

You Call This A Recovery?



Michael R. Paslawskyj
Regional Economist
Division of Insurance and Research

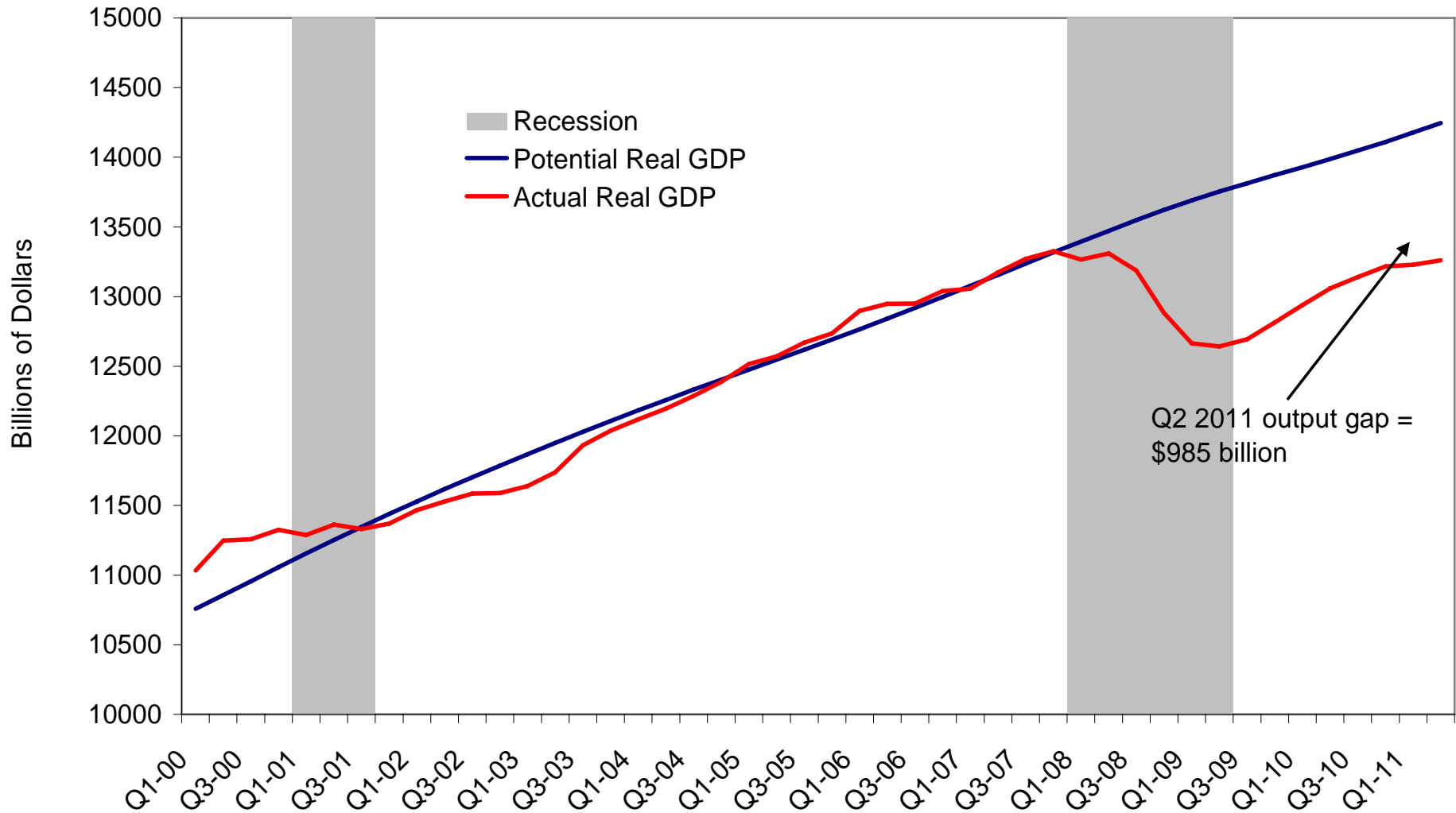
New South Chapter Of The ESOP Association
Atlanta, Georgia
October 6, 2011

Disclaimer:

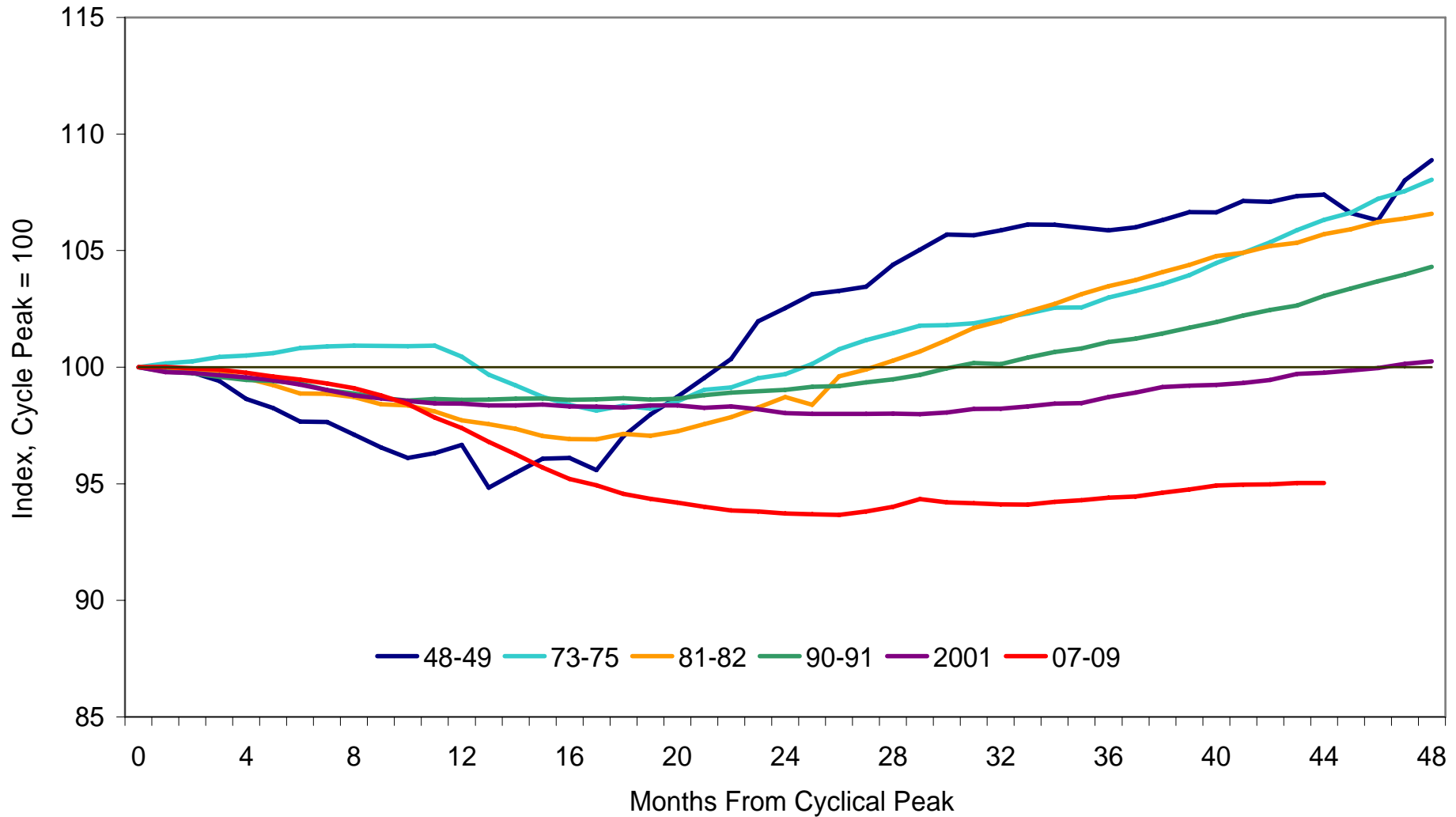
- *The views expressed herein are those of the authors and presenters and do not necessarily reflect official positions of the Federal Deposit Insurance Corporation.*
- *Some of the information used was obtained from publicly available sources that are considered reliable.*
- *However, the use of this information does not constitute an endorsement of its accuracy by the Federal Deposit Insurance Corporation.*



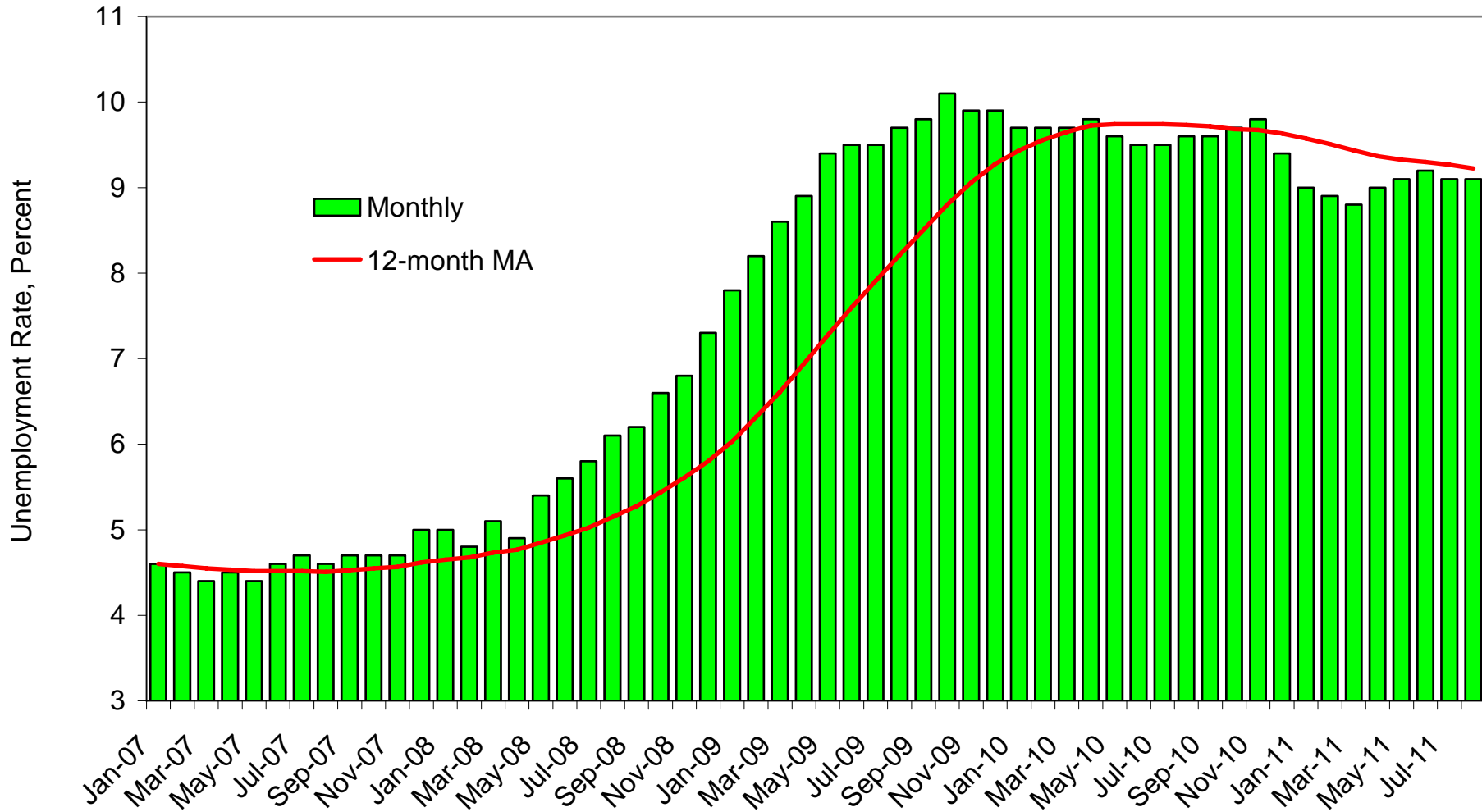
An Enormous Output Gap Was Created During The Great Recession



The Modest Recovery In Non-Farm Jobs During The Latest Cycle Has Been Extremely Disappointing



More Than Two Years After Recession Ended Unemployment Remains Extremely Elevated



Source: Bureau of Labor Statistics.

So Why Did The Economy Nearly Stall In The First Half?

- Consumers are deleveraging.
- \$4 gasoline.
- Japan earthquake supply channel disruptions.
- Housing problems continue to weigh heavily.
- Uncertainty about taxes, fiscal policy and regulations.
- The PIIGS problem is a festering wound.

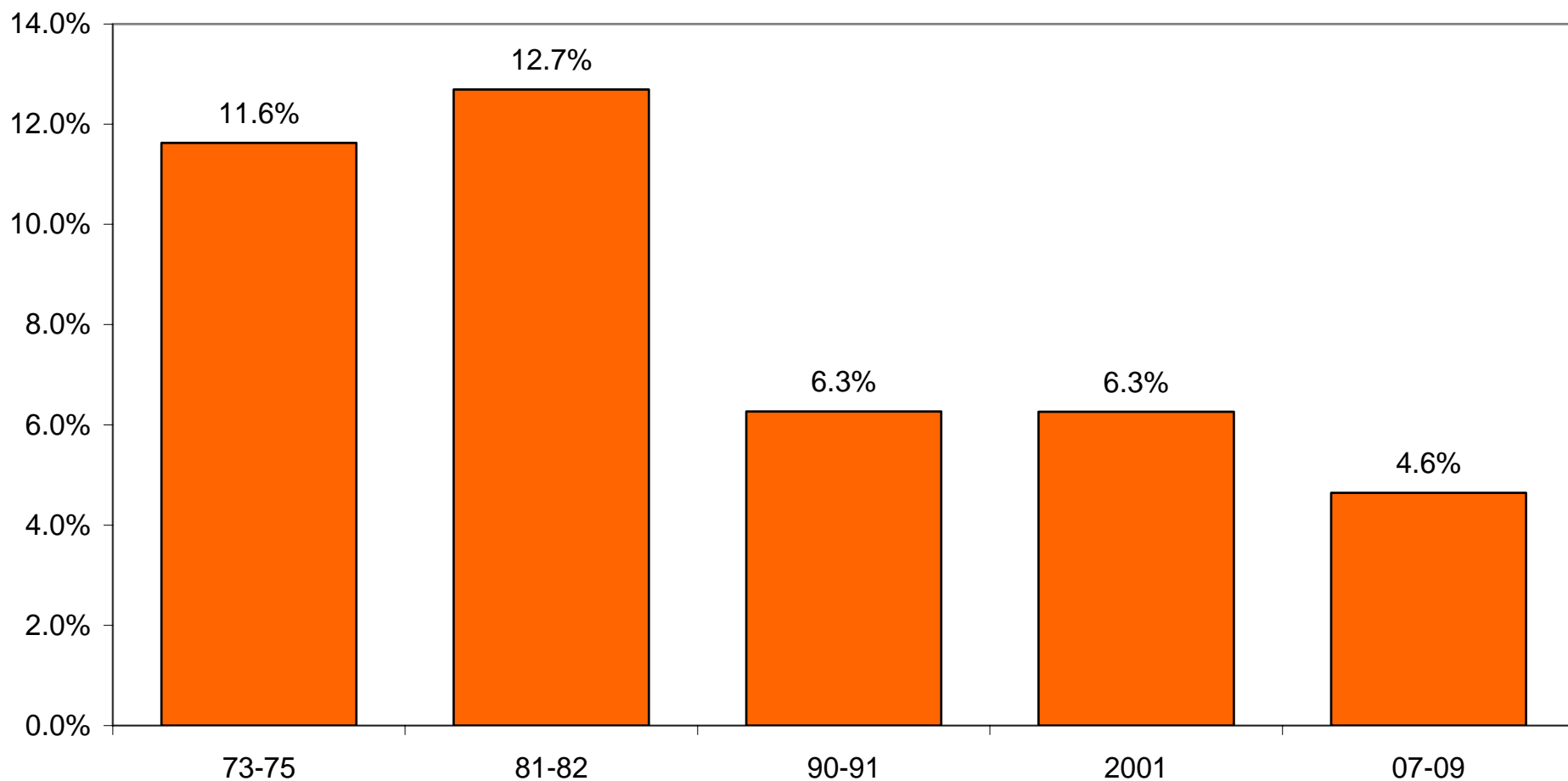


But There's More To This Than Meets
The Eye. Problem Is That :

“We Don't have a precise read on why this slower pace of growth is persisting.”

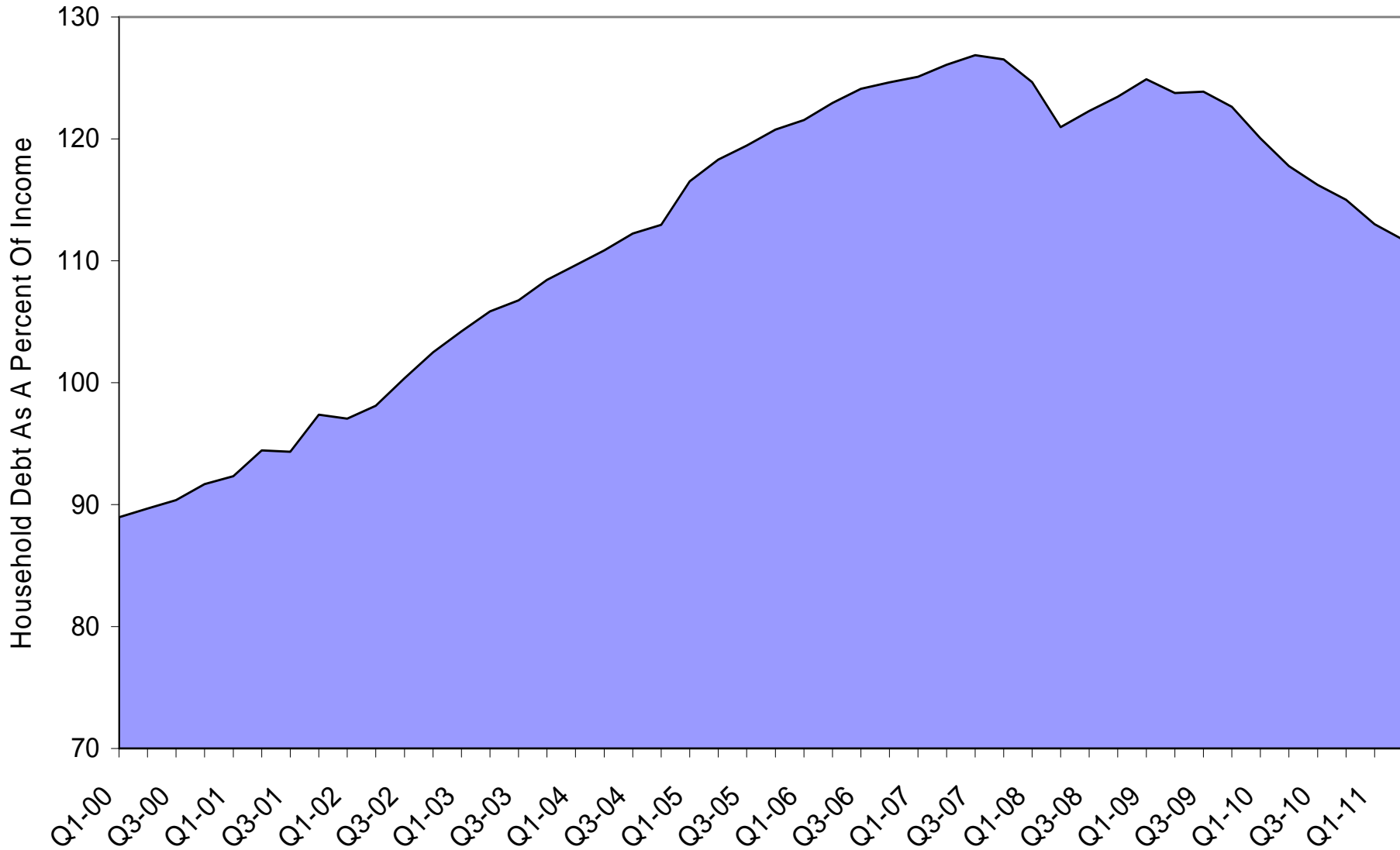
Federal Reserve Board Chairman Ben Bernanke
June 22, 2011

Consumers Are Not Spending The Way They Once Did 26 Month Increase In Real Personal Consumption Expenditures



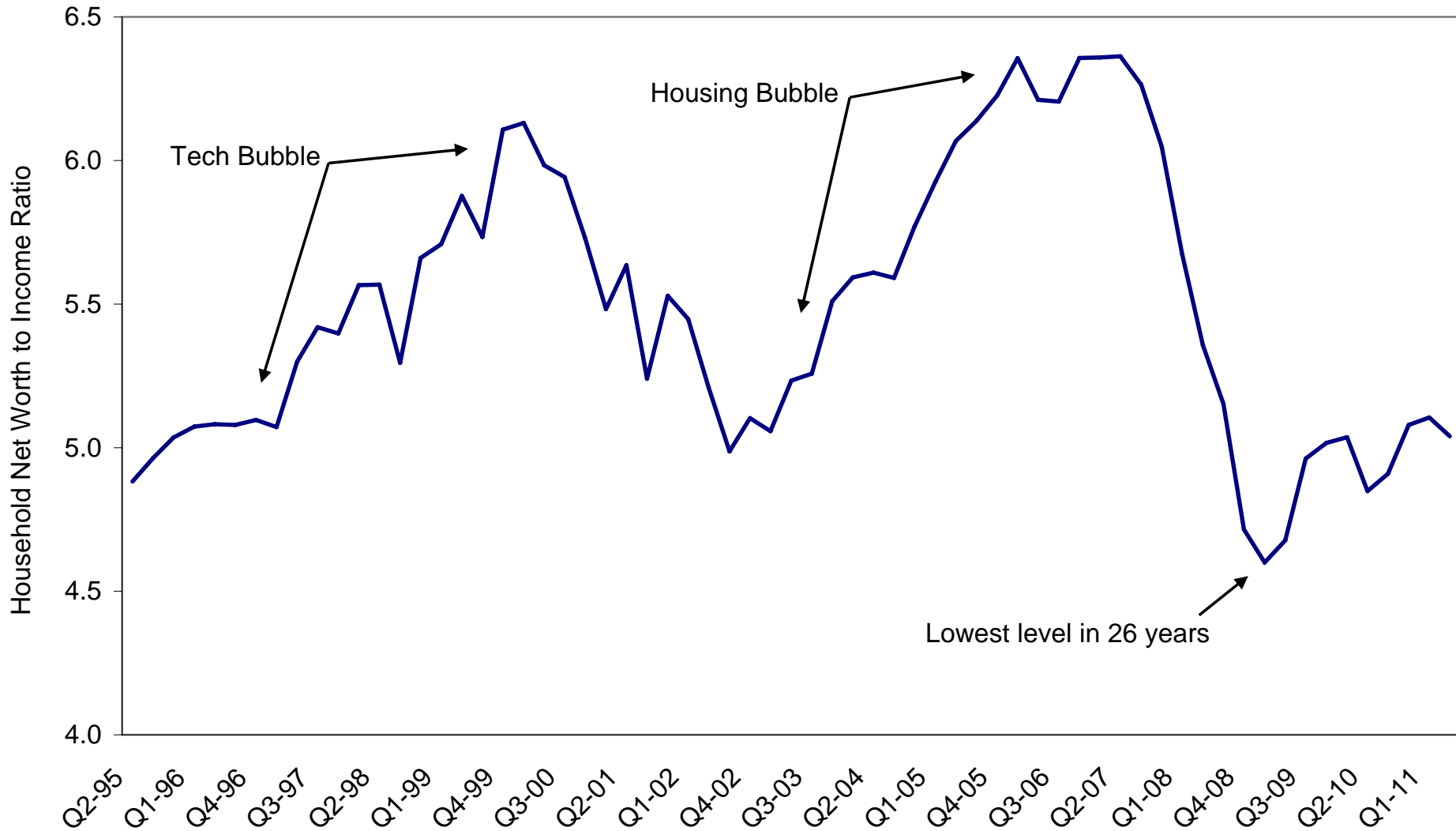
Source: Bureau of Economic Analysis.

The Consumer Is Deleveraging On A Significant Scale



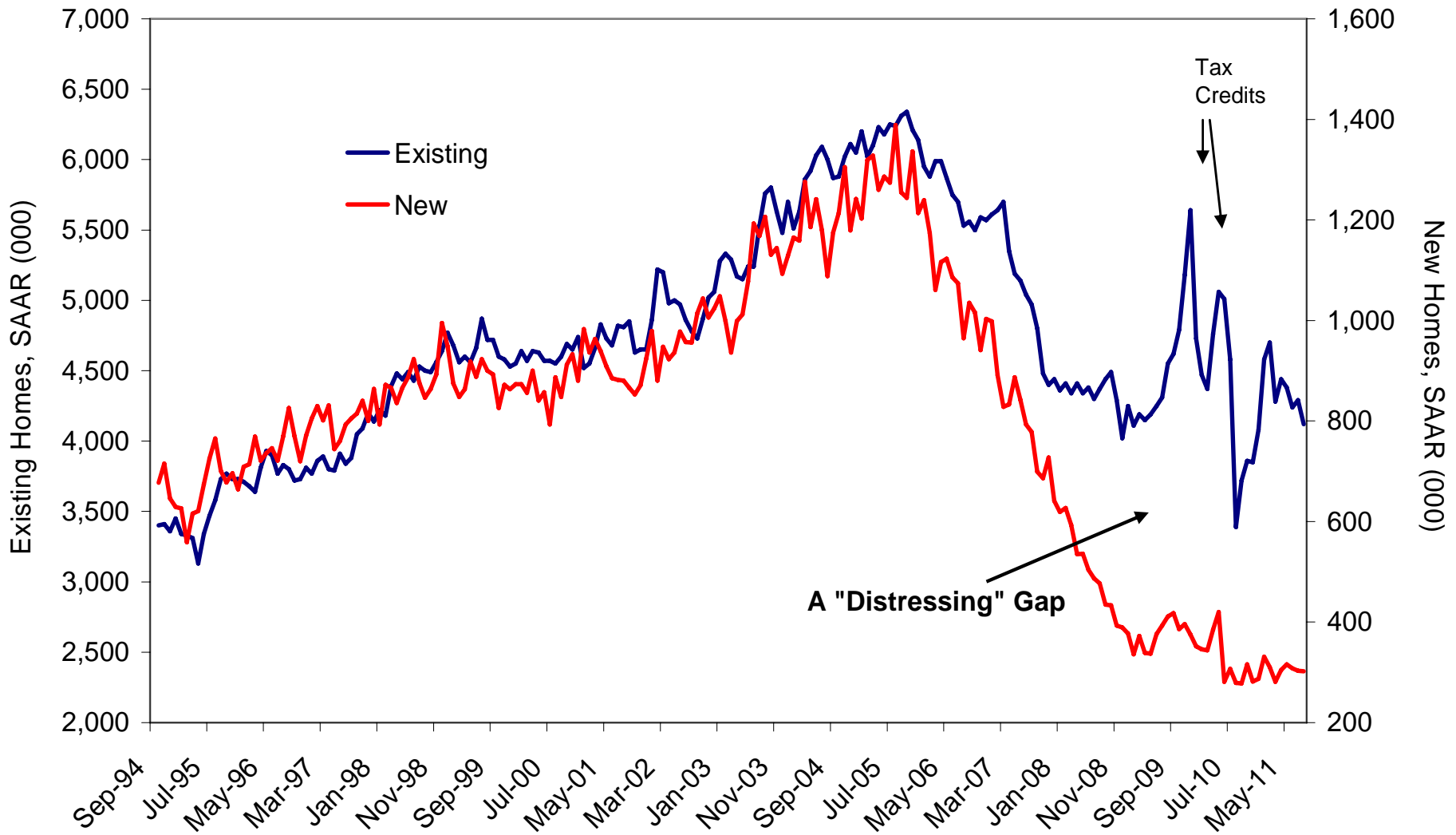
Source: Federal Reserve Board; Haver Analytics.

Households Are Slowly Repairing Their Balance Sheets

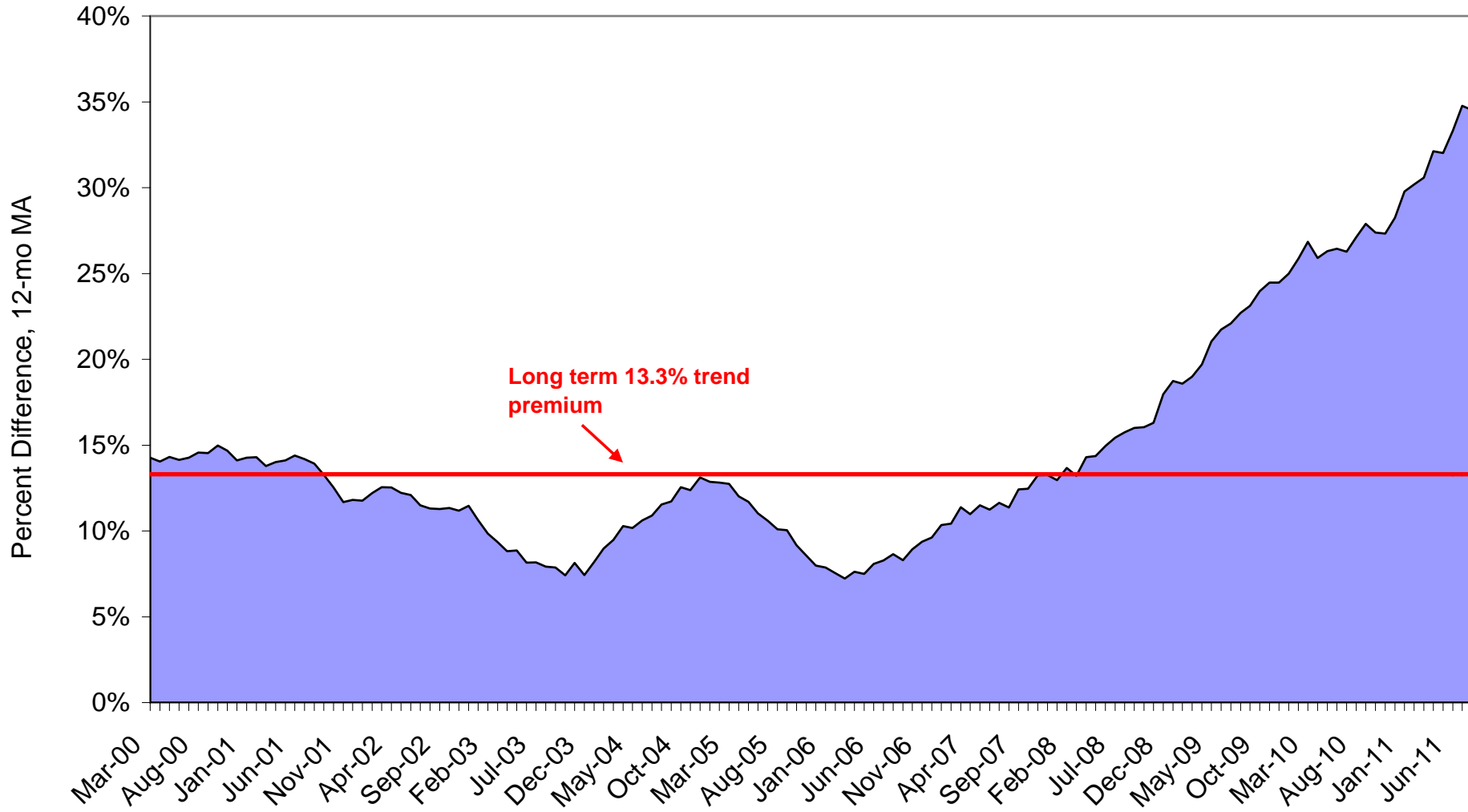


Source: Federal Reserve Board; FDIC calculation.

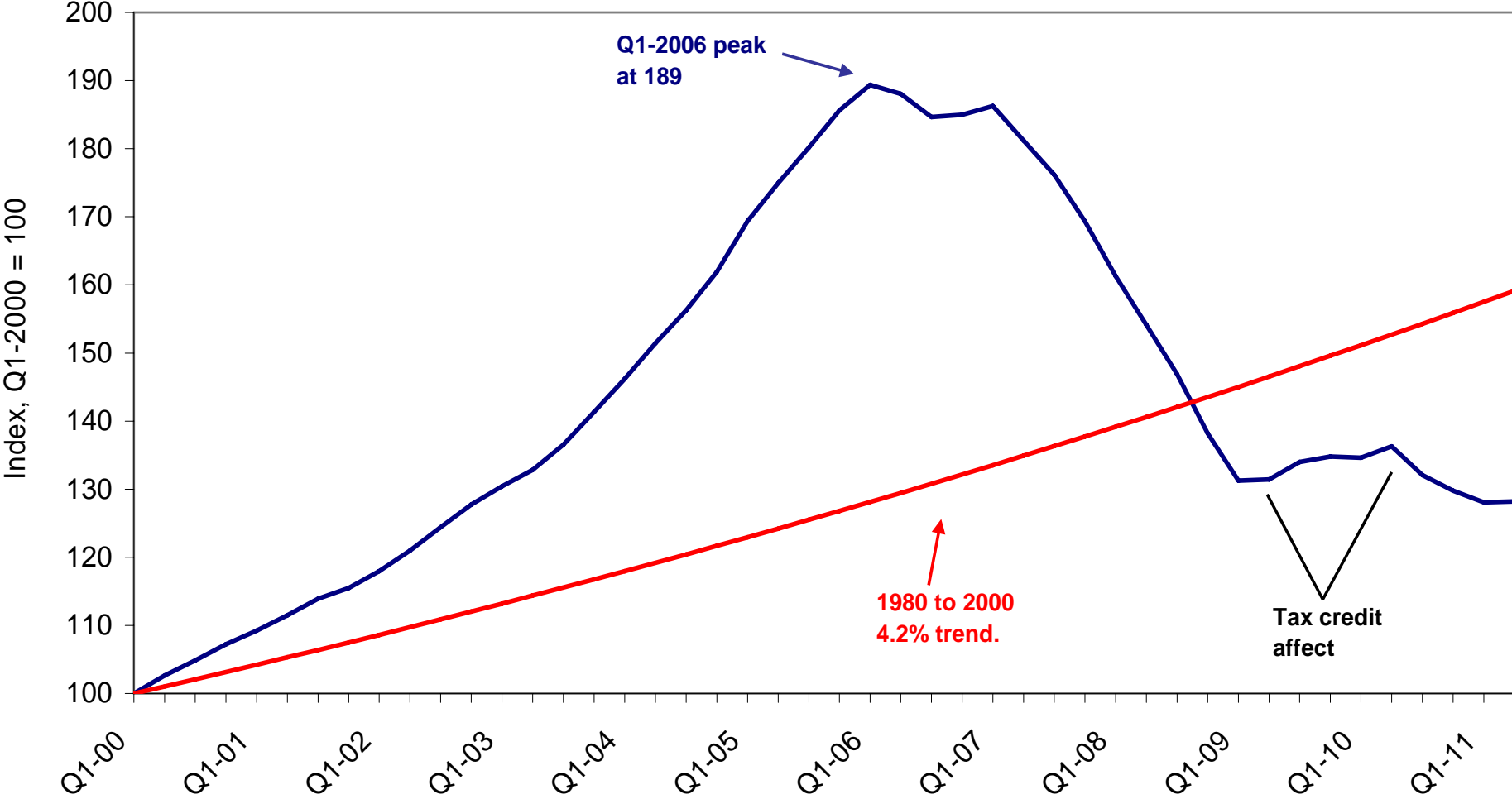
A Significant And Unprecedented Gap Has Developed Between New And Existing Single-Family Home Sales



The New Home Price Premium Has Increased Significantly Since The Housing Bubble Burst

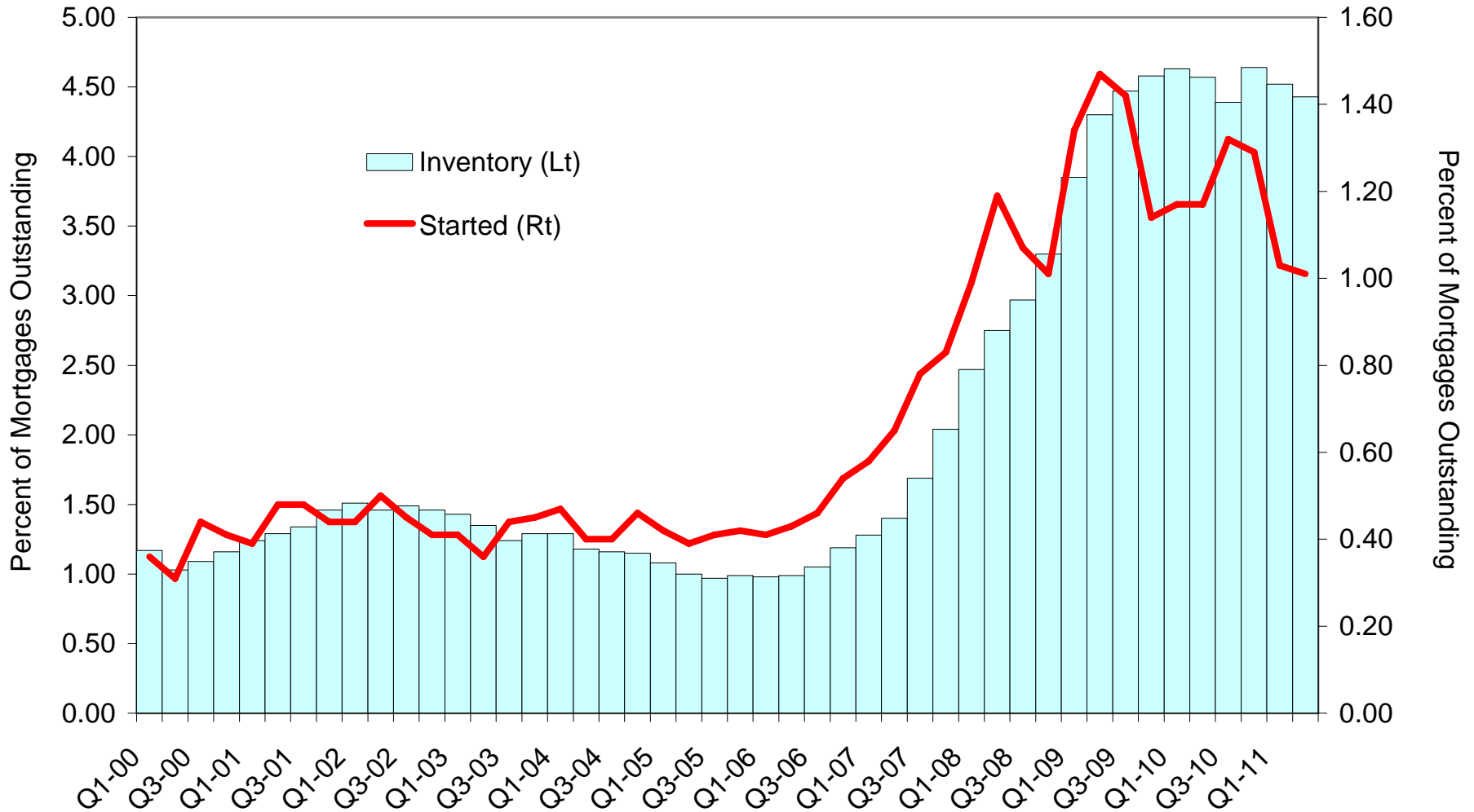


National Home Prices Have Fallen To A New Cyclical Low (Fiserv/Case-Shiller)

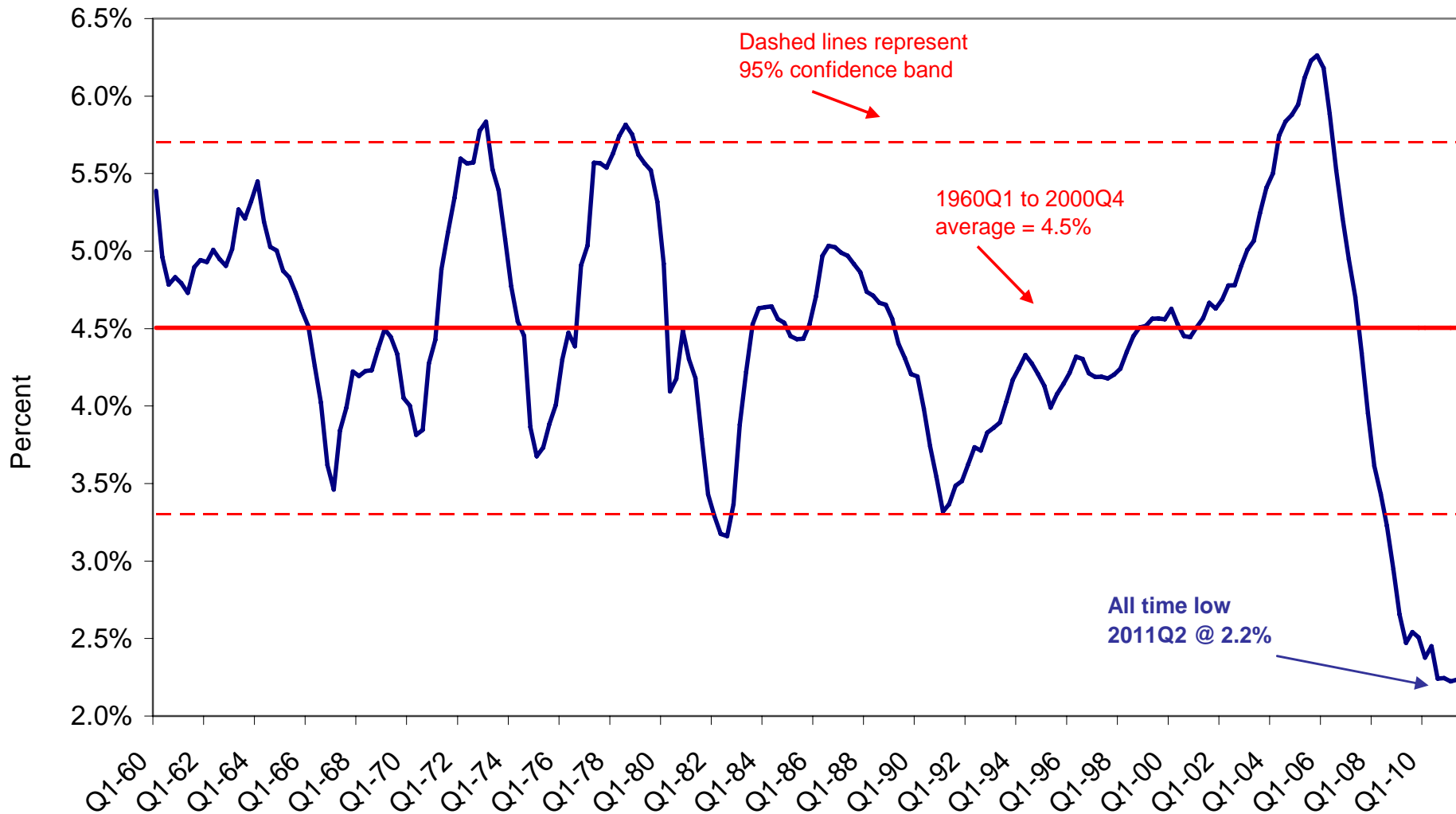


Source: Fiserv/Case Shiller; FDIC calculations.

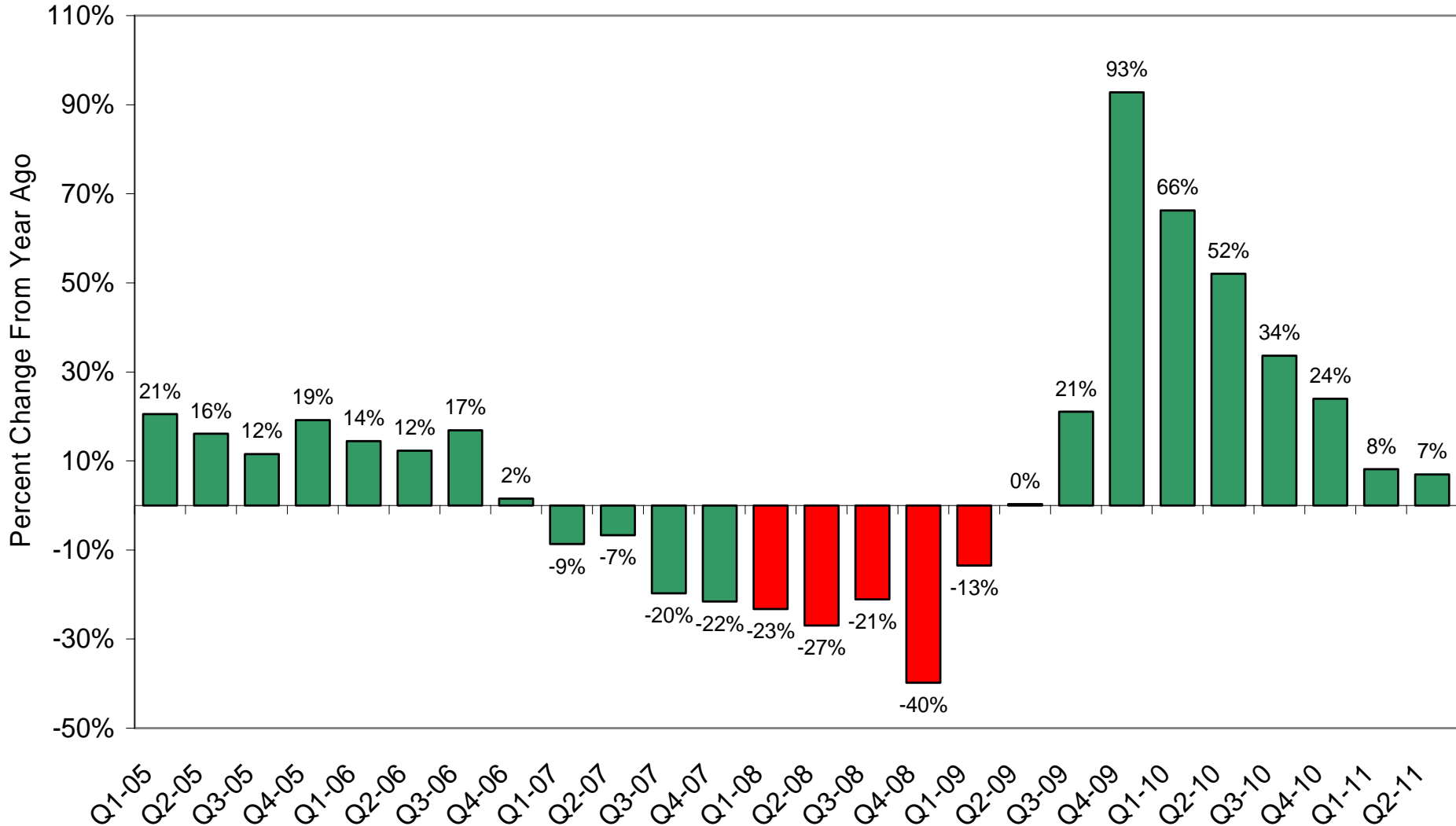
Although Foreclosures Started Are Trending Down, The Inventory Of Unresolved Foreclosures Is Massive



Residential Investment As A Share Of GDP Has Fallen To Unprecedented Lows

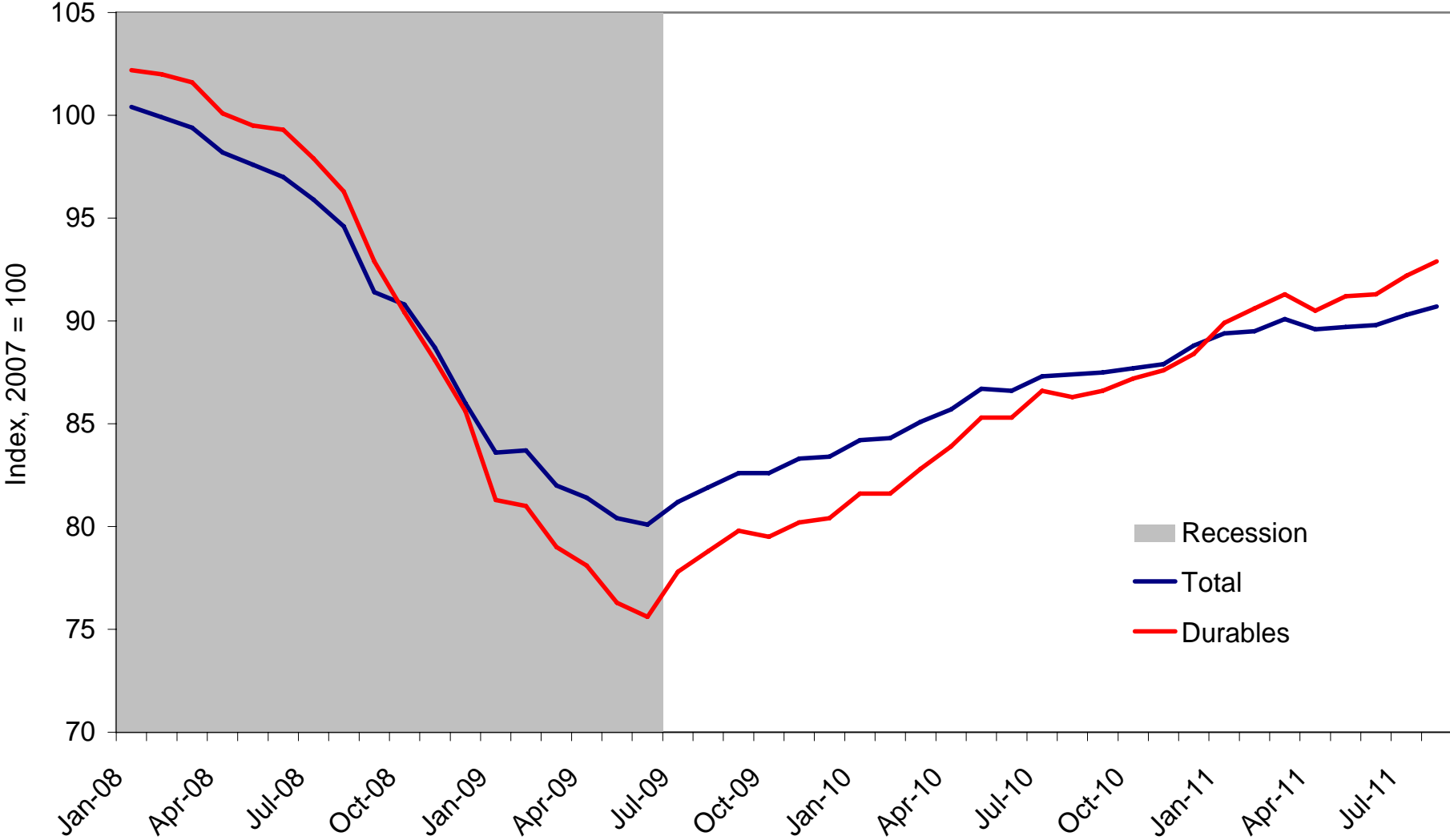


Domestic Corporate Profits Stand At A Record But The Pace Of Growth Has Slowed Significantly



Source: Bureau of Economic Analysis.

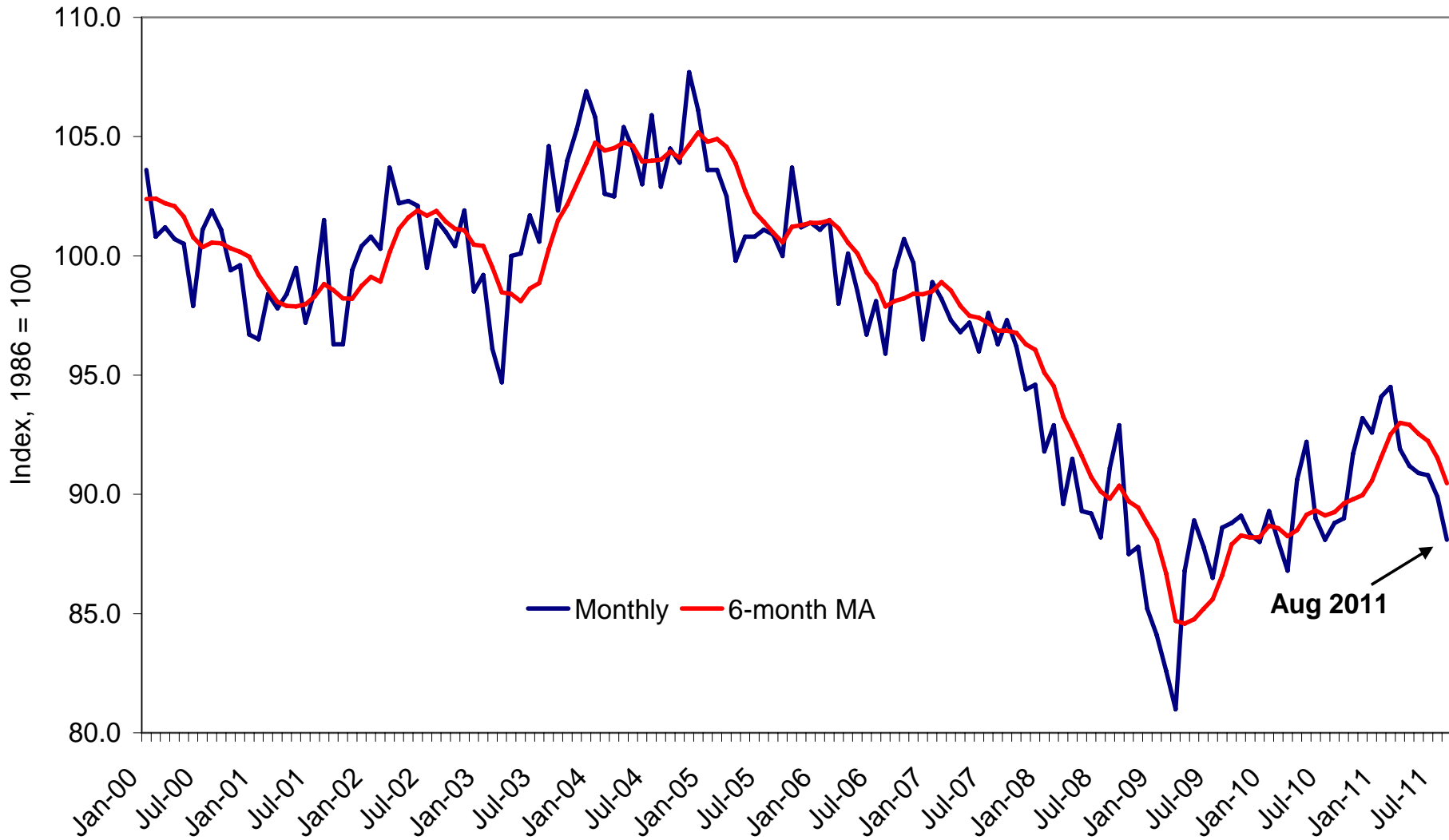
Manufacturing Continues To Increase Steadily



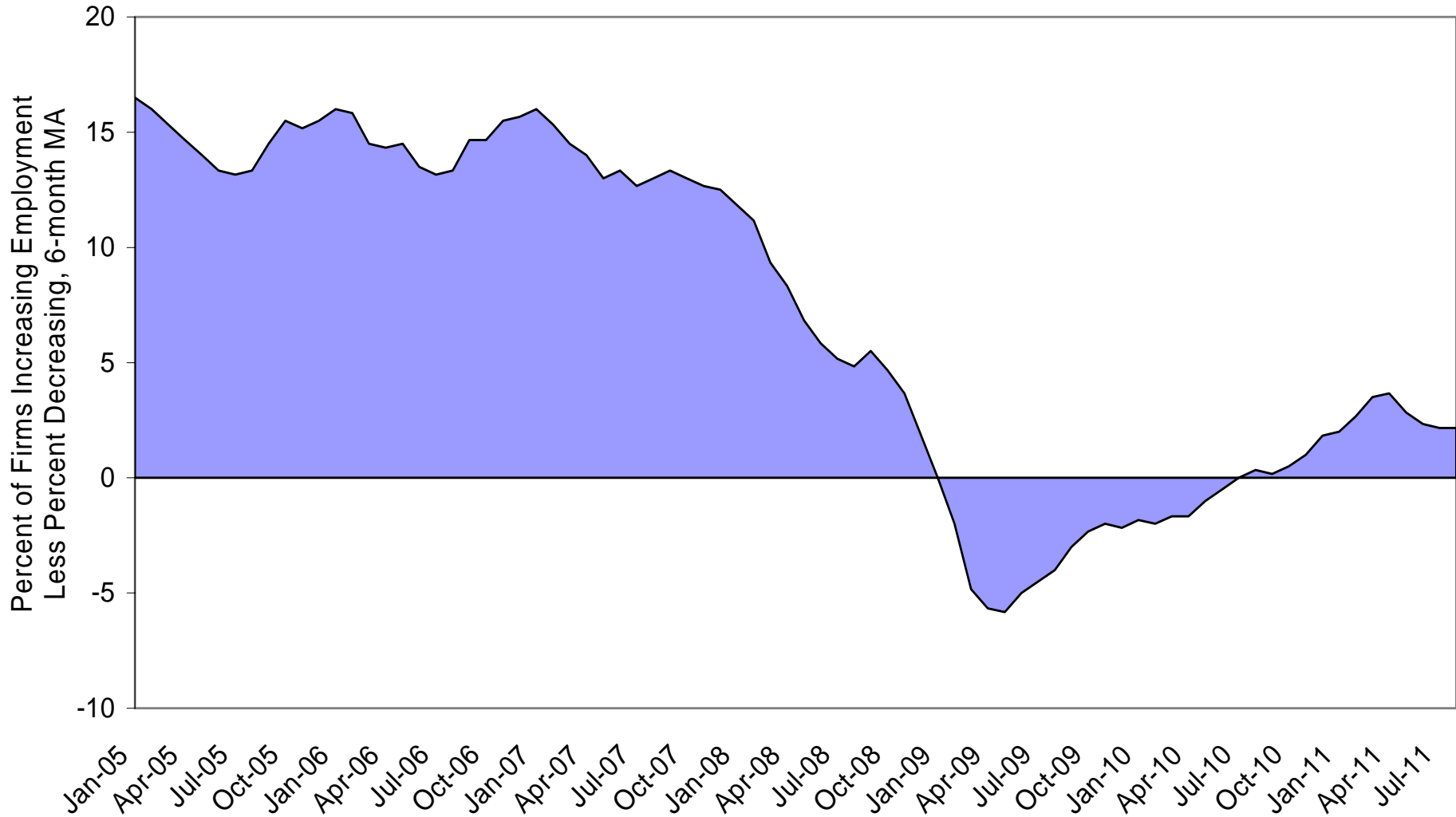
Source: Federal Reserve Board.

Small Businesses Remain Depressed

National Federation Of Independent Business Small Business Optimism



A Small Majority Of Small Businesses Plan To Increase Hiring In The Coming Months



Source: National Federation of Independent Business.

The 2012 Forecast ¹

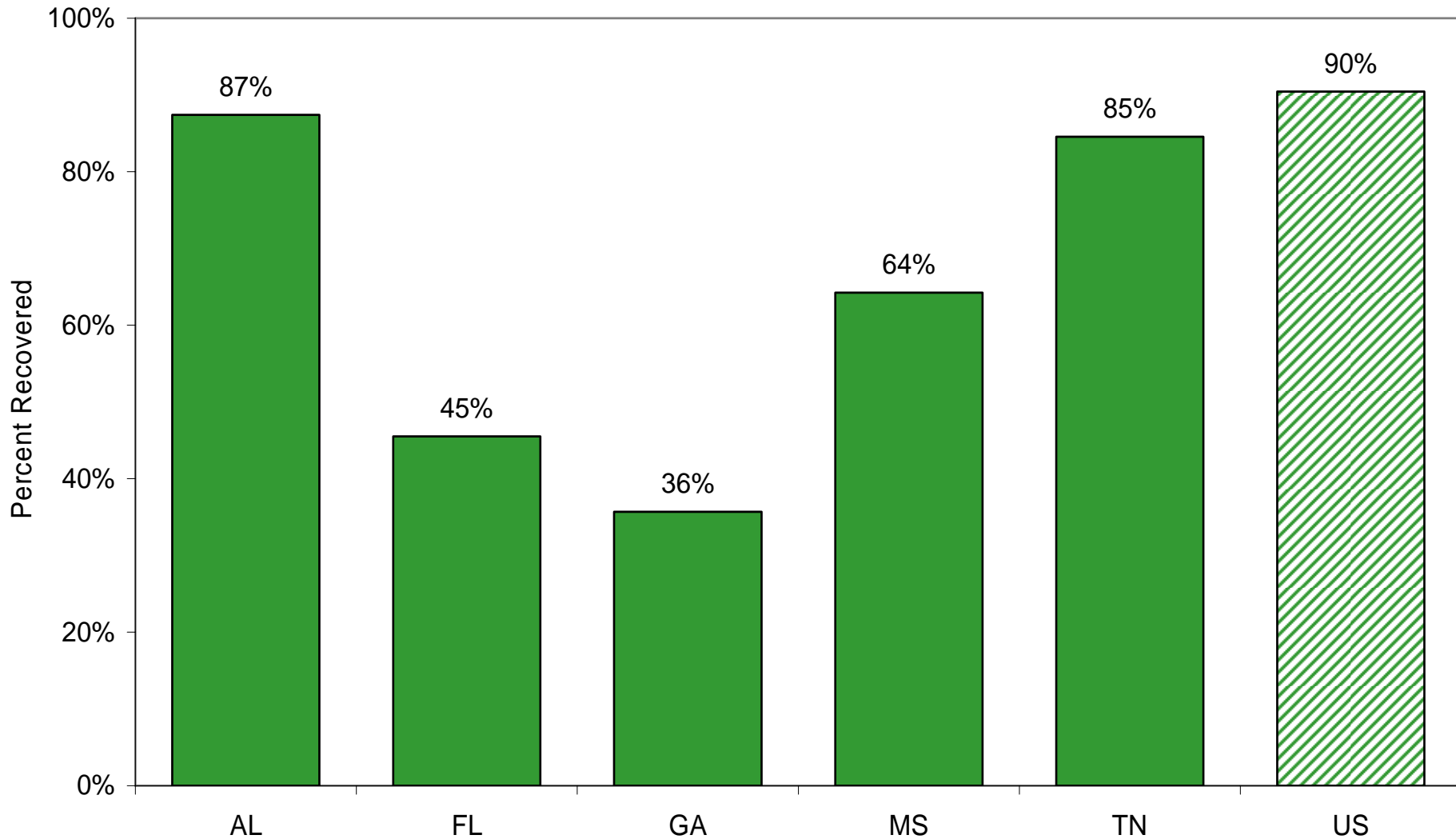
	Moody's Analytics	S&P	Goldman Sachs
Real GDP	2.7%	1.9%	1.4%
Real Consumption	2.4%	2.0%	1.7%
Real Resid. Investment	20.9%	4.3%	5.1%
Housing Starts (mil)	1.0	0.7	0.7
Payrolls (mil)	0.9	1.4	0.5
Unemployment	9.0%	9.1%	9.4%
CPI	2.1%	1.7%	2.3%
Oil (WTI)	\$101	\$98	N/A

1) Released: Moody's and S&P September 2011; Goldman Sachs October 2011.

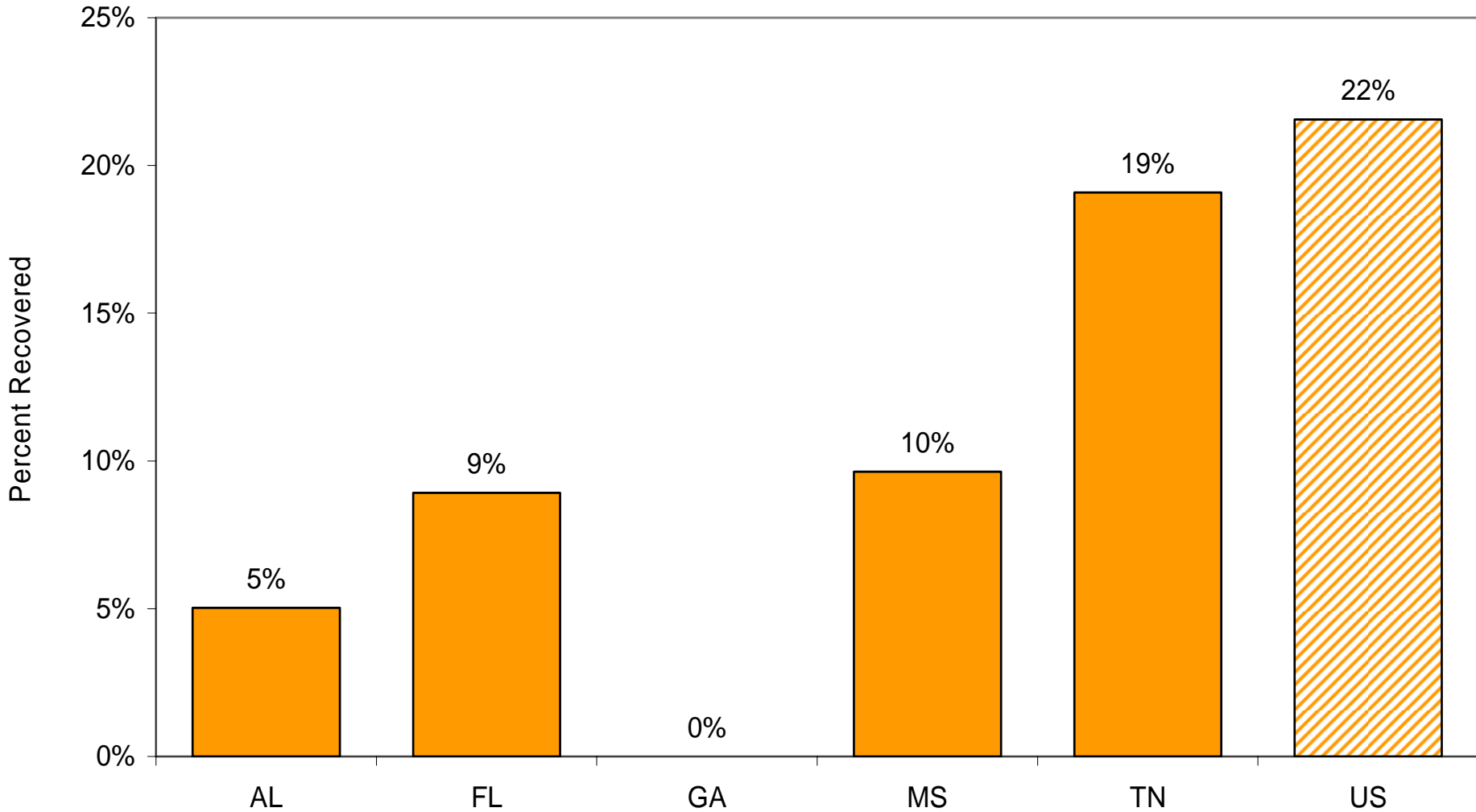
And What About Another Recession?

- One is possible, the odds are rising: Moody's Analytics, S&P and Goldman Sachs say odds are 40%.
- But only one indicator, the sub-2% YOY real GDP growth rate, has definitively signaled that there is a 70% chance of a recession with in a year.
- Most other leading indicators are signaling slow but positive growth: yield curve, core capital goods orders, unemployment claims, money supply, ISM vendor performance, etc.

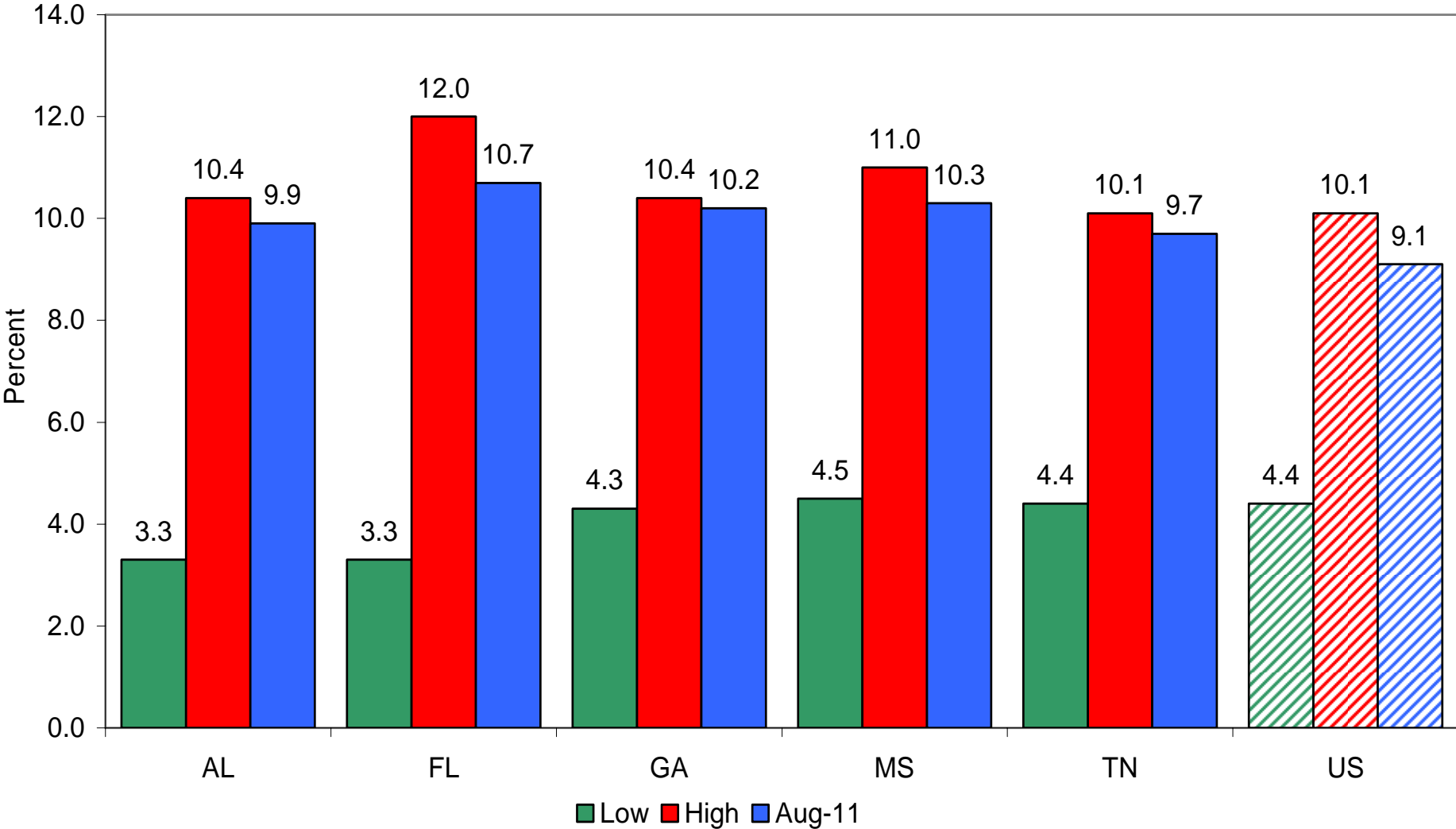
Recovery Of Lost Real Gross State Product Has Been Uneven Across The Southeast And Lags the Nation (Through Q2-2011)



The Southeast Lags The Nation In recovering Lost Non-farm Jobs (Through August)

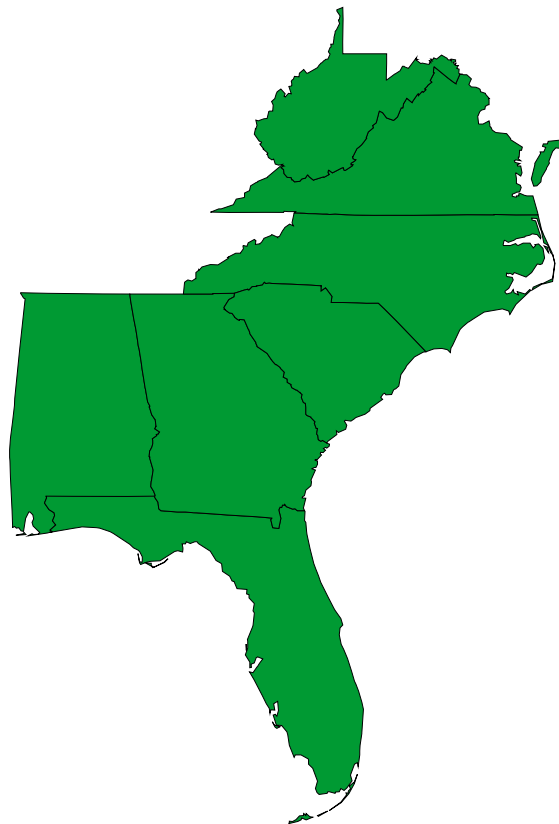


26 Months After Recession Officially Ended, Unemployment In The Southeast And The U.S. Remains Stubbornly Elevated



Source: Bureau of Labor Statistics.

Atlanta Region Banking Trends



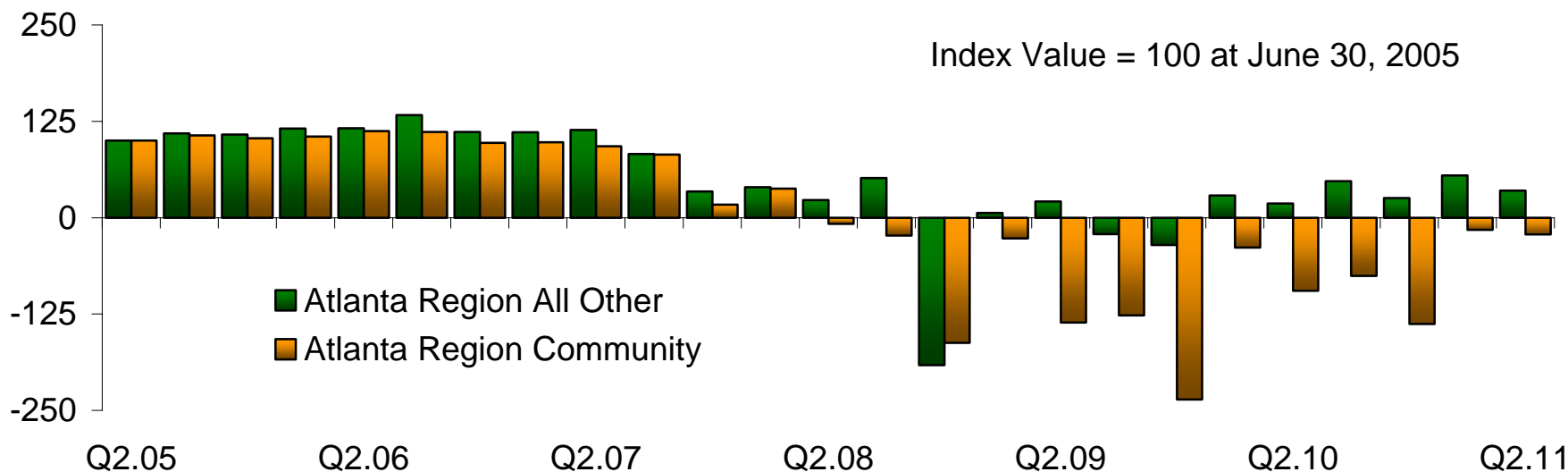
Ronald W. Sims, II, CFA, Sr. Financial Analyst

New South ESOP Fall Conference

October 6, 2011

Earnings Improve, But Losses Continue Among Atlanta Region Community Banks

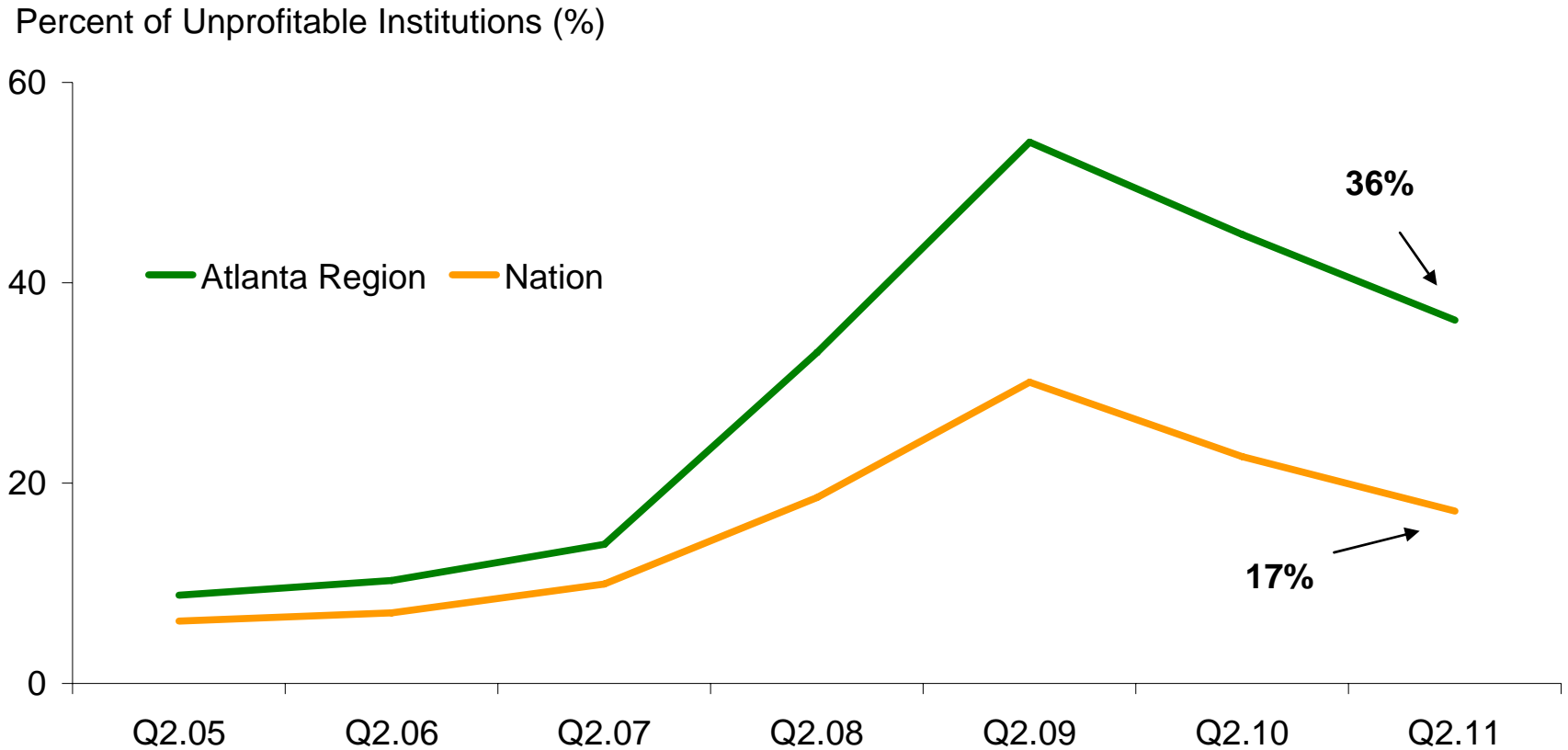
Net Operating Income
Index value



Source: FDIC, all insured institutions with headquarters in the Atlanta Region; data as of June 30th, 2011.

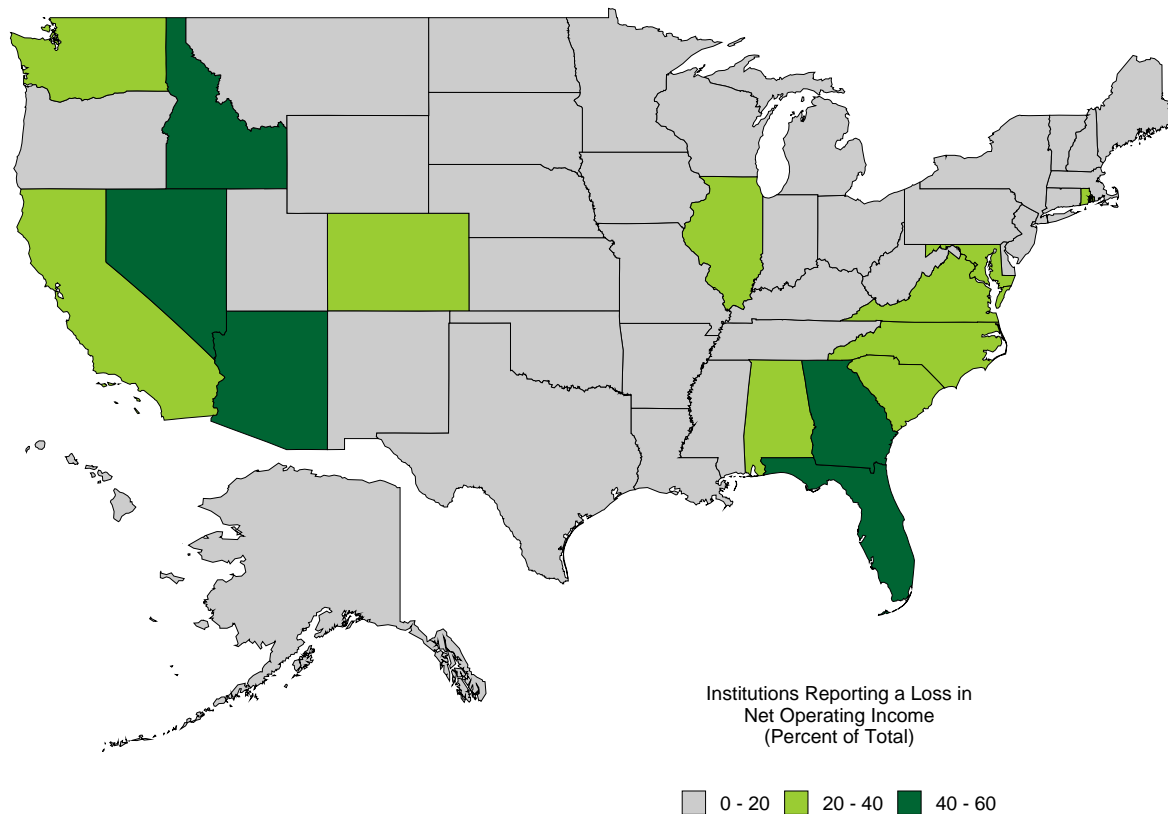
Note: Community institutions have assets less than \$1 billion; All other institutions have assets greater than or equal to \$1 billion.

The Percentage of Unprofitable Institutions Remains Elevated



Source: FDIC, all insured institutions and headquarters in the Atlanta Region; data as of June 30th, 2011.

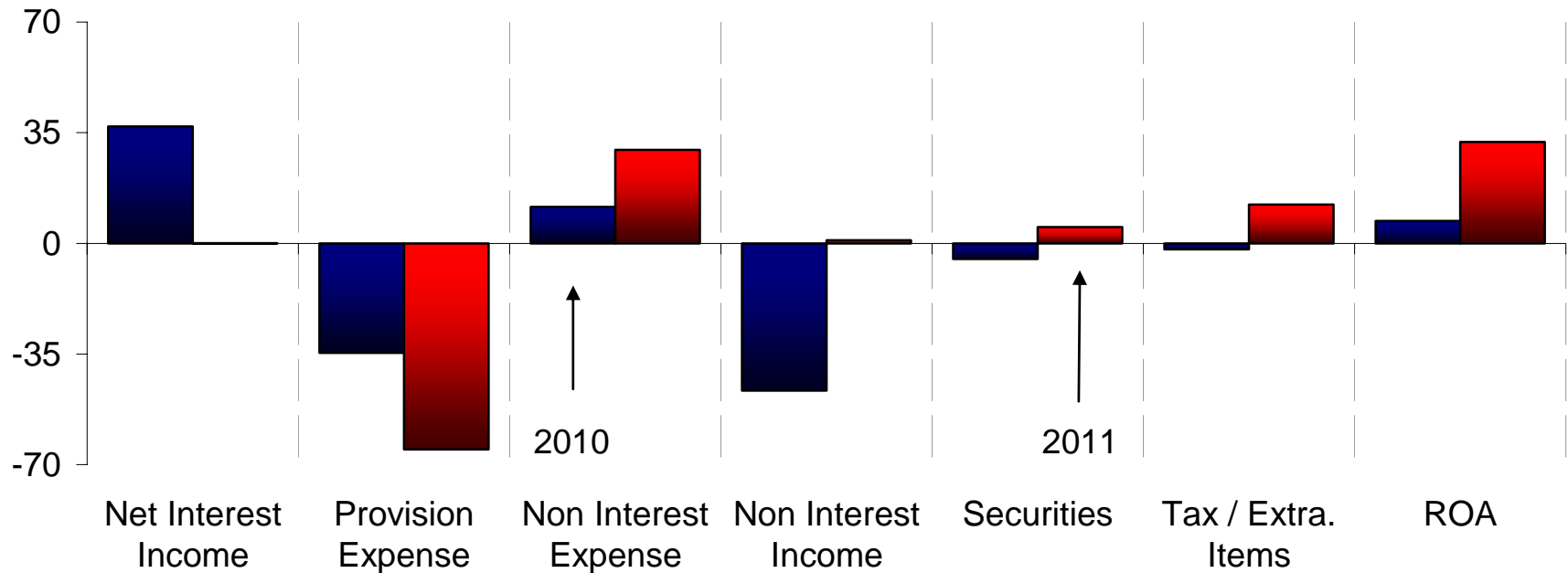
The Majority of Institutions to Report a Loss in Net Operating Income are Located in the Southeast and Western States



Source: FDIC, data as of June 30th for all insured institutions with headquarters in the Atlanta Region.

Profitability Growth Among Atlanta Region Insured Institutions was Bolstered by Lower Provision Expenses and Higher Non Interest Income

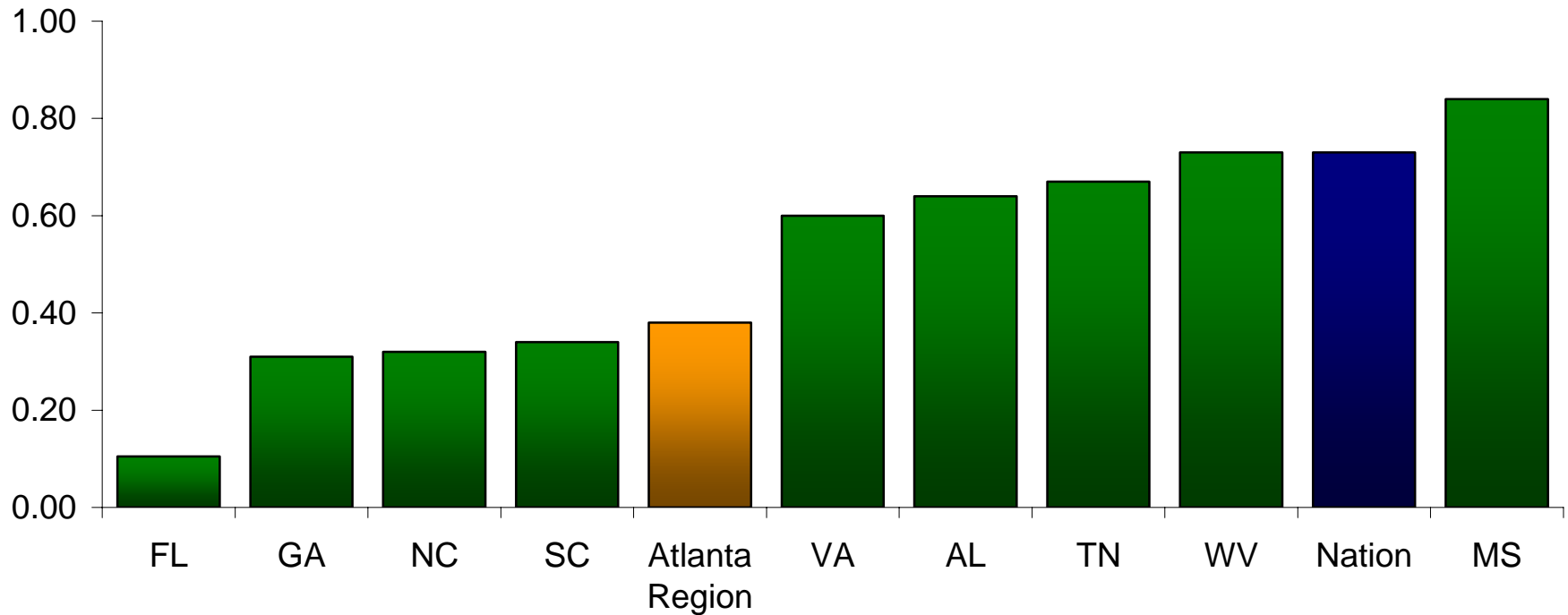
Basis point change
(Year-over-year)



Source: FDIC, all insured institutions and headquarters in the Atlanta Region; data as of June 30th, 2011.

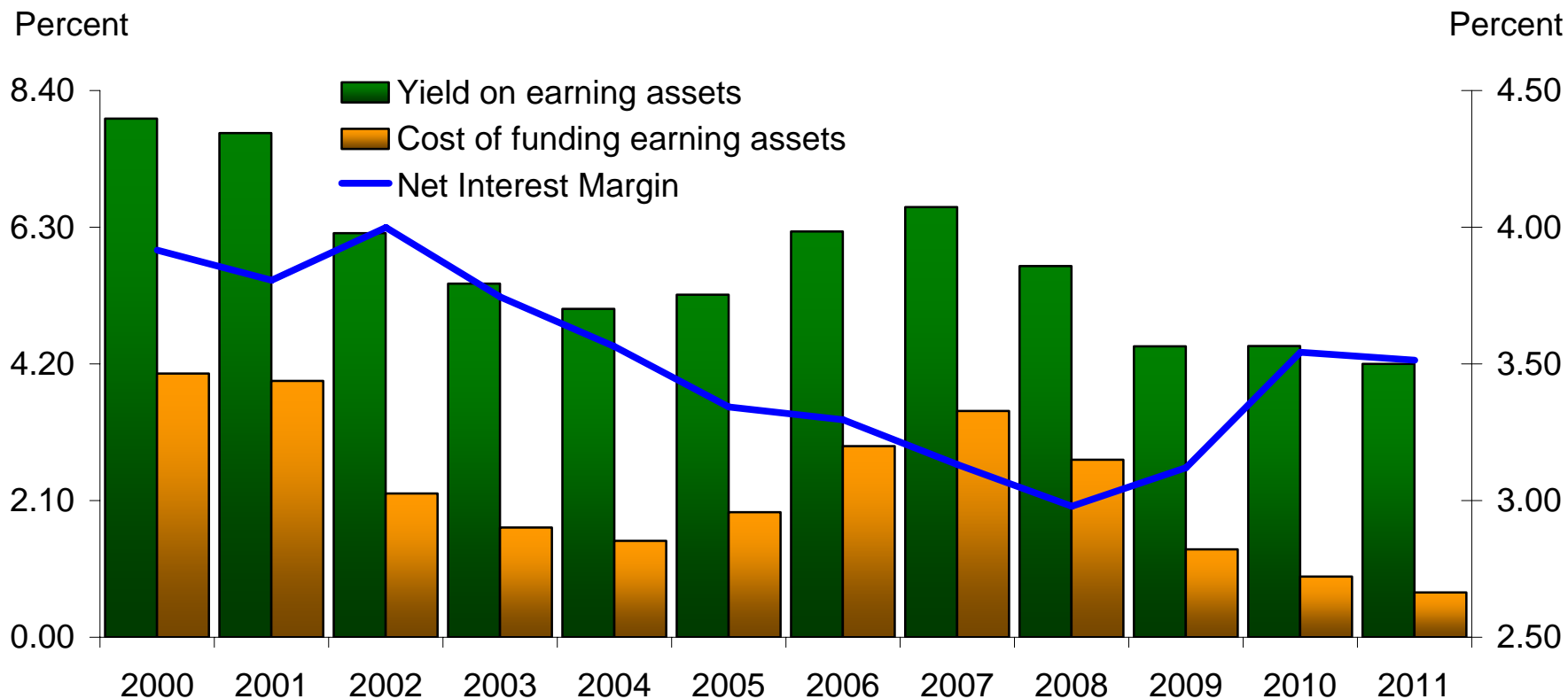
A Comparative Analysis of the Return on Assets Among Atlanta Region Insured Institutions

Return on Assets
Median (%)



Source: FDIC, all insured institutions and headquarters in the Atlanta Region includes Tennessee and Mississippi.
Data as of June 30th, 2011.

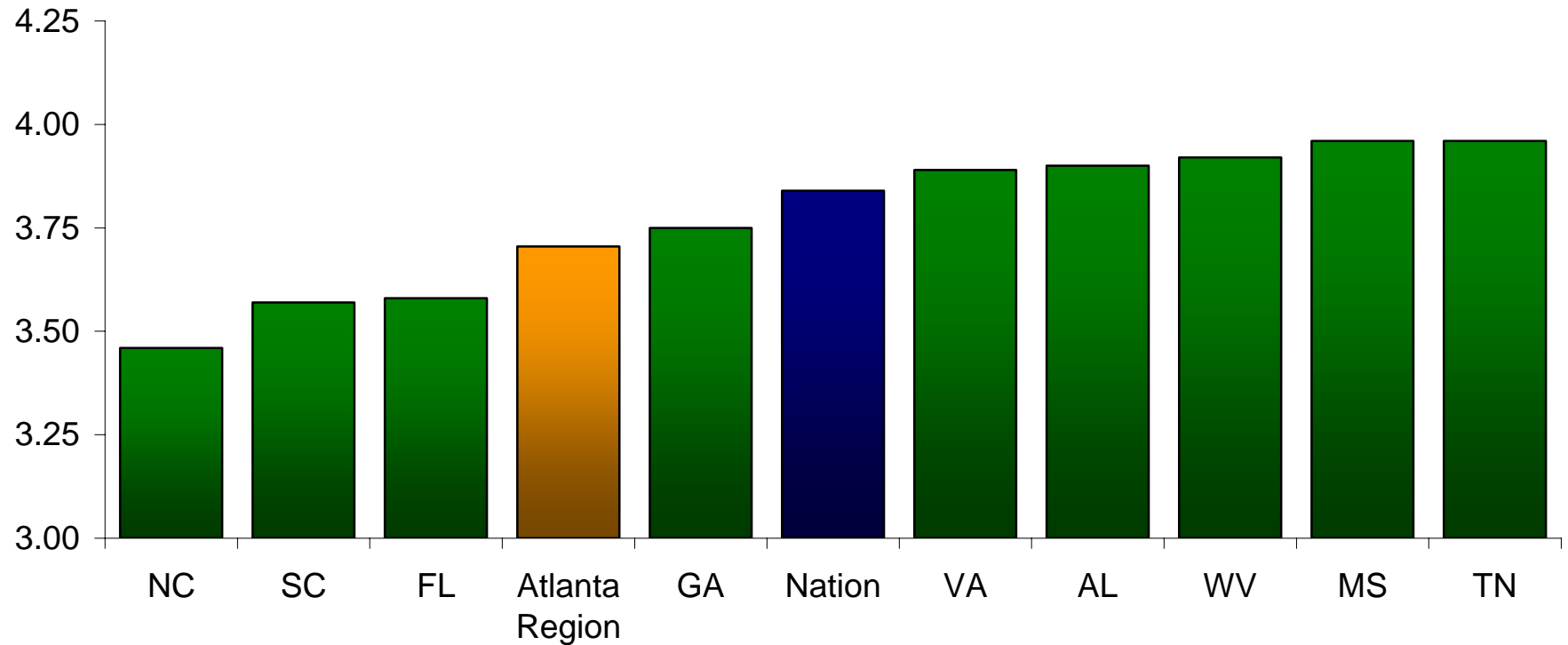
Net Interest Margins have Improved Over the Past Several Years Among Atlanta Region Insured Institutions



Source: FDIC, all insured institutions with headquarters in the Atlanta Region; data as of June 30th, 2011.

A Comparative Analysis of the Net Interest Margin Among Atlanta Region Insured Institutions

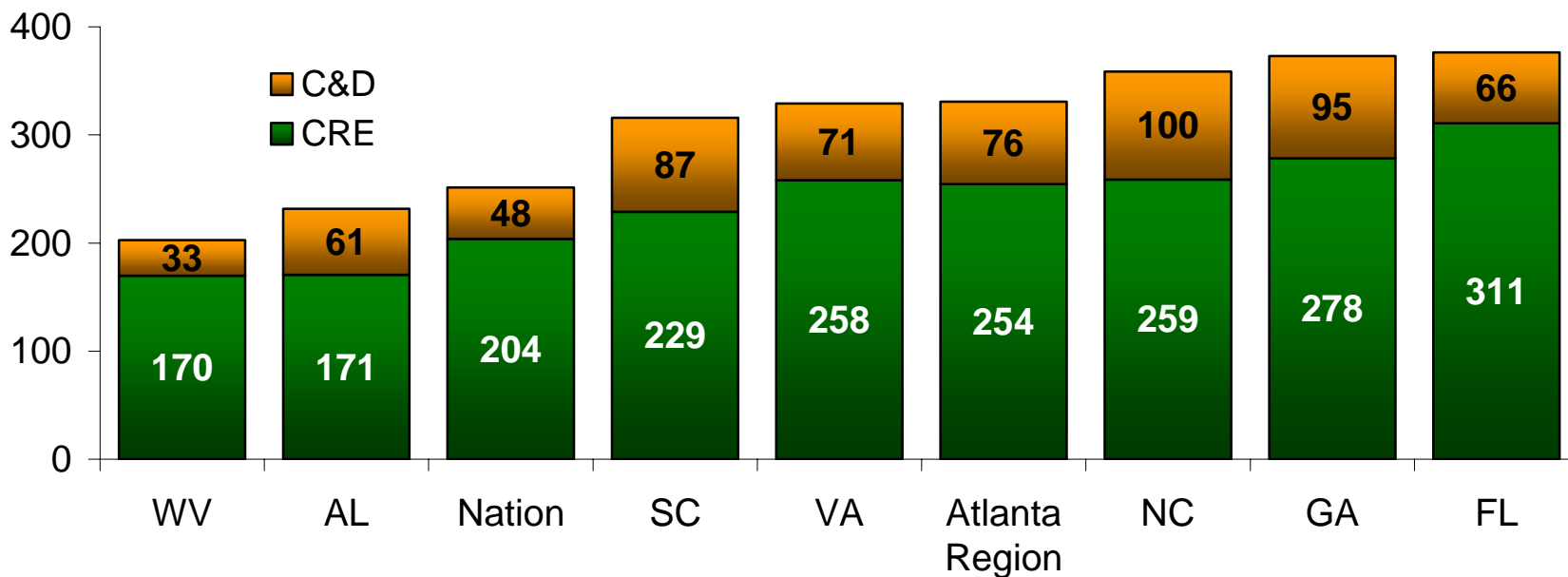
Net Interest Margin
Median (%)



Source: FDIC, all insured institutions and headquarters in the Atlanta Region includes Tennessee and Mississippi; data as of June 30th, 2011.

A Comparative Analysis of the Commercial Real Estate Exposure Among Atlanta Region Community Insured Institutions

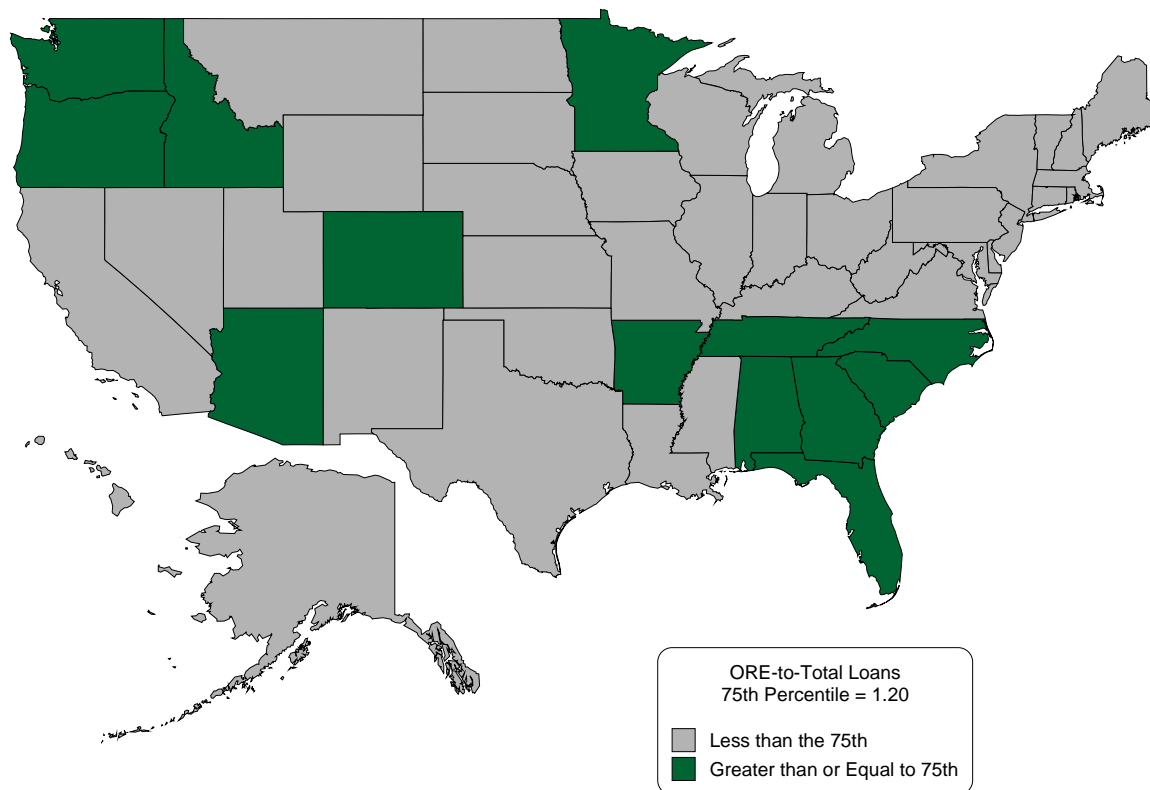
Total Commercial Real Estate-to-Risk Based Capital Aggregate (%)



Source: FDIC, all insured institutions with assets less than \$1 billion and headquarters in the Atlanta Region; preliminary data as of June 30th, 2011.

Note: Total commercial real estate = (C&D + OREO C&D)+(Multifamily + OREO Multifamily+Nonfarm Nonresidential +OREO Nonfarm Nonresidential+ Other CRE Loans)

Several of the Nation's Outlier States for Other Real Estate Owned are Located in the Atlanta Region

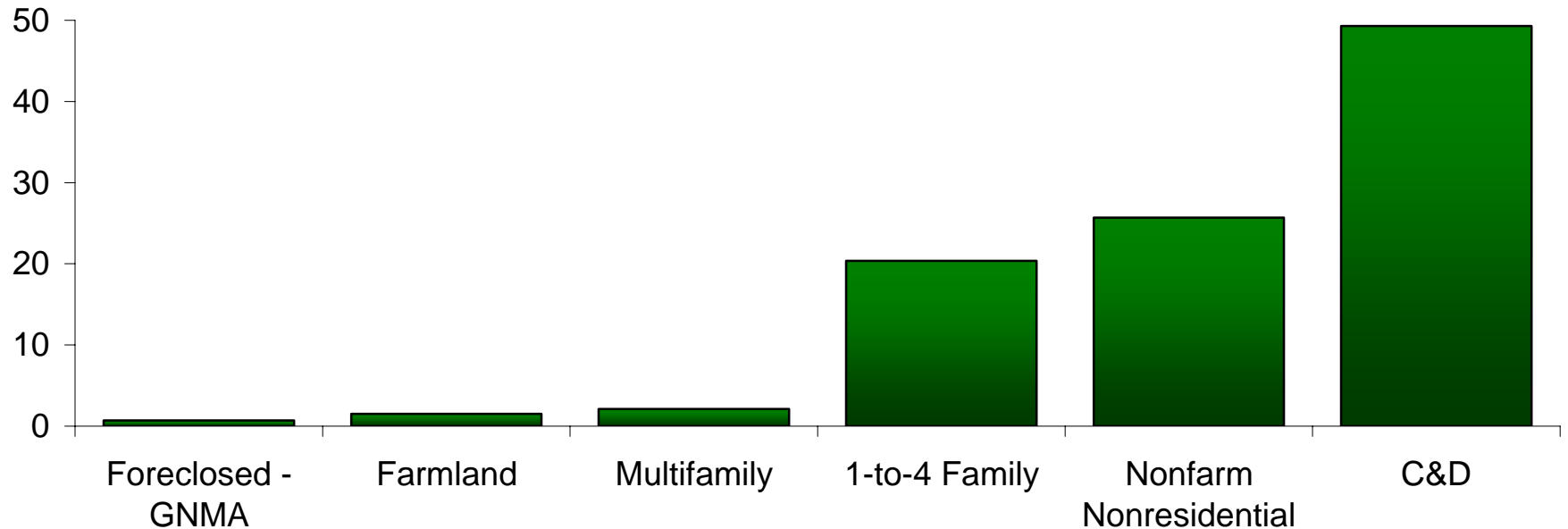


Source: FDIC, data as of June 30, 2011 for institutions with assets less than \$1 billion

Note: ORE-to-Total Loans by state is a median

A Large Share of Other Real Estate Owned is in the Atlanta Region is Comprised of Construction and Development Loans

Other Real Estate Owned (ORE) Loan Category
Aggregate percent of total ORE (%)

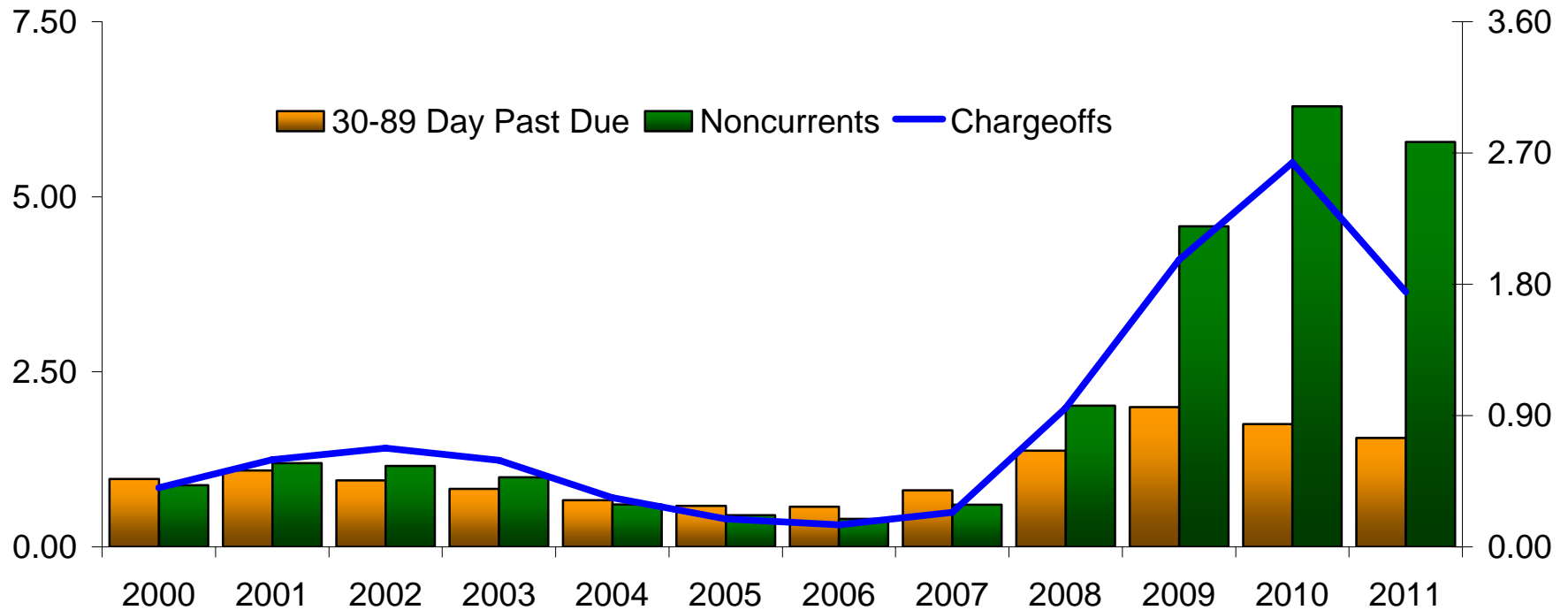


Source: FDIC, data as of June 30, 2011 all insured with assets less than \$1 billion.

Asset Quality Begins to Improve Among Atlanta Region Insured Institutions

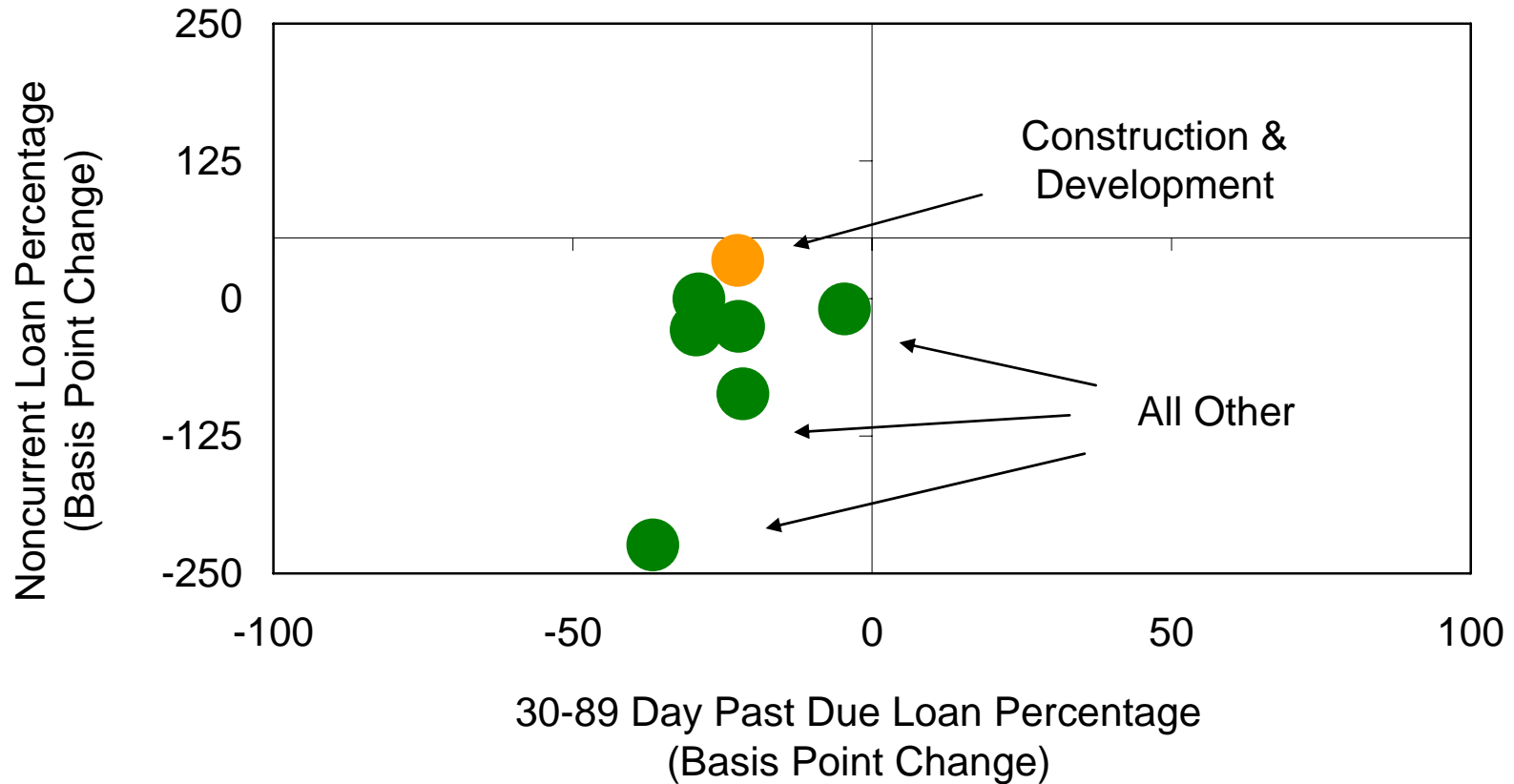
30-89 Day Past Due & Noncurrent
Percent of total loans (%)

Chargeoffs
Percent of total loans (%)



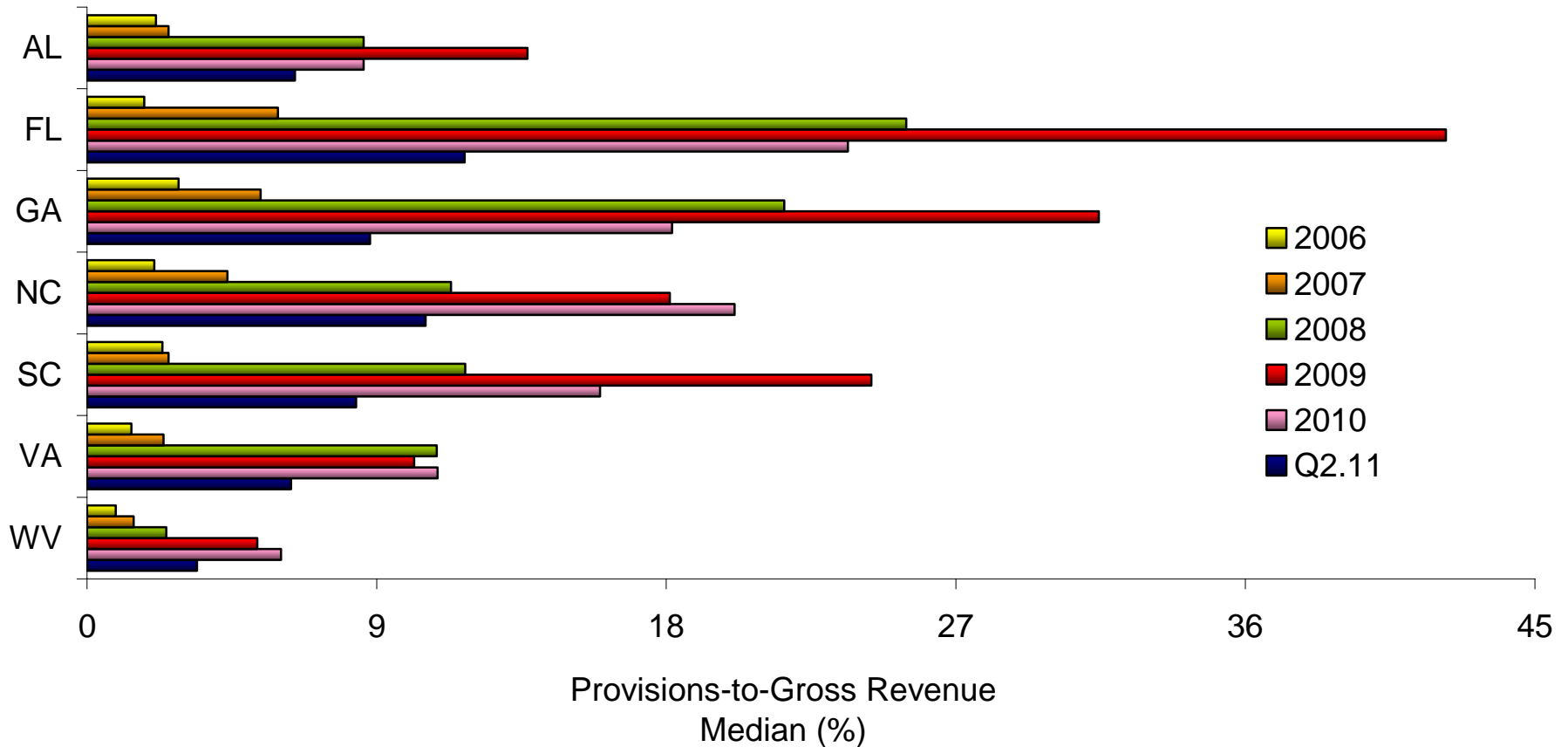
Source: FDIC, all insured institutions with headquarters in the Atlanta Region; data as of June 30th, 2011.

Noncurrent Construction & Development Loans Continue to Increase Among Insured Institutions



Source: FDIC, Data as of June 30th for all insured institutions headquartered in the Atlanta Region. All other loan categories consist of: Nonresidential, Multi-Family, 1-to-4 Family, HEL, C&I and Consumer Loans.

Provisions have Trended Lower, but Remain Elevated from Historical Levels Among Atlanta Region Insured Institutions

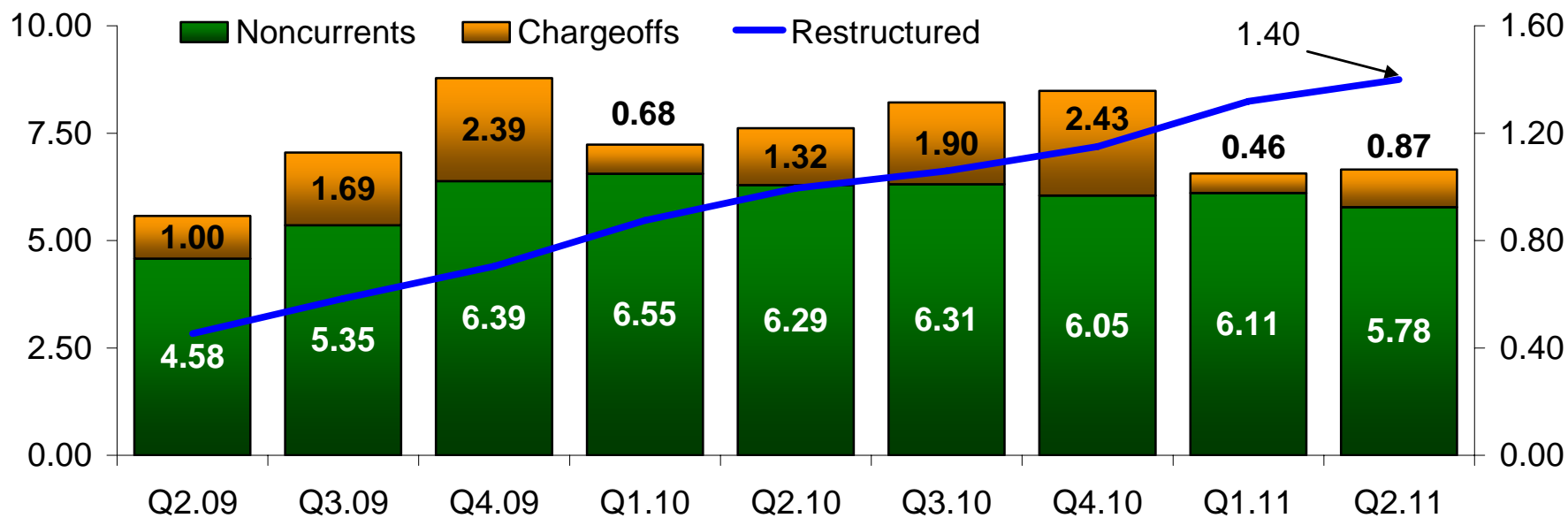


Source: FDIC, all insured institutions with headquarters in the Atlanta Region; data as of June 30th, 2011.

Troubled Loan Balances Have Fallen as Restructured Loans Continue to Increase Among Atlanta Region Insured Institutions

Troubled Loan Category-to-Total Loans
Aggregate percent of total (%)

Restructured Loans-to-Total Loans
Aggregate percent of total (%)

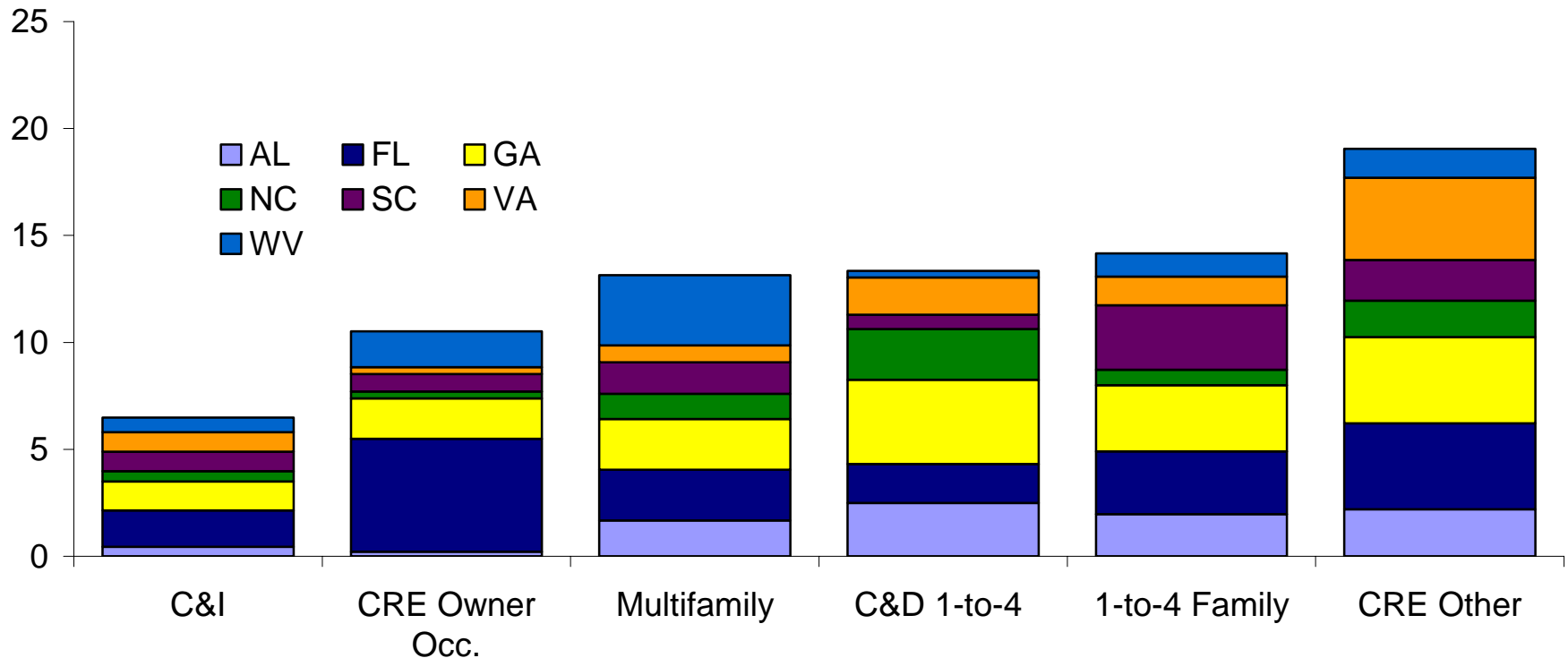


Source: FDIC, all insured institutions with headquarters in the Atlanta Region; data as of June 30th, 2011.

Note: Restructured loans are in compliance with modified terms and are not reported as past due or nonaccrual.

Restructured Loans Among Atlanta Region Insured Institutions are Comprised Mostly of Other CRE and 1-to-4 Family Loans

Restructured Loan Category
Aggregate percent of total (%)

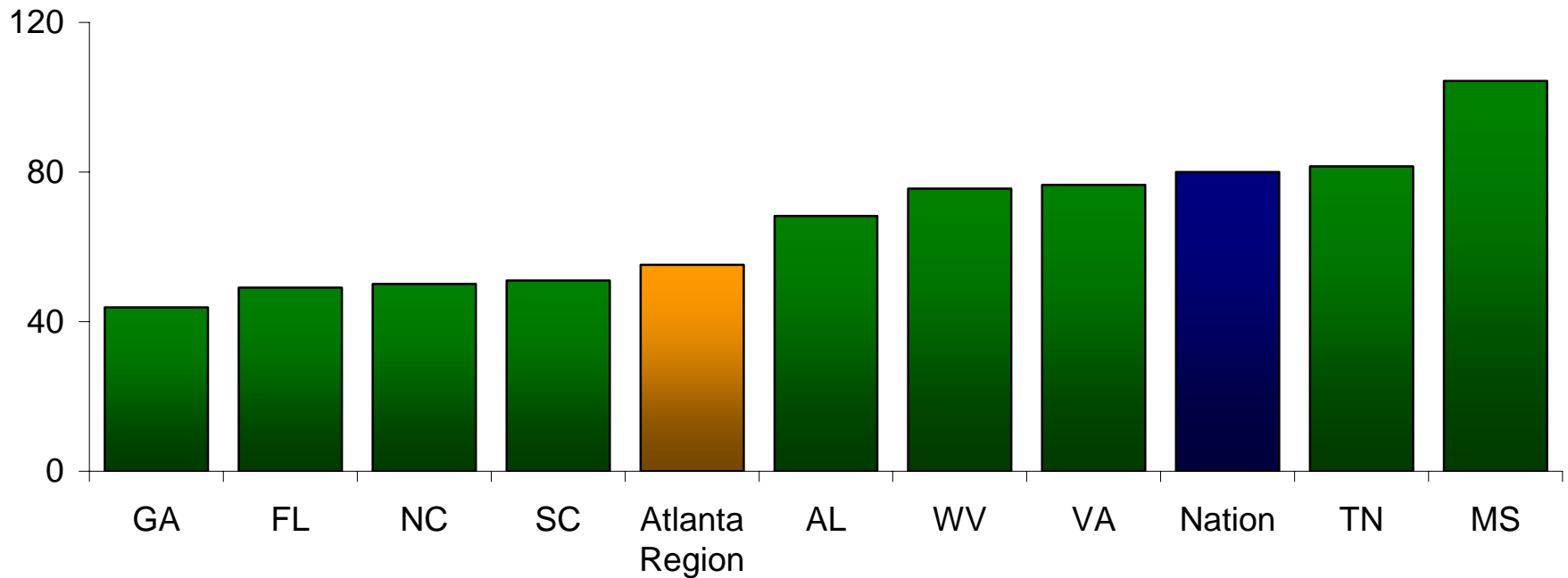


Source: FDIC, data as of June 30th, 2011.

Note: Restructured loans are in compliance with modified terms and are not reported as past due or nonaccrual

A Comparative Analysis of the Reserve Coverage of Noncurrent Loans Among Atlanta Region Insured Institutions

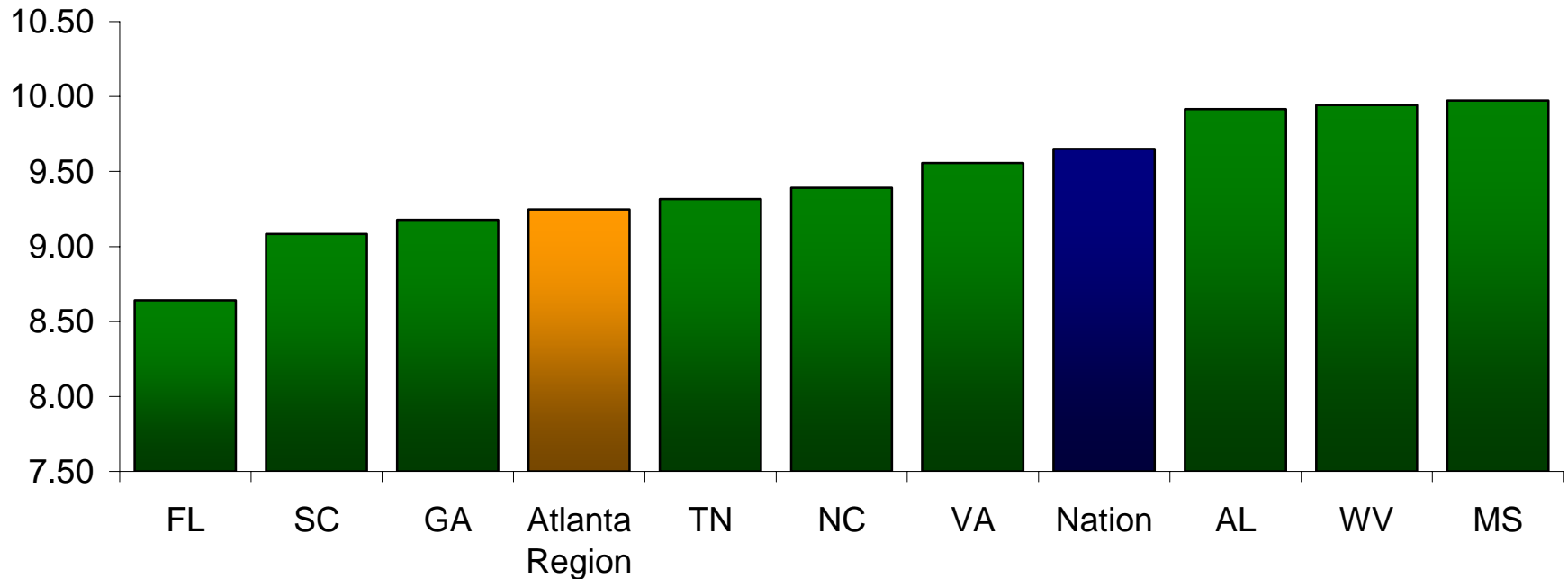
Reserves-to-Noncurrent Loans
Median (%)



Source: FDIC, all insured institutions and headquarters in the Atlanta Region includes Tennessee and Mississippi; data as of June 30th, 2011.

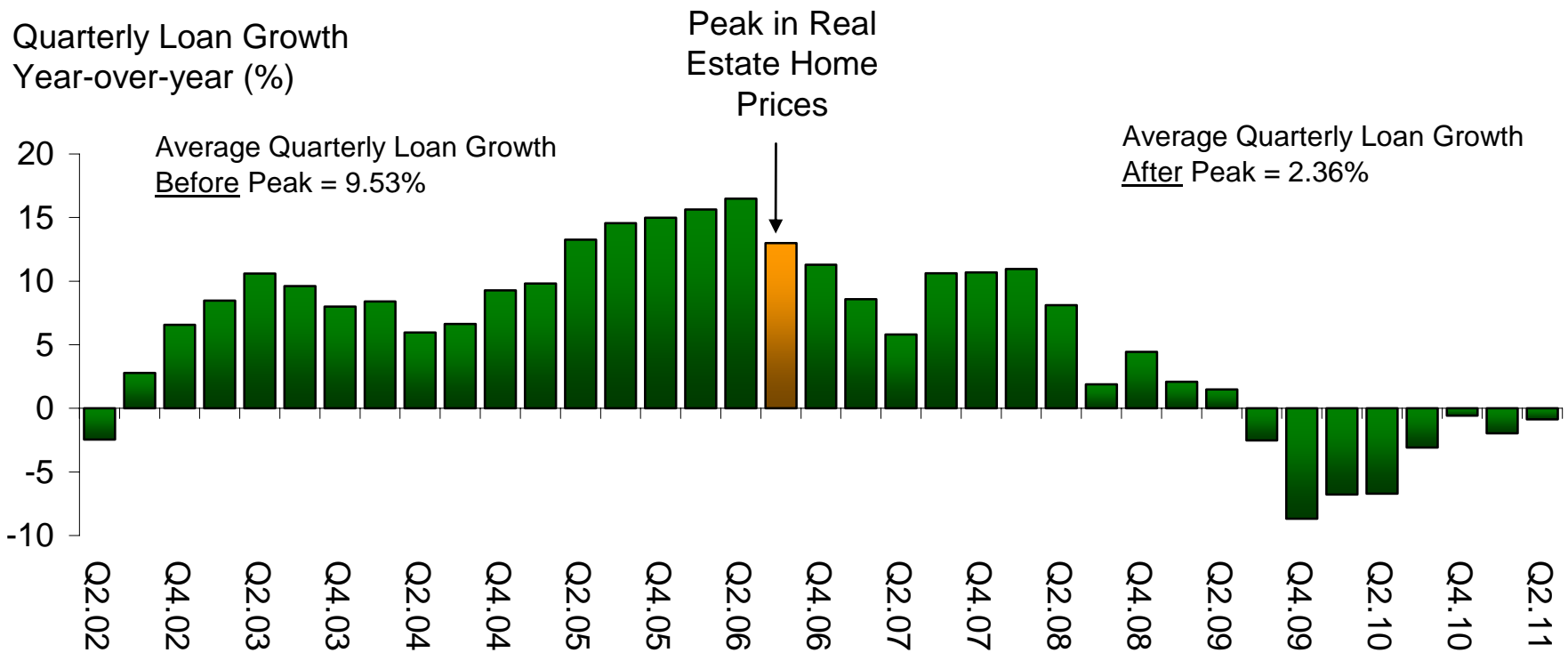
A Comparative Analysis of the Tier-1 Capital Ratio Among Atlanta Region Insured Institutions

Tier-1 Capital-to-Total Assets
Median (%)



Source: FDIC, all insured institutions and headquarters in the Atlanta Region includes Tennessee and Mississippi; data as of June 30th, 2011.

Average Loan Growth has been Sluggish since the Peak in Real Estate Prices



Source: FDIC Call Report Data and S&P Case Shiller Composite 20 Index.
 Note: Includes all insured institutions with headquarters in the Atlanta Region.