

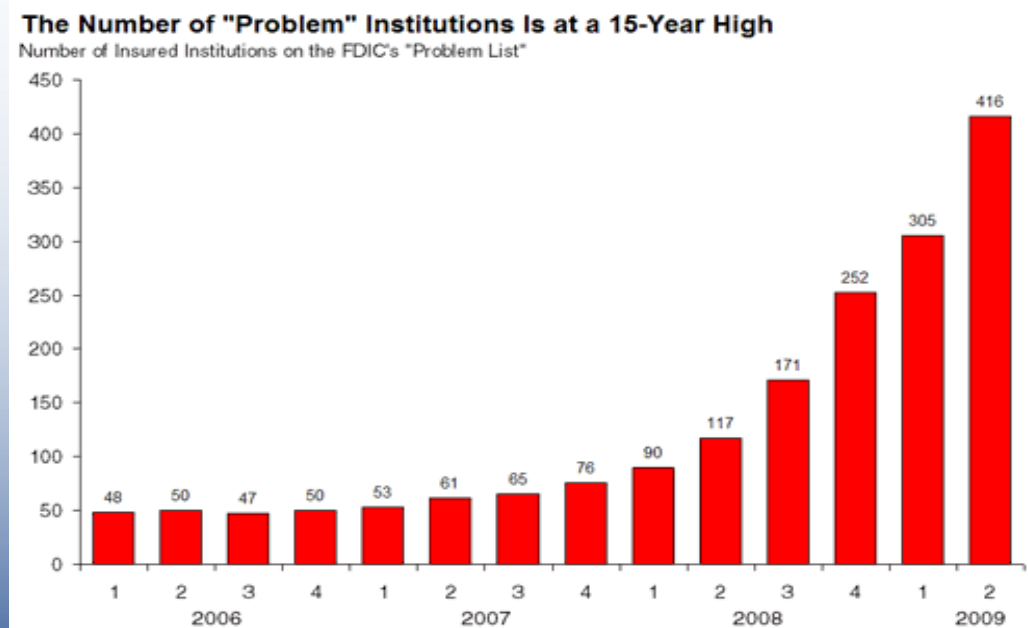
**8<sup>th</sup> Annual Regional & Community Bankers' Conference**  
Supervisory Perspectives

Federal Reserve Bank of Boston  
October 1, 2009  
Jim Nolan  
Senior Vice President  
Supervision, Regulation & Credit



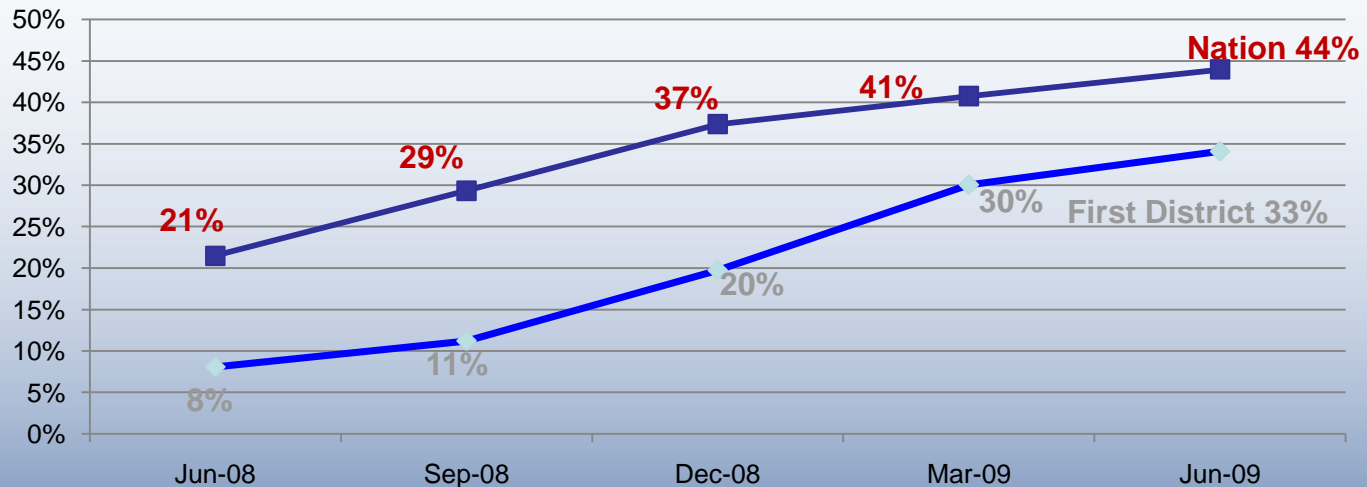
# Banking Conditions - Ratings

- Problem institutions at 15-year high nationally
- First District better than nation but showing deterioration
  - 93.5% satisfactory or better vs. 82.4% nationally



# Banking Conditions - Projections

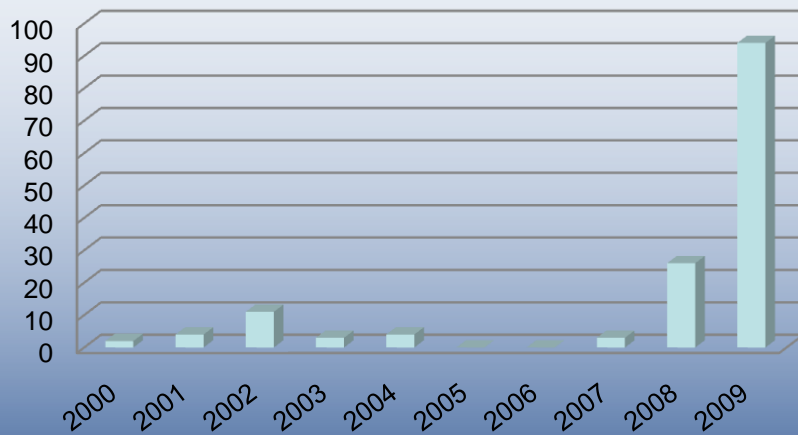
- Performance indices suggest more deterioration
  - Based on quantitative metrics, 33% of FD banks have weakened profile vs. 44% national
  - Proportion of weakened FD banks increasing more sharply



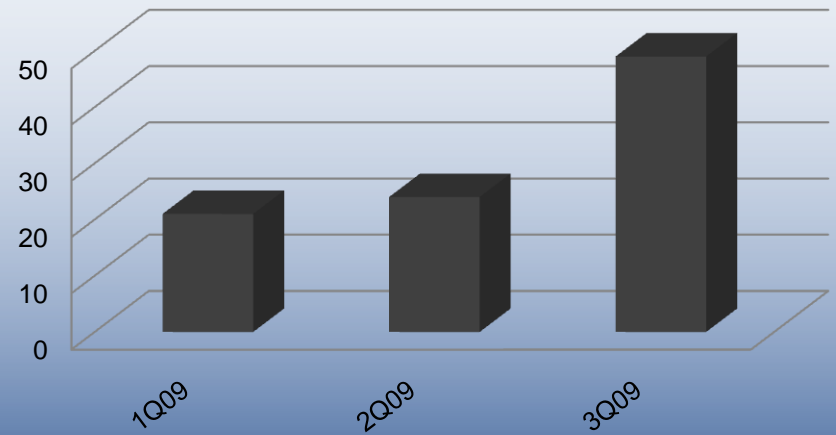
# Banking Conditions - Failures

- Failures nationally spiked significantly in 2009
- The number of failures have continued to increase during 2009
- No First District failures since 2002

**Bank Failures since 2000**



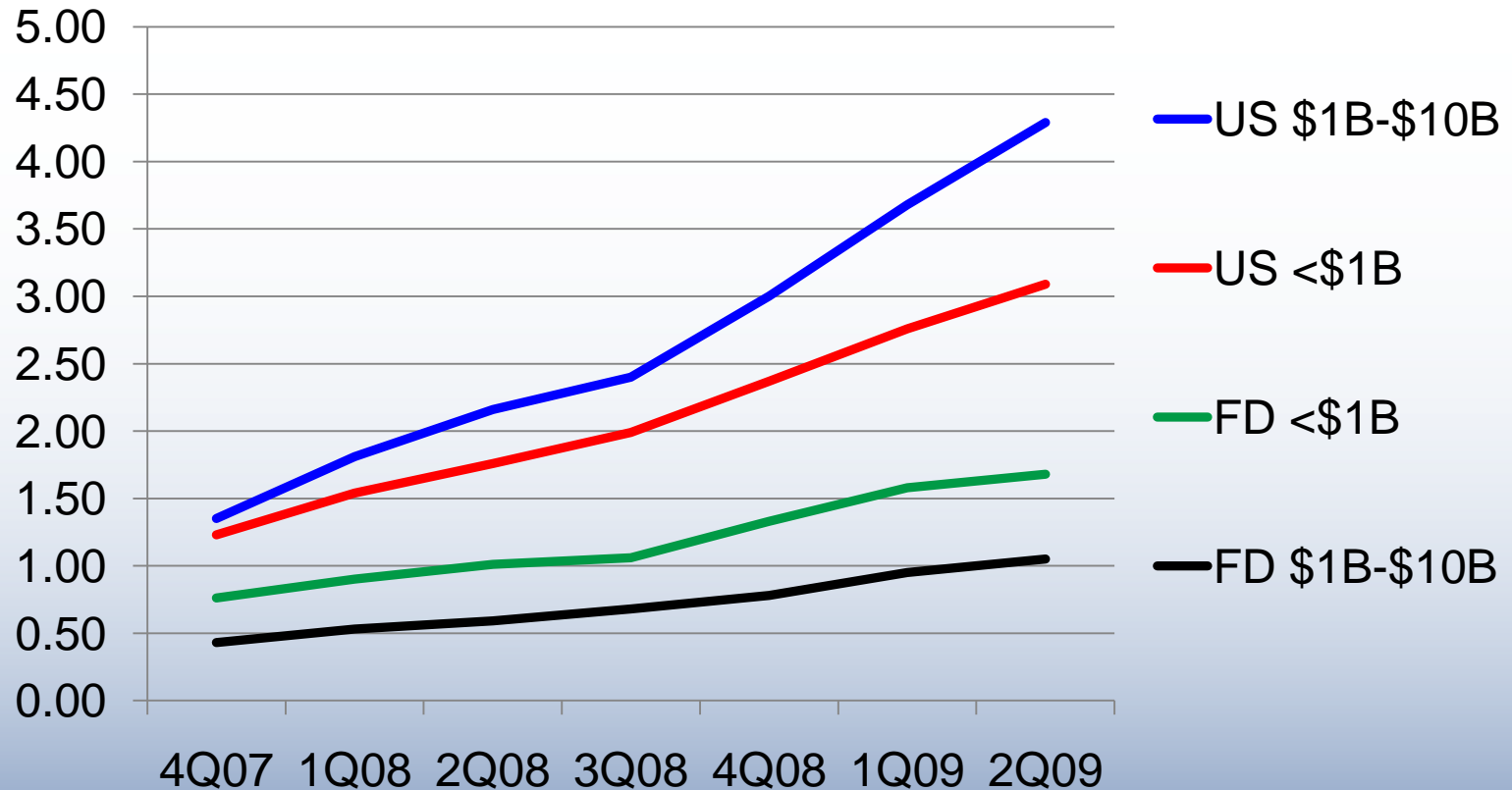
**Bank Failures 2009**



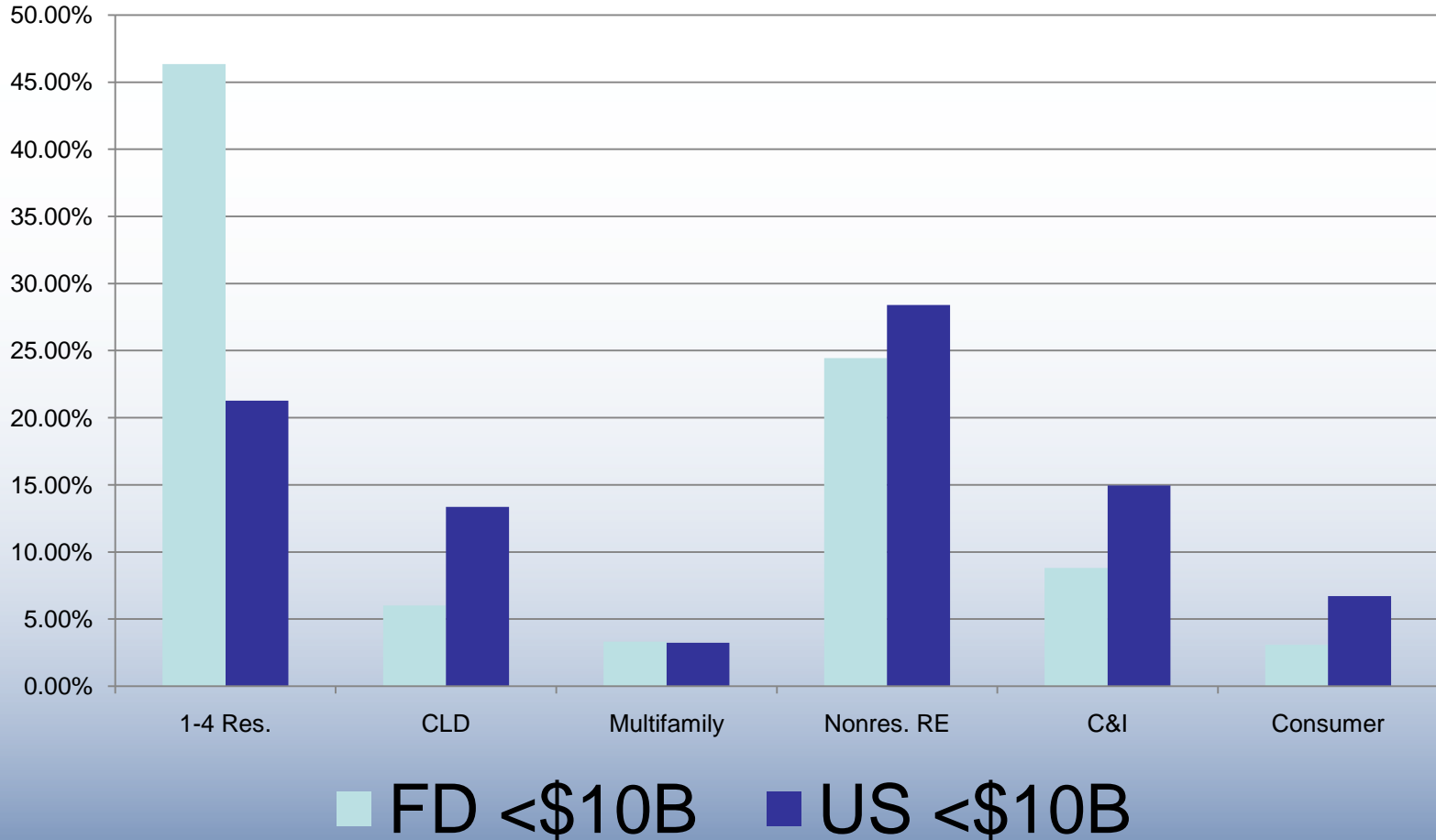
# Common Themes Nationwide

- **Asset Quality**
  - Quarterly charge-offs at record high
  - Noncurrent loans increased for 13<sup>th</sup> consecutive quarter to record level
  - Associated provisions largely responsible for earnings problems (overall industry loss)
- **Noncore Funding**
  - Peaked late in 2008; more recent declines may be short-lived
- **First District experience is similar**

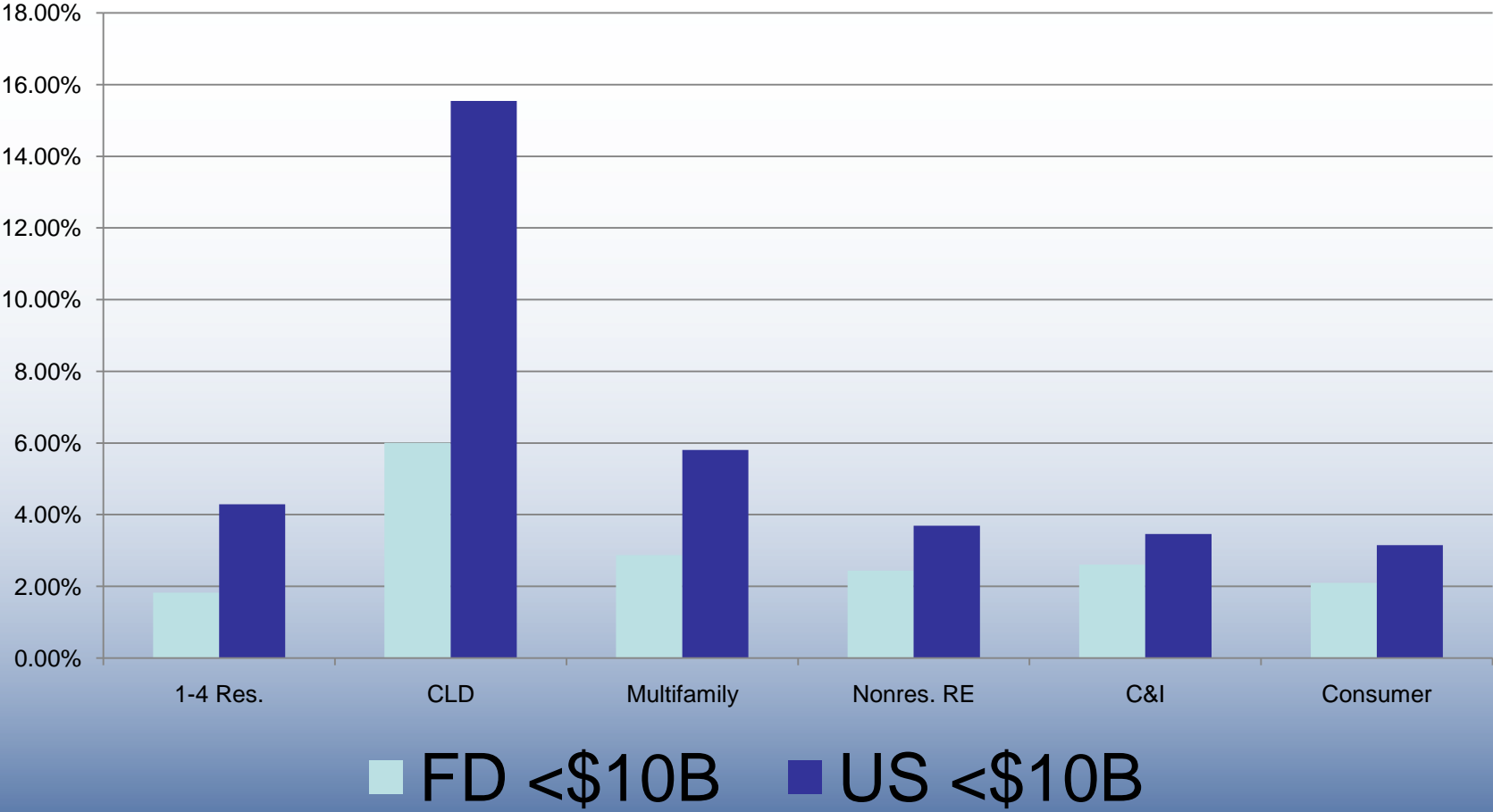
# Noncurrent Loans to Total Loans



# Major Loan Categories

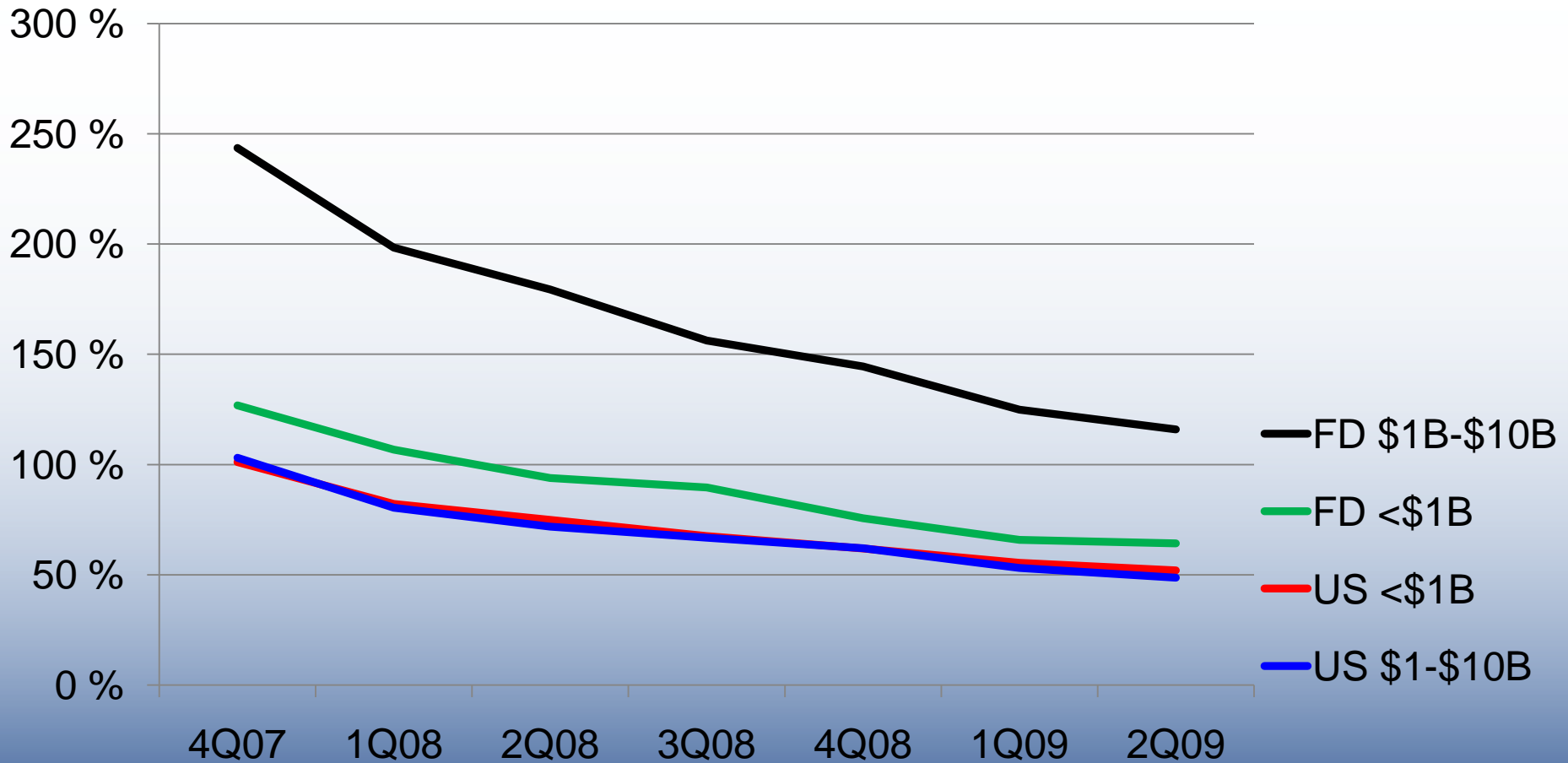


# Noncurrent Loans by Category



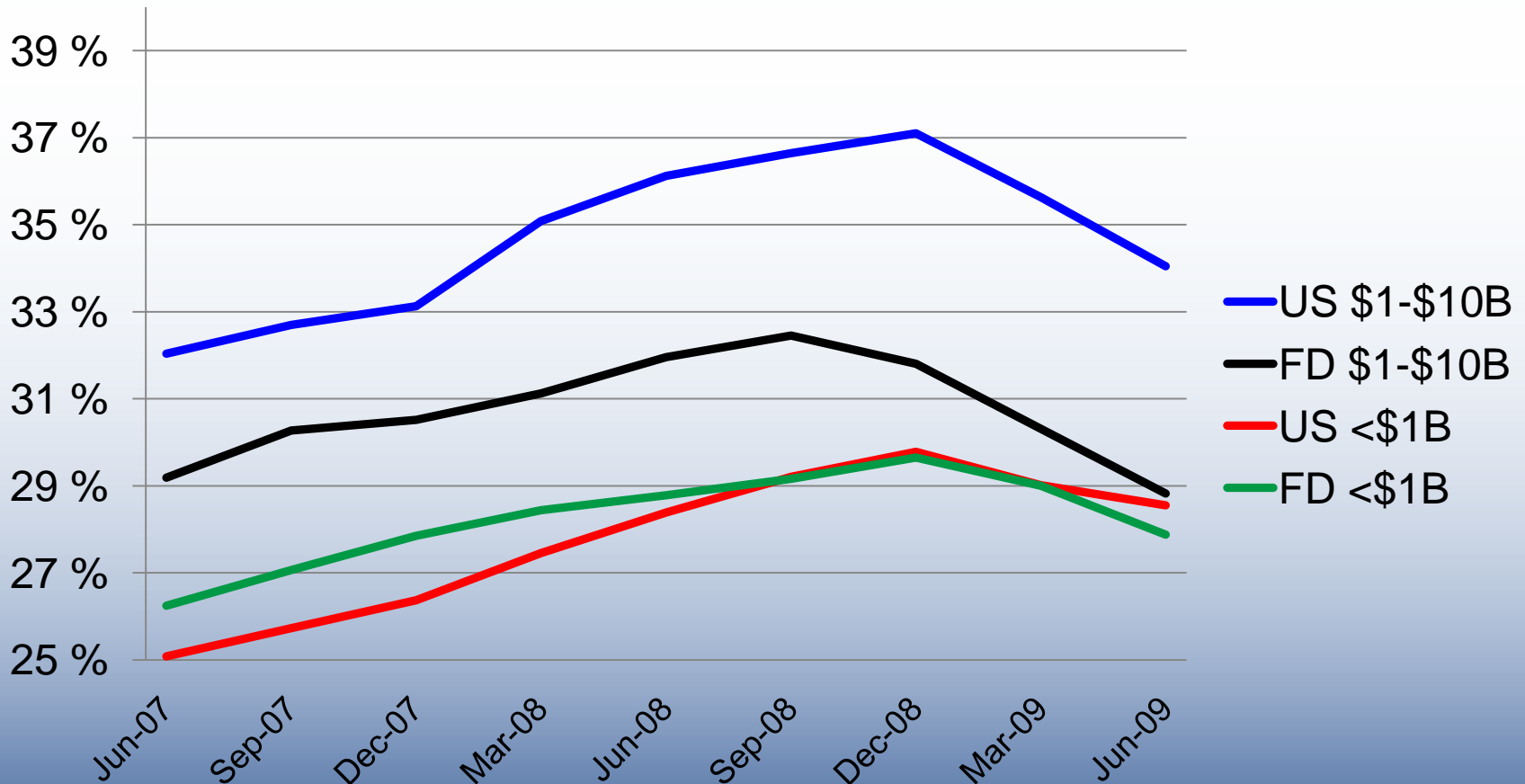


# ALLL to Noncurrent Loans



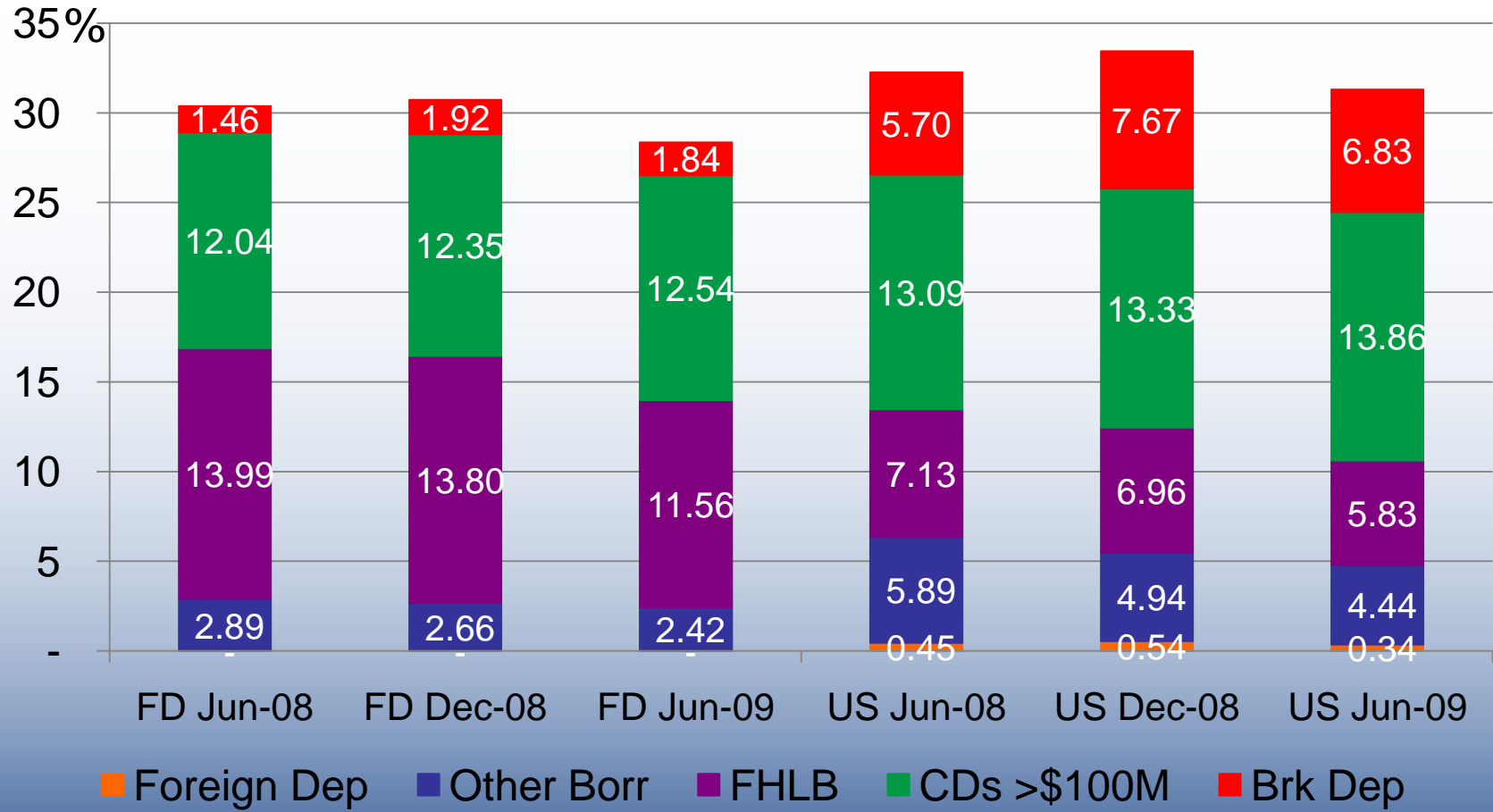
# Noncore Funding as a % of Assets

## First District vs. U.S. by size



# Noncore Funding Composition

First District vs. US Banks <\$10 Billion



# What are we focused on?

- Accelerating field work based on surveillance
- Evaluating loan quality
  - Management of CRE portfolios
  - Real estate collateral evaluation processes
  - Loan loss reserves
- Assessing liquidity and interest rate risk management
  - Funding sources
  - Capital planning and dividend policies

# Questions

