

Community Banks Are Still on the Road to Recovery

- Return on assets (ROAs) remain subdued at community banks nationwide.
 - Small community banks (<\$1 billion) are still only halfway back to pre-crisis profitability level.
 - Large community banks (between \$1 and \$10 billion) are two-thirds of the way back to pre-crises profitability level.
- Real estate problems remain a key challenge for 8th District banks, especially larger community banks.
 - The average problem real estate loan ratio for 8th District banks is below the national average.
 - But our ratios are comparable to community bank peer groups nationwide.
- A full recovery is not yet in sight.



Average ROA at Large Community Banks Topped Other Banks Before the Crisis

Return on Average Assets (Percent)

	Average during 2000-2006		
All commercial banks nationwide	1.30 %		
Small community banks (<\$1 billion)	1.18 %		
Large community banks (between \$1 and \$10 billion)	1.36 %		
Large banks (>\$10 billion)	1.32 %		

Source: Federal Reserve Board



But High Real Estate Lending Returns Turned Into Losses

Return on Average Assets (Percent)

	Average during 2000-2006	Average during 2007-2010	
All commercial banks nationwide	1.30 %	0.40 %	
Small community banks (<\$1 billion)	1.18 %	0.40 %	
Large community banks (between \$1 and \$10 billion)	1.36 %	0.16 %	
Large banks (>\$10 billion)	1.32 %	0.43 %	

Source: Federal Reserve Board



Community Banks of all Sizes now Lagging the ROA Recovery

Return on Average Assets (Percent)

	Average during 2000-2006	Average during 2007-2010	2011
All commercial banks nationwide	1.30 %	0.40 %	0.90 %
Small community banks (<\$1 billion)	1.18 %	0.40 %	0.60 %
Large community banks (between \$1 and \$10 billion)	1.36 %	0.16 %	0.88 %
Large banks (>\$10 billion)	1.32 %	0.43 %	0.94 %

Source: Federal Reserve Board

Small Banks Are Halfway Back, Large Community Banks Are Two-Thirds of the way Back to Normal

Level Relative to Average 2000-2006 ROA (Percent)

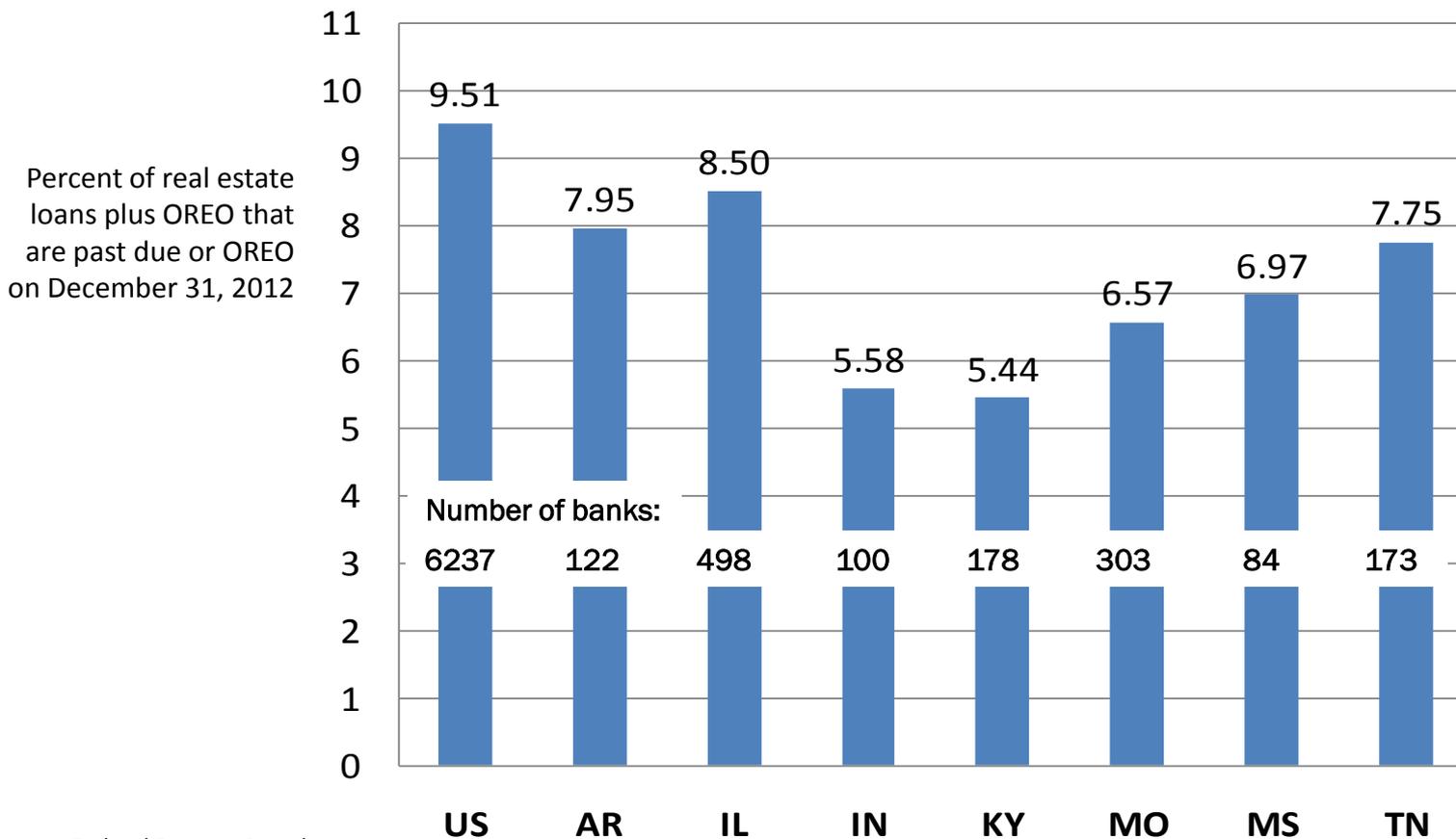
	Baseline of 2000-2006	Level during 2007-2010	Level during 2011
All commercial banks nationwide	100 %	30.7 %	69.0 %
Small community banks (<\$1 billion)	100 %	33.4 %	50.8 %
Large community banks (between \$1 and \$10 billion)	100 %	11.7 %	64.6 %
Large banks (>\$10 billion)	100 %	32.2 %	71.3 %

Source: Federal Reserve Board



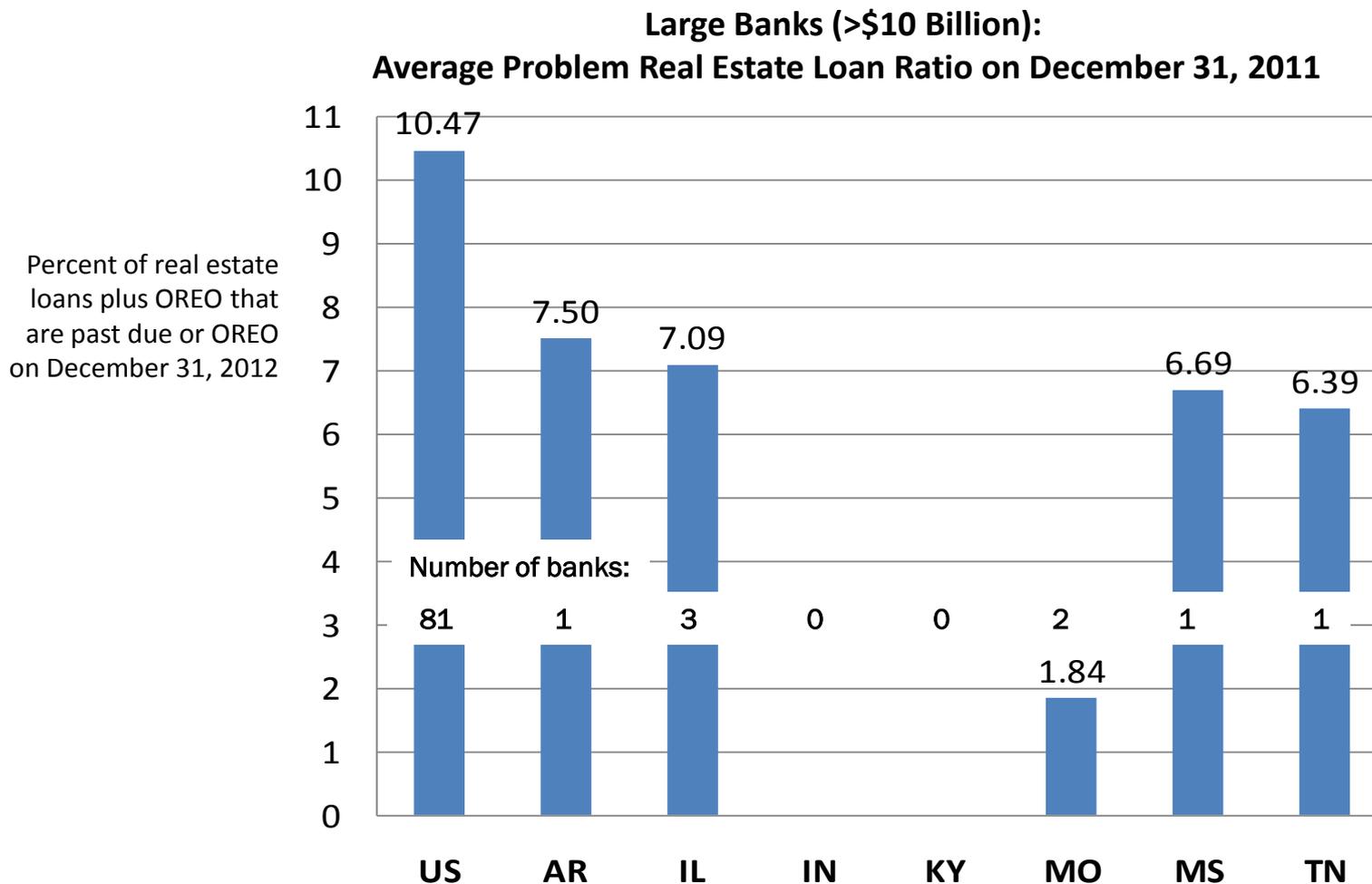
All 8th District States Have Below-Average Problem Real Estate Loan Levels

All Banks:
Average Problem Real Estate Loan Ratio on December 31, 2011



Source: Federal Reserve Board

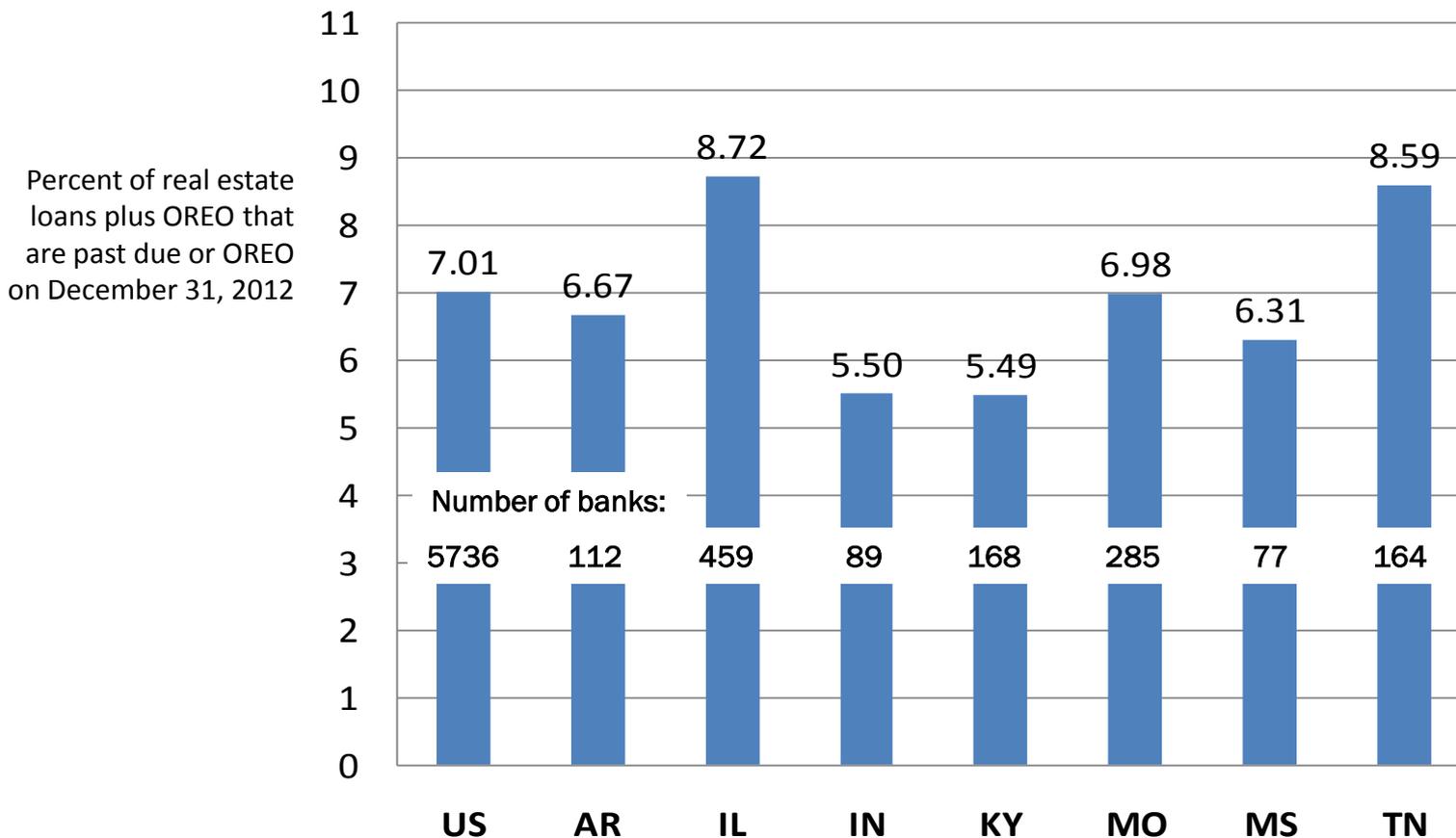
But That's Because We Have few Large Banks, Where the Biggest Problems Exist



Source: Federal Reserve Board

Small Community Banks in IL and TN Have Above-Average Real Estate Problems

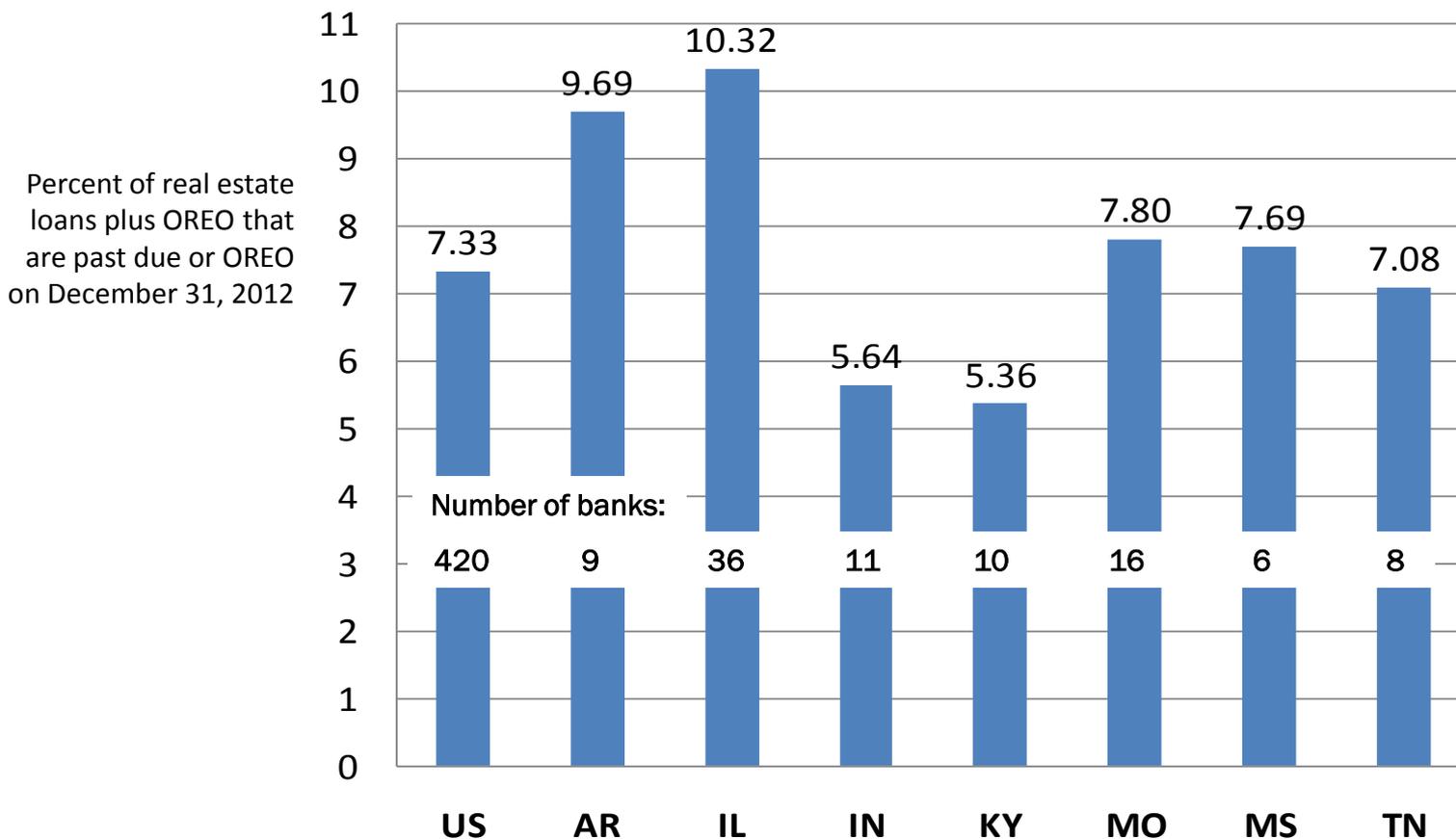
Small Community Banks (<\$1 Billion):
Average Problem Real Estate Loan Ratio on December 31, 2011



Source: Federal Reserve Board

Large Community Banks in AR, IL, MO, and MS Have Above-Average Real Estate Problems

Large Community Banks (Between \$1 and \$10 Billion):
Average Problem Real Estate Loan Ratio on December 31, 2011



Source: Federal Reserve Board

In sum: Community Banks Still on the Road to Recovery in 8th District States

- ROAs remain subdued at community banks nationwide.
- Real estate problems remain a key challenge for 8th District banks, especially larger community banks.
- Scarcity of large banks based in our district hides the extent of our problems.
- A full recovery is not yet in sight in the 8th District or nationwide.

