - Under \$100 Million	10.18	10.58	10.58	10.73	10.60	10.39

* Tier 1 capital to average assets – the “Leverage Ratio“

Source: Reports of Condition and Income