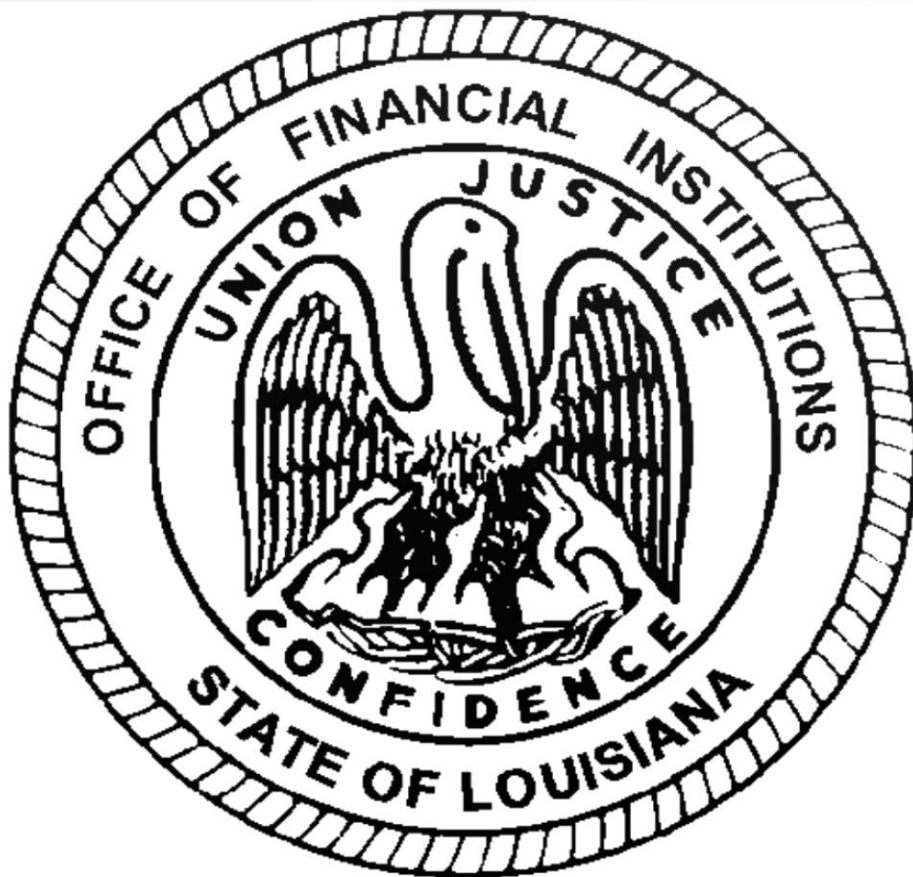


Louisiana Office of Financial Institutions



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ALWAYS REMEMBER THIS STORY.....

It is late fall and the Indians on a remote reservation in South Dakota asked their new chief if the coming winter was going to be cold or mild. Since he was a chief in a modern society, he had never been taught the old secrets. When he looked at the sky, he couldn't tell what the winter was going to be like. Nevertheless, to be on the safe side, he told his tribe that the winter was indeed going to be cold and that the members of the village should collect firewood to be prepared.

But, being a practical leader, after several days, he got an idea. He went to the phone booth, called the National Weather Service and asked, "Is the coming winter going to be cold?"

"It looks like this winter is going to be quite cold," the meteorologist at the National Weather Service responded.

So the chief went back to his people and told them to collect even more firewood in order to be prepared.

A week later, he called the National Weather Service again. "Does it still look like it is going to be a very cold winter?"

"Yes." the man at National Weather Service again replied, "it's going to be a very cold winter."

The chief again went back to his people and ordered them to collect every scrap of firewood they could find.

Two weeks later, the chief called the National weather Service again. "Are you absolutely sure that the winter is going to be very cold?"

"Absolutely," the man replied. "It looks more and more like it is going to be one of the coldest winters we've ever seen."

"How can you be so sure?" the chief asked.

The weatherman replied, "The Indians are collecting firewood like crazy."

Always remember this story whenever you get advice from a government official?

LOFI AT A GLANCE

The Louisiana Office of Financial Institutions (LOFI) is responsible for the supervision and regulation of various institutions and entities that provide financial services to the citizens of the State of Louisiana. LOFI is divided into four divisions and has six field offices, in addition to its main office, located throughout the State of Louisiana. Three of the divisions are based on the general types of institutions regulated and include the following: Depository Institutions Division, Securities Division, and Non-depository Division. The fourth division is the Executive Administration Division. The table below depicts the number of entities regulated by each division for the fiscal years ending June 30, 2004 through June 30, 2009, and year-to-date December 31, 2009. The Depository Institutions Division is accredited by the Conference of State Bank Supervisors (CSBS) and the National Association of State Credit Union Supervisors (NASCUS), and a member of the American Council of State Savings Supervisors (ACSSS).

REGULATED ENTITIES	FYE 2005	FYE 2006	FYE 2007	FYE 2008	FYE 2009	YTD
Banks	122	125	125	122	121	121
Holding Companies ¹	91	93	95	100	100	100
Trust Departments ²	21	21	22	22	22	22
Thrifts	10	9	9	8	7	7
Credit Unions	54	54	49	49	48	46
of Checks/Money Transmitters	47	54	59	58	54	54
Securities (Registration and Licensing) ³	97,574	85,925	94,926	100,725	98,391	95,350
Licensed Lenders (Finance Companies)	1,956	1,971	1,921	1,930	1,835	1,842
Loan Brokers (Company and Individuals)	25	23	19	20	0	0
Residential Mortgage Lenders/Brokers	811	788	850	704	500	484
Residential Mortgage Originators	6,156	5,426	4,495	3,824	2,694	2,804
Notification Filers (Consumer Sales)	2,295	2,310	2,083	1,961	1,913	1,973
Credit Repair Services Organizations ⁴	2	4	1	0		
Collection Agencies ⁵						
Pawnbrokers ⁶	209	199	183	183	186	183
Check Cashers ⁶	282	346	964	1,094	1,176	1,199
Bond For Deed Escrow Agents ⁶	10	10	11	12	13	13
Repossession Agencies/Qualifying Agents	11	9	9	10	11	11
Repossession Agents/Apprentices	25	15	23	25	40	42
Business and Industrial Dev Companies (BIDCO)	12	13	13	13	12	11
Certified LA Capital Companies (CAPCO)	28	27	27	26	25	24
LA Community Development Financial Institutions		2	2	2	2	2
Total Employees (Authorized Positions)	134	134	129	127	122	115

¹Includes two thrift holding companies

²Includes two independent trust companies

³Includes agents, broker dealers, investment advisors, public and private offering

⁴07/09/08 regulated by the Louisiana Attorney General

⁵Repealed 8/15/03

⁶Includes primary locations and branches

Commercial Bank Statistics

As of December 31, 2009

State	Return on Assets (ROA)	Rank	Sub S Banks ROA	Rank	Net Charge Offs (C/Os)	Rank	Tier 1 Capital	Rank	Non-Current Loans	Rank
Texas	0.79%	4	0.63%	4	0.35%	1	9.92%	7	1.06%	1
Louisiana	1.01%	2	0.84%	1	0.40%	2	10.00%	5	2.04%	5
Kentucky	0.67%	6	0.58%	6	0.42%	3	10.41%	1	1.90%	4
New Mexico	0.85%	3	0.63%	4	0.51%	4	9.22%	9	2.32%	8
Oklahoma	1.07%	1	0.81%	2	0.52%	5	9.93%	6	1.68%	2
Arkansas	0.76%	5	0.67%	3	0.59%	6	10.10%	3	2.14%	6
Mississippi	0.64%	7	0.55%	7	0.59%	6	10.03%	4	1.69%	3
Colorado	0.28%	8	0.22%	8	0.83%	8	8.91%	11	2.74%	9
Tennessee	0.08%	10	0.04%	10	0.86%	9	9.82%	8	2.31%	7
Alabama	0.09%	9	0.05%	9	1.01%	10	10.18%	2	2.80%	10
Georgia	-1.17%	11	-1.19%	11	1.74%	11	8.87%	12	5.61%	12
Florida	-1.67%	12	-1.67%	12	1.90%	12	9.00%	10	5.44%	11
Nationwide	0.23%		0.16%		0.78%		9.79%		2.30%	

Source: Uniform Bank Performance Reports (UBPR)

Rank: Rankings are 1 - 12, with "1" being best and "12" being the worst

1. Return on Assets = Net Income / Average Assets
2. Net Charge-Offs = (Loans charged off - Recoveries) / Average Total Loans
3. Tier One Capital = Regulatory Capital / Average Assets
4. Non-current loans = Loans that are over 90 days past due

FDIC State Profile

Louisiana

Fourth Quarter 2009

ECONOMIC INDICATORS (Change from year ago, unless noted)

Employment Growth Rates	Q4-09	Q3-09	Q4-08	2009	2008
Total Nonfarm (share of trailing four quarter employment in parentheses)	-3.2%	-2.4%	0.5%	-2.0%	1.1%
Manufacturing (7%)	-8.2%	-7.7%	-4.2%	-6.8%	-2.8%
Other (non-manufacturing) Goods-Producing (10%)	-10.2%	-5.9%	3.8%	-4.7%	2.8%
Private Service-Producing (64%)	-2.5%	-2.2%	0.2%	-1.9%	1.0%
Government (19%)	0.1%	0.6%	1.9%	1.0%	2.6%
Unemployment Rate (% of labor force)	7.3%	7.3%	5.4%	6.8%	4.5%
Other Indicators	Q4-09	Q3-09	Q4-08	2009	2008
Single-Family Home Permits	28.7%	20.3%	-43.3%	-2.5%	-30.5%
Multifamily Building Permits	-51.2%	-81.8%	-32.8%	-63.6%	-19.9%
Home Price Index	-0.6%	0.6%	0.7%	0.4%	1.5%
Nonbusiness Bankruptcy Filings per 1000 people (quarterly annualized level)	3.84	4.68	3.43	4.03	3.39

BANKING TRENDS

General Information	Q4-09	Q3-09	Q4-08	2009	2008
Institutions (#)	158	158	160	158	160
Total Assets (in millions)	60,407	56,260	54,708	60,407	54,708
New Institutions (# < 3 years)	1	1	4	1	4
Subchapter S Institutions	60	60	57	60	57
Asset Quality	Q4-09	Q3-09	Q4-08	2009	2008
Past-Due and Nonaccrual Loans / Total Loans (median %)	3.22	2.88	2.80	3.22	2.80
Noncurrent Loans / Total Loans (median %)	1.35	1.28	0.99	1.35	0.99
ALLL/Total Loans (median %)	1.21	1.16	1.16	1.21	1.16
ALLL/Noncurrent Loans (median multiple)	0.86	0.91	1.08	0.86	1.08
Net Loan Losses / Total Loans (median %)	0.23	0.11	0.17	0.20	0.15
Capital / Earnings	Q4-09	Q3-09	Q4-08	2009	2008
Tier 1 Leverage (median %)	9.76	9.81	9.56	9.76	9.56
Return on Assets (median %)	0.87	1.09	0.84	0.98	1.05
Pretax Return on Assets (median %)	1.09	1.37	1.14	1.19	1.32
Net Interest Margin (median %)	4.31	4.33	4.42	4.24	4.44
Yield on Earning Assets (median %)	5.68	5.79	6.20	5.78	6.54
Cost of Funding Earning Assets (median %)	1.33	1.43	1.90	1.49	2.23
Provisions to Avg. Assets (median %)	0.23	0.20	0.19	0.22	0.15
Noninterest Income to Avg. Assets (median %)	0.75	0.80	0.77	0.76	0.85
Overhead to Avg. Assets (median %)	3.43	3.30	3.48	3.36	3.41
Liquidity / Sensitivity	Q4-09	Q3-09	Q4-08	2009	2008
Net Loans to Assets (median %)	63.0	65.3	63.4	63.0	63.4
Noncore Funding to Assets (median %)	23.1	23.2	23.0	23.1	23.0
Long-term Assets to Assets (median %, call filers)	15.0	14.6	14.0	15.0	14.0
Brokered Deposits (number of institutions)	40	37	39	40	39
Brokered Deposits to Assets (median % for those above)	1.7	2.4	2.8	1.7	2.8
Loan Concentrations (median % of Total Risk-Based Capital)	Q4-09	Q3-09	Q4-08	2009	2008
Commercial and Industrial	63.3	59.9	65.4	63.3	65.4
Commercial Real Estate	197.1	195.9	189.5	197.1	189.5
Construction & Development	47.8	48.3	46.3	47.8	46.3
Multifamily Residential Real Estate	5.5	4.8	5.1	5.5	5.1
Nonresidential Real Estate	137.0	139.1	124.5	137.0	124.5
Residential Real Estate	175.9	175.6	180.2	175.9	180.2
Consumer	45.4	44.2	46.9	45.4	46.9
Agriculture	11.1	11.3	10.7	11.1	10.7

BANKING PROFILE

Largest Deposit Markets (from 2009 Summary of Deposits)	Institutions in Market	Deposits (\$ millions)	Asset Distribution	
			Distribution	Institutions
New Orleans-Metairie-Kenner, LA	38	26,663	<\$100 million	43 (27.2%)
Baton Rouge, LA	44	14,692	\$100 million to \$250 million	66 (41.8%)
Shreveport-Bossier City, LA	24	5,469	\$250 million to \$1 billion	45 (28.5%)
Lafayette, LA	26	5,058	\$1 billion to \$10 billion	3 (1.9%)
Houma-Bayou Cane-Thibodaux, LA	14	3,871	>\$10 billion	1 (0.6%)

Policy Statement on Prudent CRE Loan Workouts

Reasons for Guidance

- There is an increasing number of borrowers seeking to refinance CRE loans due to current market conditions.
- Bankers have raised concerns that supervisory policies and actions have curtailed the availability of credit to sound borrowers.
- Banks are refinancing such loans at interest rates that may be viewed as not providing for the incremental credit risk or without recognizing credit losses.
- Bankers and examiners seeking guidance on prudent workout arrangements, loan classifications, and regulatory reporting and accounting consideration for troubled debt restructurings (TDR).

Key Messages

- The statement updates longstanding guidance and is intended to promote prudent workouts
- The agencies recognize that reasonable and prudent workouts are in the best interest of both banks and borrowers.
- Examiners are expected to take a balanced and consistent approach in their review of banks' workout activity. (Believe it or not!)
- Prudent workouts will not be subject to examiner criticism even if the restructured loan is adversely classified. (We can't ignore the underlying risk)
- A restructured loan will not be adversely classified solely because the value of the underlying collateral has declined to an amount that is less than the loan balance.
- Workout programs should be well conceived and maximize the bank's collection of principal and interest and not simply restructured to mask underlying weaknesses ("extend and pretend") or ("delay and pray")

Scope of Guidance

- Definition for CRE loans in the statement is consistent with Interagency Guidance on Concentrations in Commercial Real Estate (SR letter 07-01).
- CRE loans are defined as loans where the primary source of repayment is derived from rental income and proceeds of the sale, refinancing, or permanent financing of the property.
- CRE loans include land acquisition, and development and construction loans for both residential and commercial projects.
- General principles of this guidance could apply to commercial loans that are secured by real property or other business assets of a commercial borrower.

Risk Management Elements for the Loan Workout Program

- Management infrastructure to identify, control and manage workout activity
- Documentation standards
- MIS
- Regulatory reporting
- Loan collection procedures
- Lending limits
- Collateral administration
- Credit Review

Classification of Loans

- Loans that are adequately protected by the current sound worth and debt service capacity of the borrower, guarantor, or the underlying collateral generally are not adversely classified
- Prudent loan restructurings to sound borrowers should not be adversely classified or criticized unless well-defined weaknesses exist that jeopardize repayment.
- As a general principle, examiners should not adversely classify or require the recognition of a partial charge-off on a performing commercial loan solely because the value of the underlying collateral has declined to an amount that is less than the loan balance.
- It is appropriate to classify a performing loan when well-defined weaknesses exist that will jeopardize repayment.
- Loan performance is based upon an assessment as to whether the borrower is contractually current on all principal and interest payments. However, interest reserves should be considered.

QUESTIONS?