

Notable Trends in Arkansas Banking and “Report Card” for Banks in State



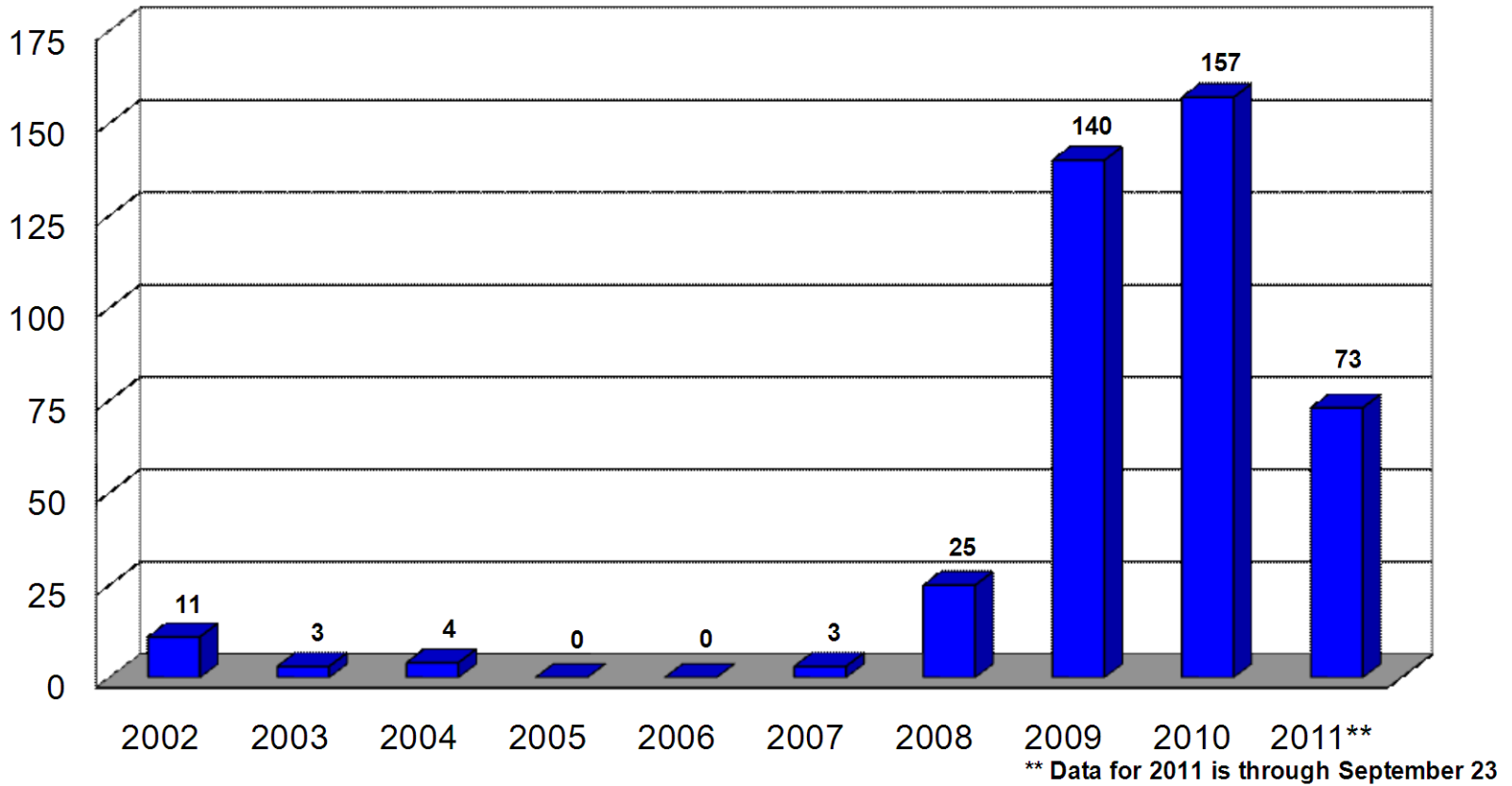
- Candace A. Franks
- Commissioner
- Arkansas State Bank Department
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- <http://www.arkansas.gov/bank/>

- House/Senate Financial Institutions subcommittees
- Brewer-Hegeman Conference Center - UCA
- Conway, Arkansas
- September 27, 2011

Number of Failures of FDIC-insured Financial Institutions

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011**
11	3	4	0	0	3	25	140	157	73

Number of Financial Institution Failures



Data includes FDIC-insured financial institutions, including savings associations.
Source: Federal Deposit Insurance Corporation.

Role of State Bank Department

- Regulatory and chartering authority for banks choosing an Arkansas state charter.
- Regulatory: Ensure that state-chartered banks are operated in a sound manner.
- Chartering: Review new-bank applications.
- Other applications reviewed: Branch office; change in control; main office relocation.
- Promulgate rules and regulations.
- Ensure credit needs of communities are met.

What our bank examiners do

Safety and Soundness

- Evaluate the quality of overall risk management.
- Assess capital adequacy, asset quality, earnings performance, liquidity and sensitivity to interest rate risk.
- Review policies and procedures, and adherence to policies.
- Check for compliance with laws and regulations.
- Determine if internal controls and audit program are adequate.

What our bank examiners do

Information Systems

- Management and board oversight
 - ✓ Internal risk assessment processes
 - ✓ Adequacy of policies and procedures
 - ✓ Vendor management
 - ✓ Information security
- Audit program
- Development and acquisition
- Support and delivery
 - ✓ Data security
 - ✓ Business continuity planning

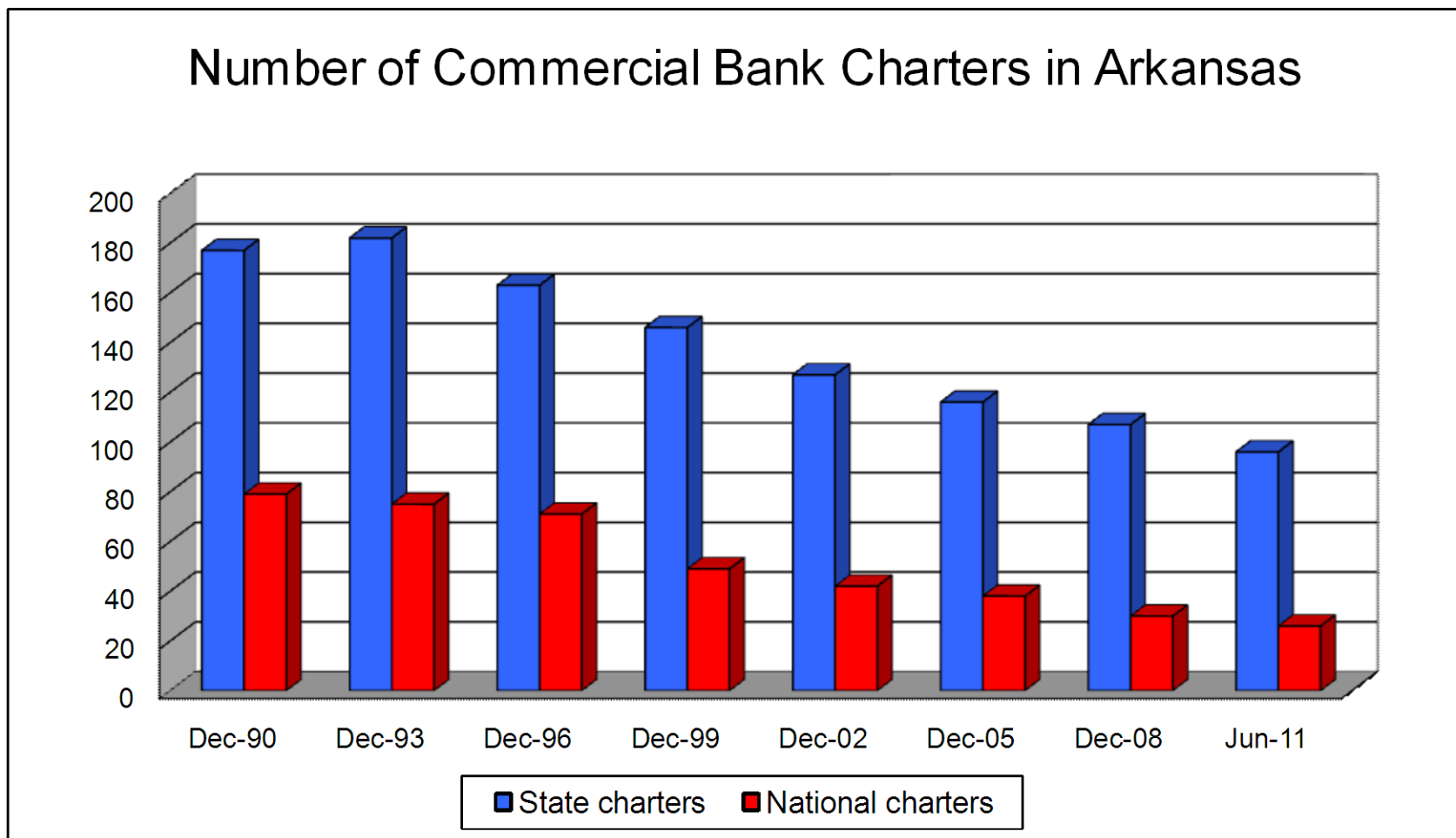
What our bank examiners do

Trust

- Management and board oversight
 - ✓ Conformance with Statement of Principles of Trust Department Management
 - ✓ Adequacy of policies and procedures
 - ✓ Supervision of trust department accounts and trust investments
 - ✓ Documentation of actions, including committee minutes
- Operations, internal controls and auditing
- Analysis of fiduciary earnings
- Compliance
 - ✓ Overall account administration
 - ✓ Governing account instruments, laws, regulations and regulatory policies
- Asset management

Number of Commercial Bank Charters Based in Arkansas

	Dec-90	Dec-93	Dec-96	Dec-99	Dec-02	Dec-05	Dec-08	Jun-11
State charters	177	182	163	146	127	116	107	96
National charters	79	75	71	49	42	38	30	26
Total	256	257	234	195	169	154	137	122

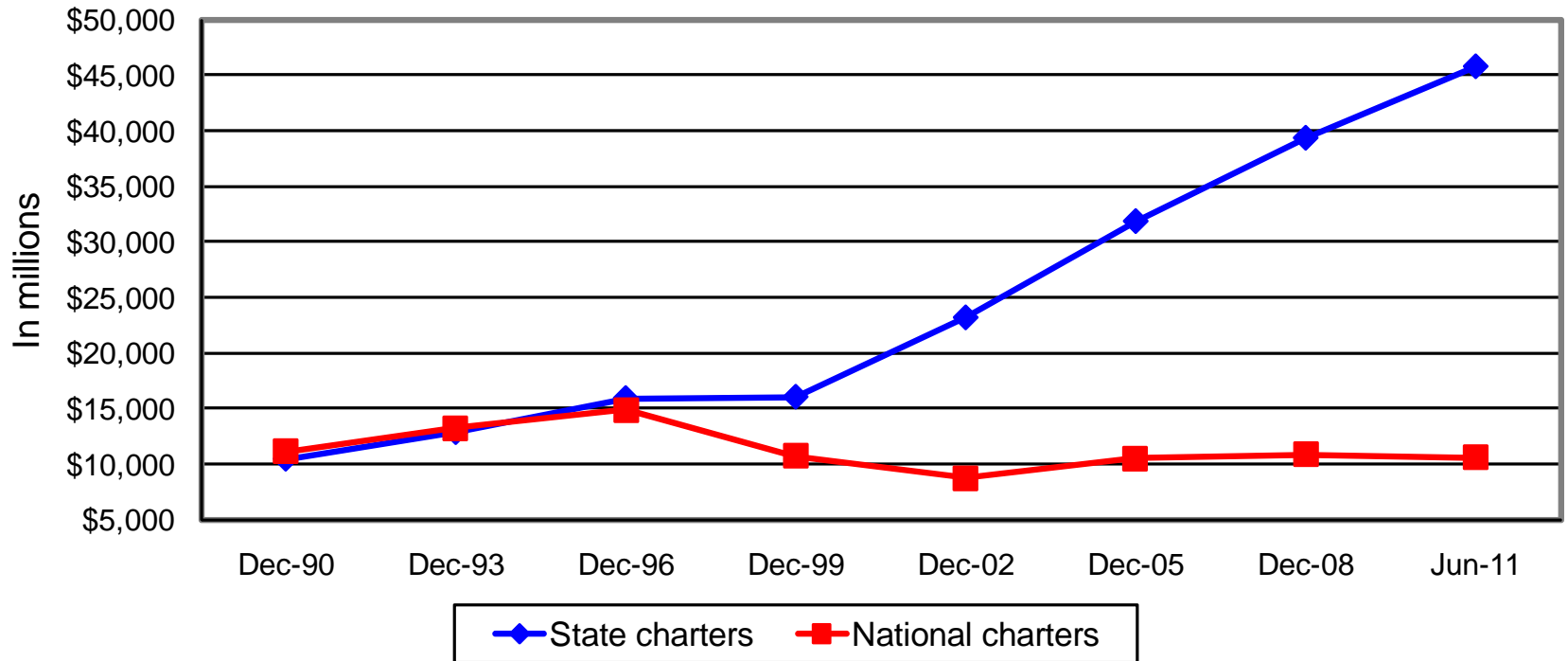


Data is for FDIC-insured commercial banks based in Arkansas. Out-of-state banks are not included.
 Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

Assets in Commercial Banks Based in Arkansas (in millions)

	Dec-90	Dec-93	Dec-96	Dec-99	Dec-02	Dec-05	Dec-08	Jun-11
State charters	\$10,421	\$12,819	\$15,880	\$16,002	\$23,137	\$31,803	\$39,301	\$45,732
National charters	\$11,080	\$13,232	\$14,841	\$10,723	\$8,738	\$10,521	\$10,854	\$10,528
Total	\$21,501	\$26,051	\$30,721	\$26,725	\$31,875	\$42,324	\$50,155	\$56,260

Assets in Arkansas Commercial Banks



Data is for FDIC-insured commercial banks based in Arkansas. Assets of out-of-state banks are not included.
 Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

Ten Largest Financial Institutions With Headquarters in Arkansas

June 30, 2011

Institution	Main office	Total assets In thousands
Arvest Bank	Fayetteville	\$11,964,165
Bank of the Ozarks	Little Rock	\$4,007,978
First Security Bank	Searcy	\$3,785,553
Centennial Bank	Conway	\$3,677,886
Liberty Bank of Arkansas	Jonesboro	\$2,617,029
Simmons First National Bank	Pine Bluff	\$1,834,458
Metropolitan National Bank	Little Rock	\$1,176,383
Summit Bank	Arkadelphia	\$1,120,219
Southern Bancorp Bank	Arkadelphia	\$1,118,458
The First National Bank of Fort Smith	Fort Smith	\$1,106,438

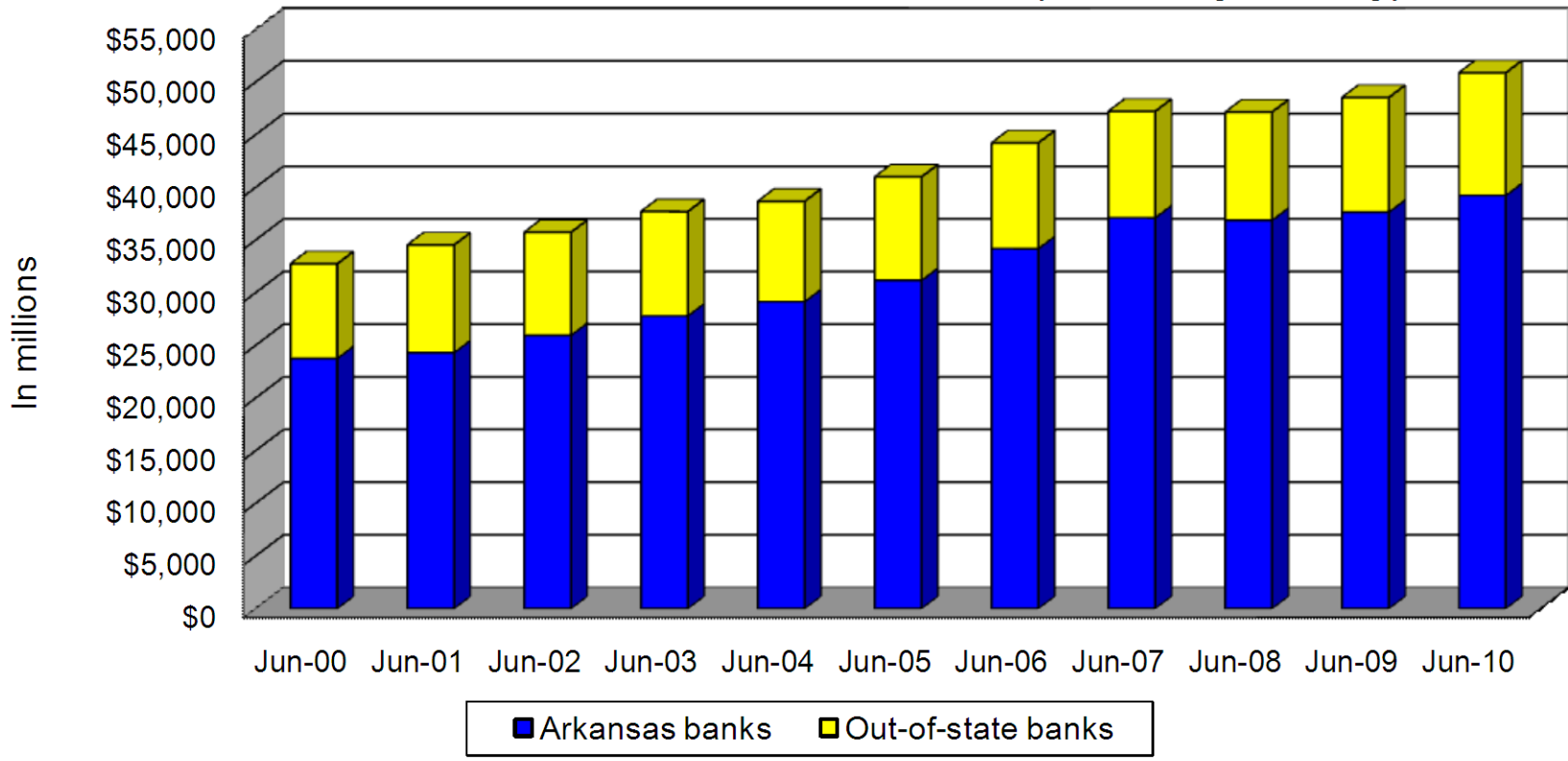
Source: Federal Deposit Insurance Corporation.

Bank Deposits in Arkansas (in millions)

	Jun-00	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Arkansas banks	\$23,756	\$24,307	\$25,952	\$27,798	\$29,153	\$31,174	\$34,190	\$37,116	\$36,879	\$37,654	\$39,237
Out-of-state banks	\$8,988	\$10,229	\$9,778	\$9,902	\$9,529	\$9,821	\$10,030	\$10,107	\$10,269	\$10,884	\$11,641
Total	\$32,744	\$34,536	\$35,730	\$37,700	\$38,682	\$40,995	\$44,220	\$47,223	\$47,148	\$48,538	\$50,878

Bank Deposits in Arkansas

Compound annual growth during period: 4.51%

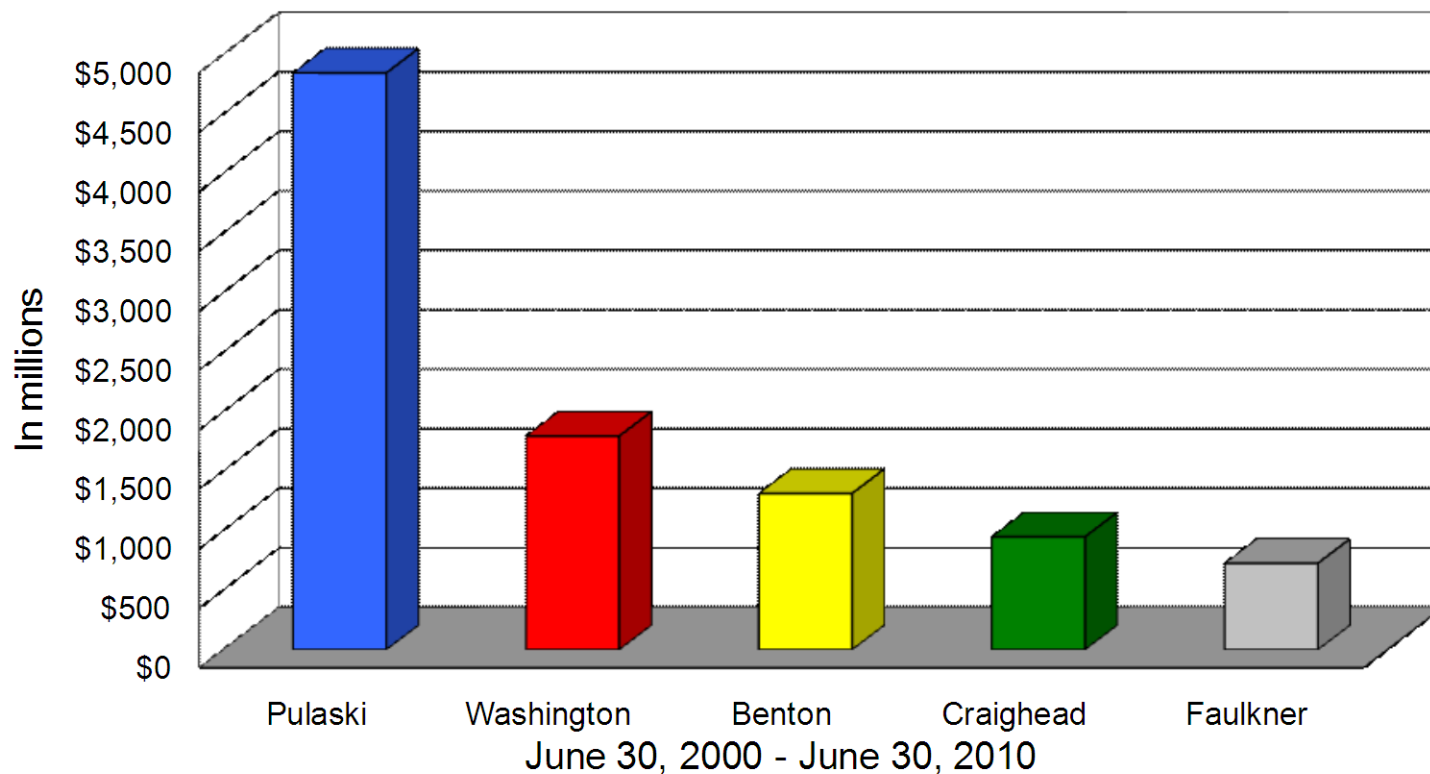


Data compiled for all FDIC-insured financial institutions, including savings associations, with offices in Arkansas.
 Source: Federal Deposit Insurance Corporation/Office of Thrift Supervision Summary of Deposits.

Deposit Growth by County, June 30, 2000, to June 30, 2010 (in millions)

Pulaski	Washington	Benton	Craighead	Faulkner
\$4,845	\$1,794	\$1,312	\$948	\$726

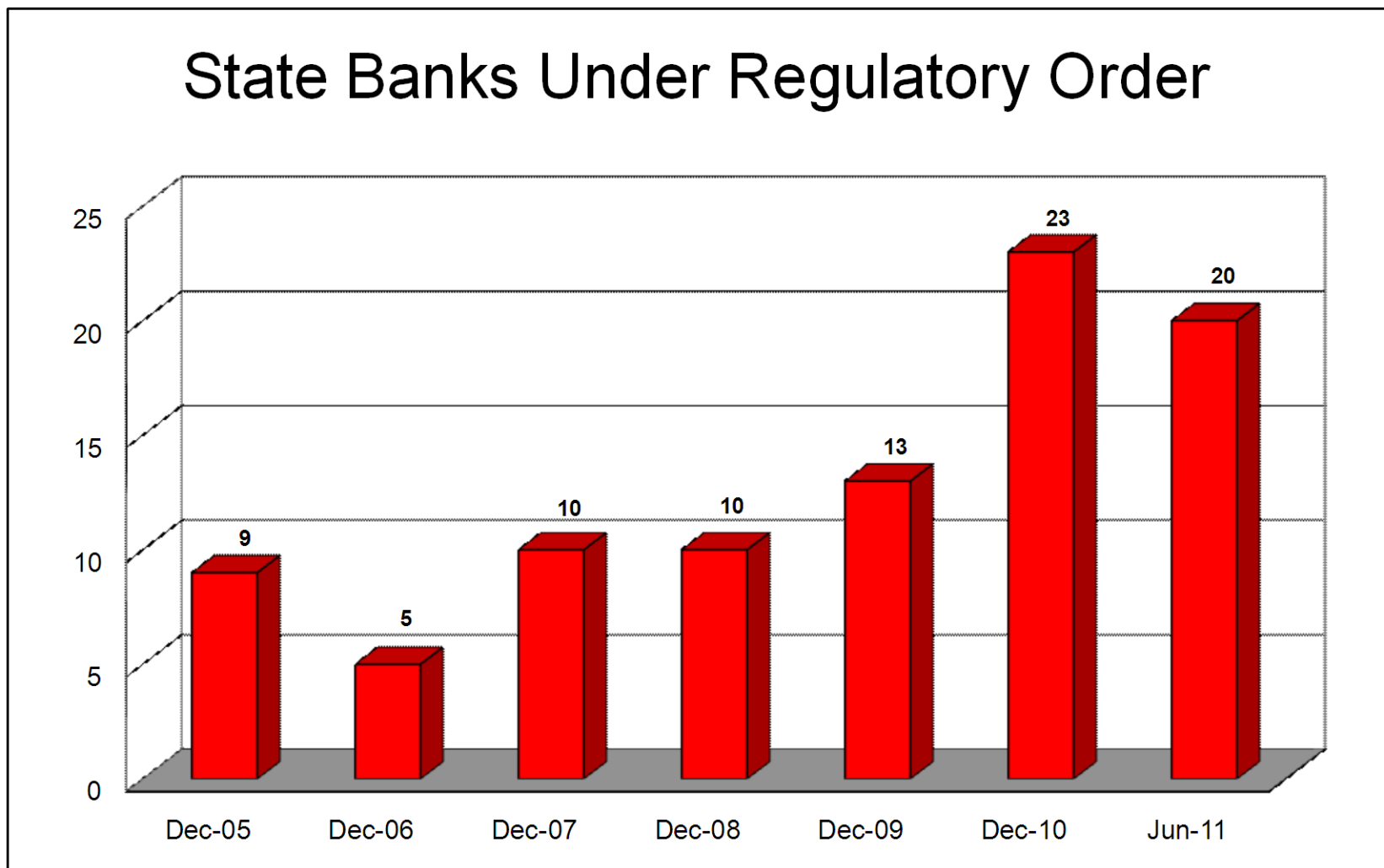
Largest Deposit Increase by County



Data compiled for all FDIC-insured financial institutions, including savings associations, with offices in Arkansas.
Source: Federal Deposit Insurance Corporation/Office of Thrift Supervision Summary of Deposits.

State-chartered Banks Operating Under Enforcement Actions

Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Jun-11
9	5	10	10	13	23	20

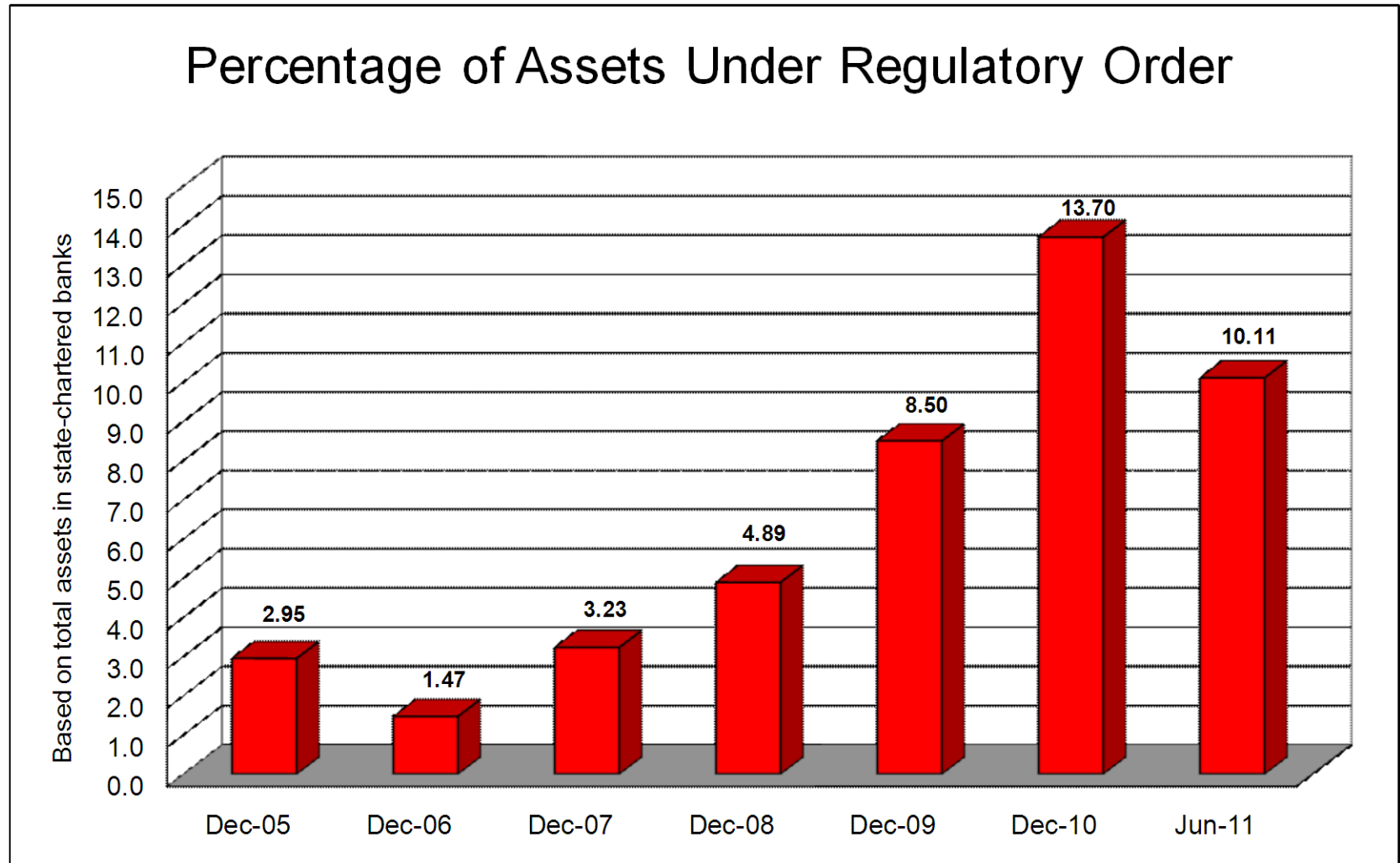


Includes banks for which new or revised orders are pending. Banks under self-imposed board resolutions also are included.

Source: Arkansas State Bank Department.

Percentage of State-chartered Assets Under Enforcement Actions

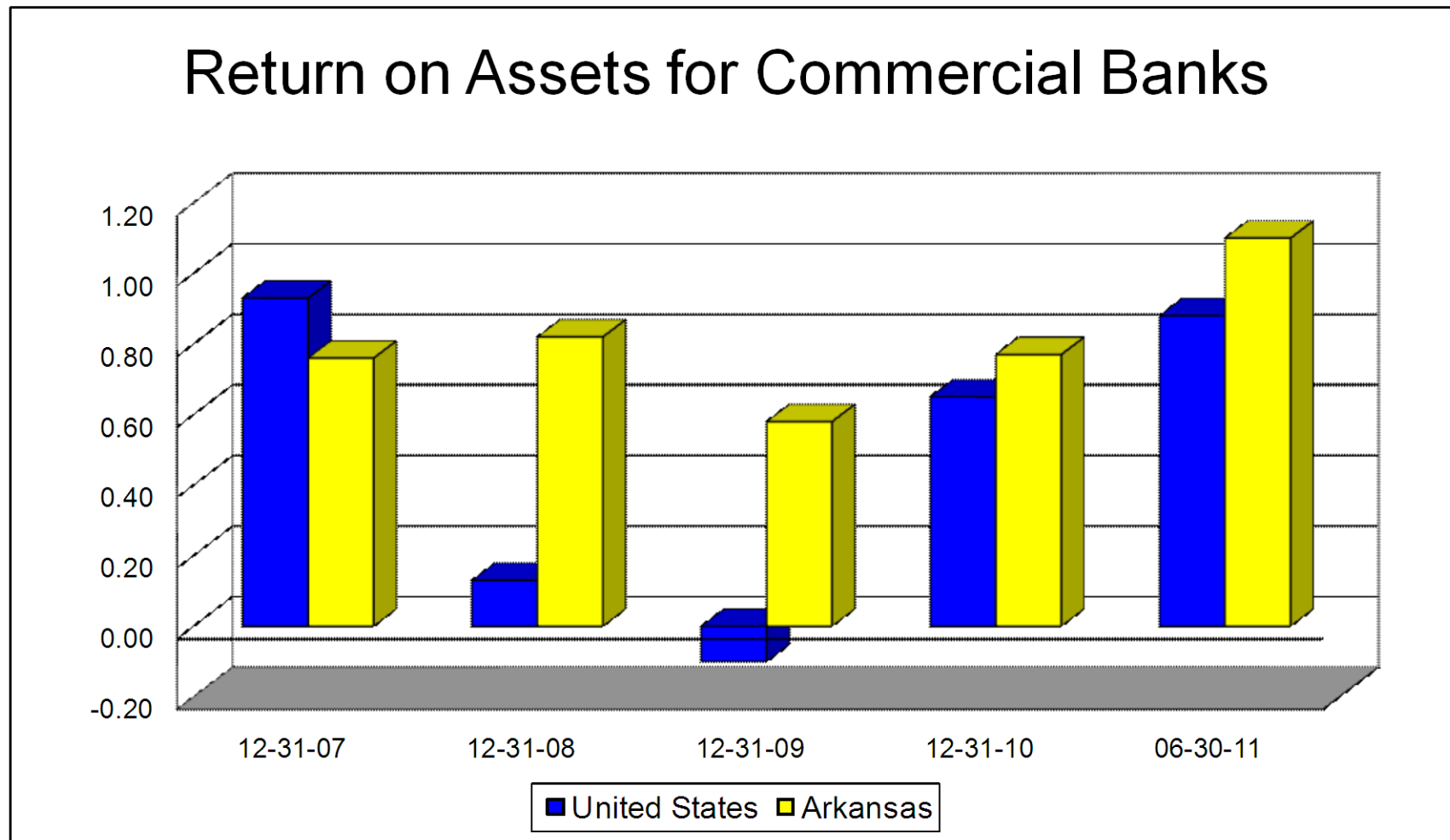
Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Jun-11
2.95	1.47	3.23	4.89	8.50	13.70	10.11



Includes banks for which new or revised orders are pending. Banks under self-imposed board resolutions also are included.
Sources: Arkansas State Bank Department/Federal Deposit Insurance Corporation Statistics on Depository Institutions.

Return on Assets for Commercial Banks

	12-31-07	12-31-08	12-31-09	12-31-10	06-30-11
United States	0.93	0.13	-0.10	0.65	0.88
Arkansas	0.76	0.82	0.58	0.77	1.10



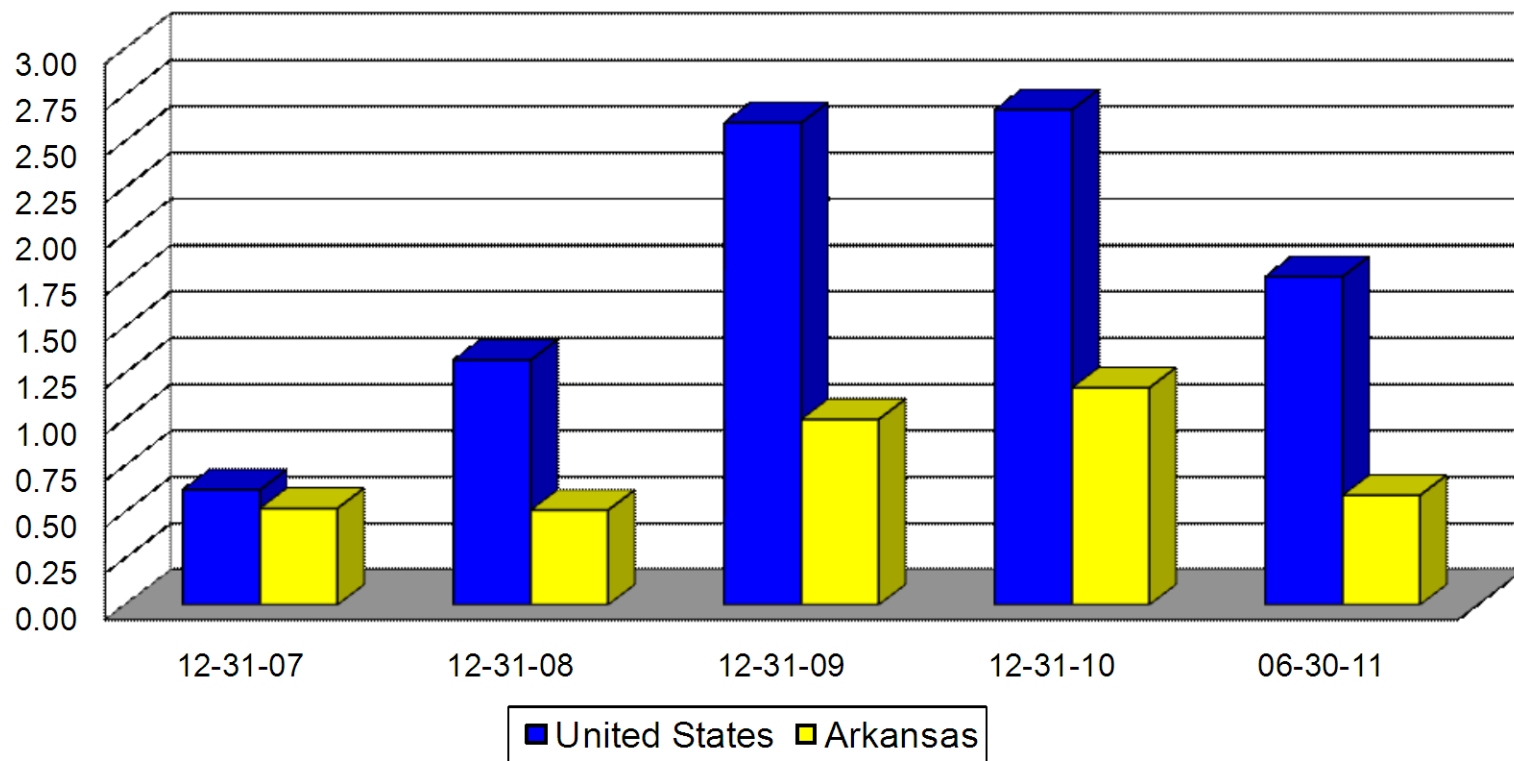
Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Quarterly Banking Profile.

Net Charge-offs to Loans for Commercial Banks

	12-31-07	12-31-08	12-31-09	12-31-10	06-30-11
United States	0.62	1.32	2.60	2.67	1.77
Arkansas	0.52	0.51	1.00	1.17	0.59

Net Charge-offs to Loans

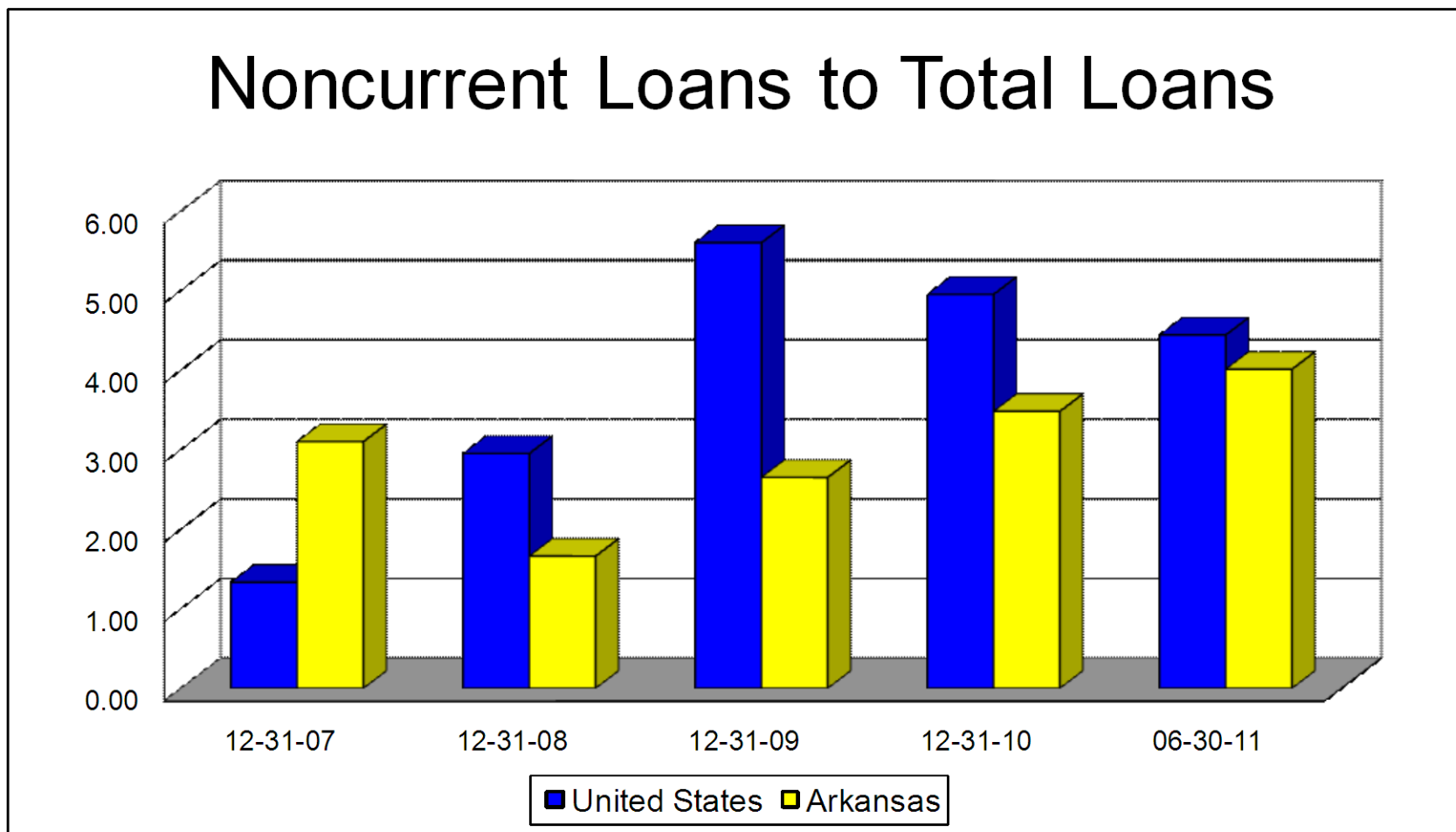


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Quarterly Banking Profile.

Noncurrent Loans to Total Loans for Commercial Banks

	12-31-07	12-31-08	12-31-09	12-31-10	06-30-11
United States	1.33	2.95	5.60	4.95	4.44
Arkansas	3.10	1.66	2.65	3.48	4.01



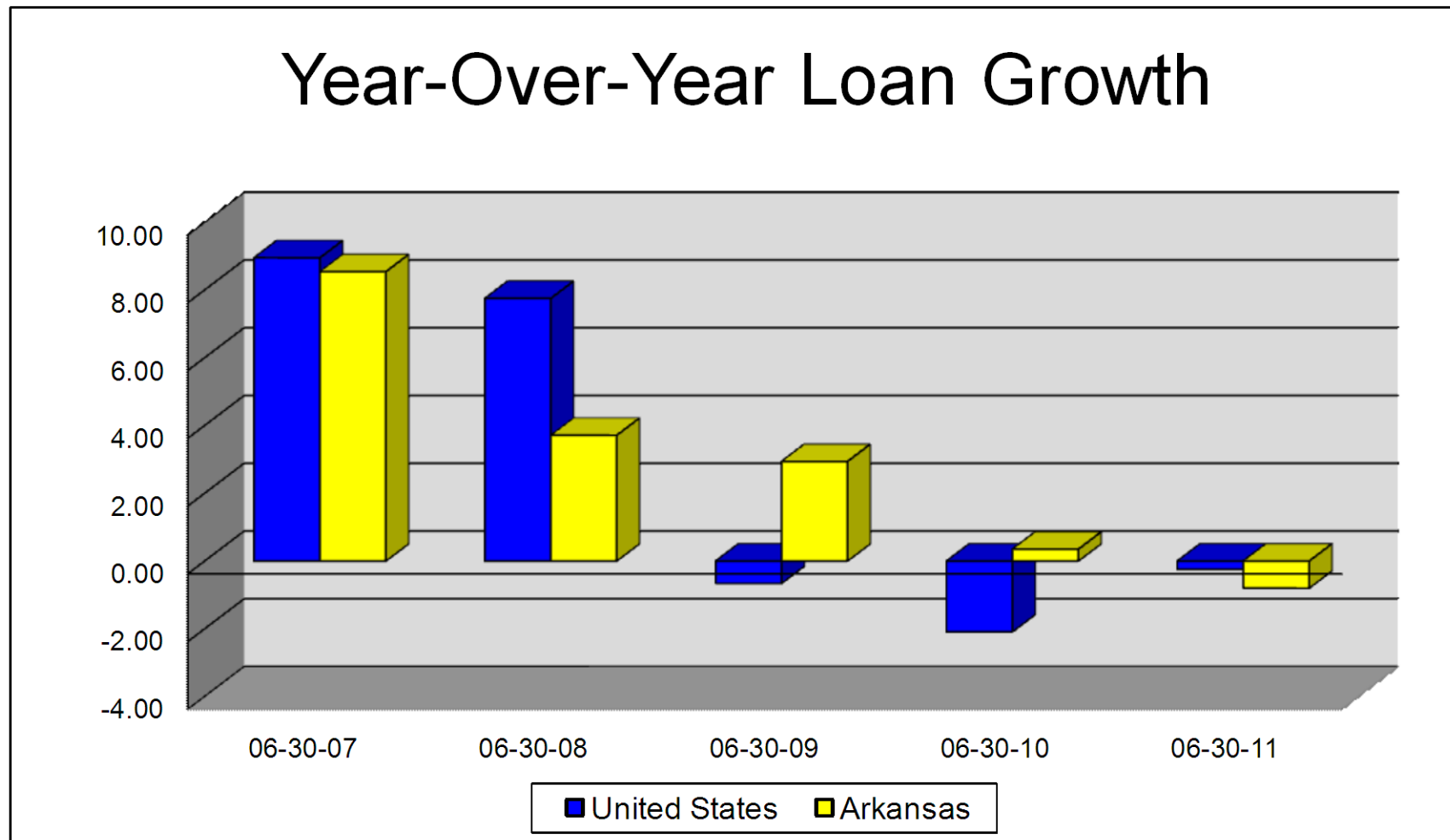
Noncurrent loans are loans and leases 90 days or more overdue and still accruing and loans and leases in nonaccrual status.

Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Quarterly Banking Profile.

Year-Over-Year Net Loan Growth

	06-30-07	06-30-08	06-30-09	06-30-10	06-30-11
United States	8.95	7.75	-0.66	-2.09	-0.24
Arkansas	8.54	3.71	2.94	0.35	-0.80

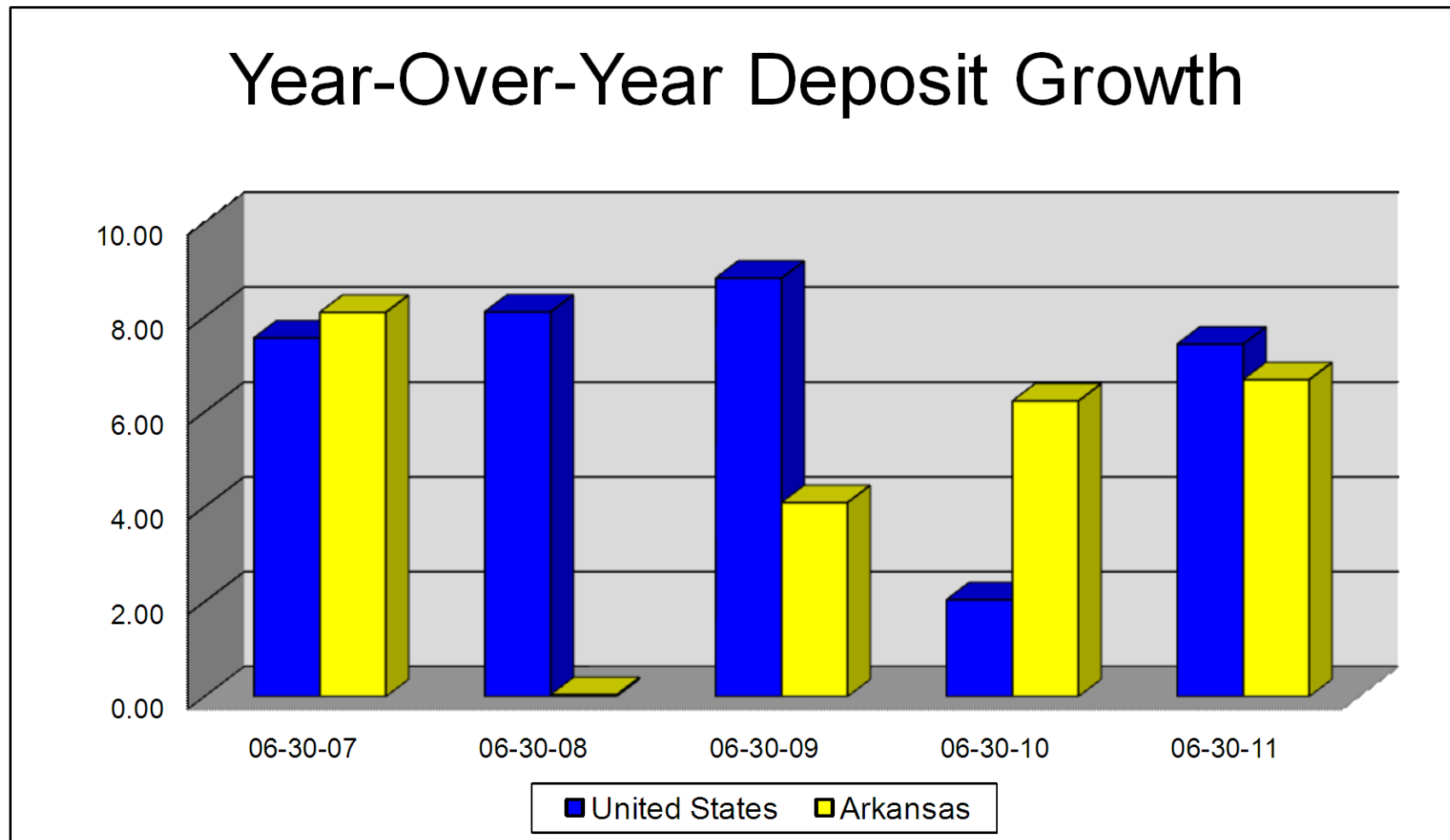


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

Year-Over-Year Net Deposit Growth

	06-30-07	06-30-08	06-30-09	06-30-10	06-30-11
United States	7.56	8.11	8.82	2.04	7.43
Arkansas	8.10	0.04	4.09	6.23	6.68

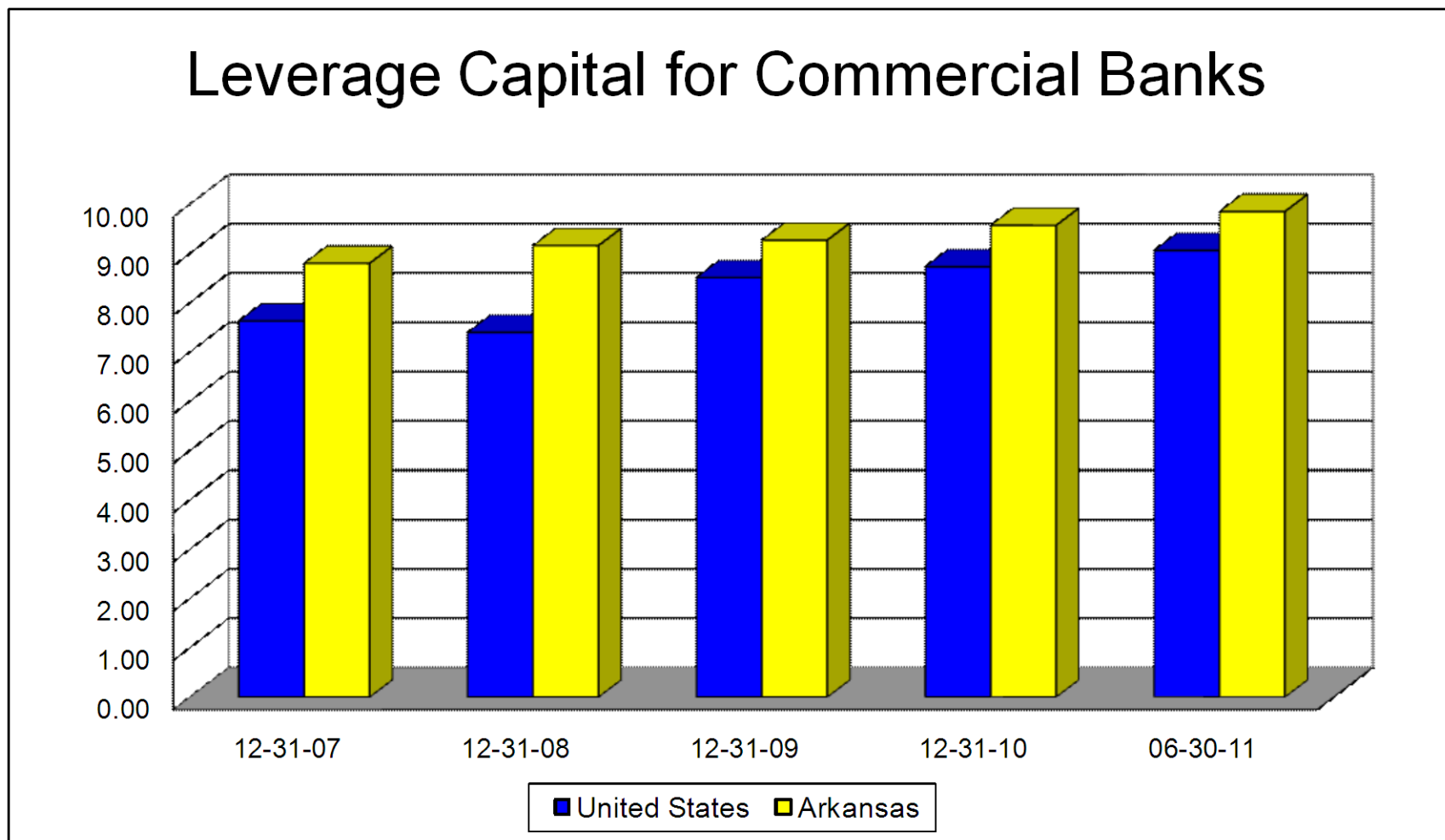


Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Statistics on Depository Institutions.

Tier 1 Leverage Capital for Commercial Banks

	12-31-07	12-31-08	12-31-09	12-31-10	06-30-11
United States	7.63	7.40	8.51	8.73	9.06
Arkansas	8.80	9.16	9.27	9.57	9.85



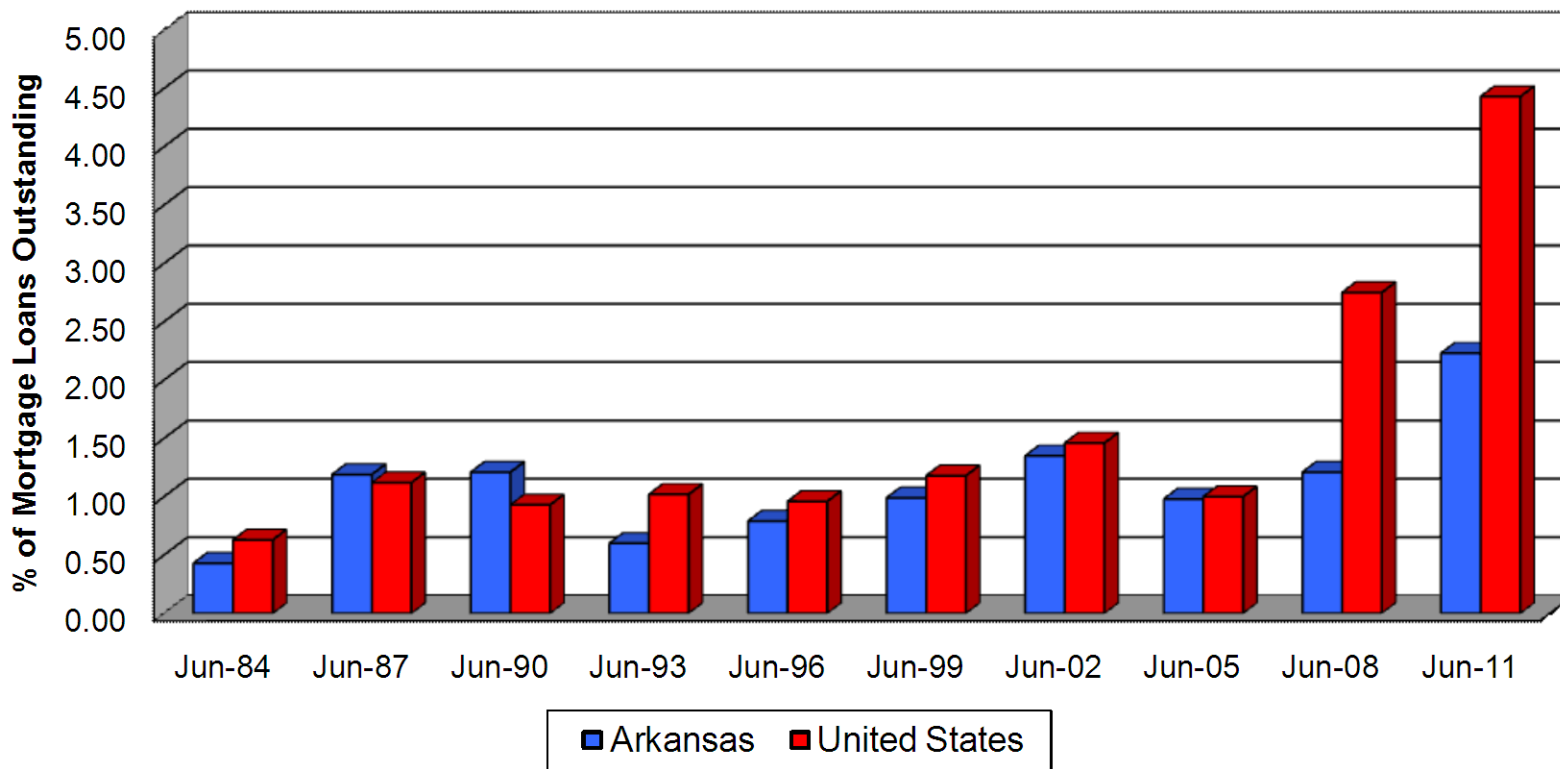
Data is for FDIC-insured commercial banks.

Source: Federal Deposit Insurance Corporation Quarterly Banking Profile.

Mortgage loans in process of foreclosure as a percentage of mortgage loans outstanding

	Jun-84	Jun-87	Jun-90	Jun-93	Jun-96	Jun-99	Jun-02	Jun-05	Jun-08	Jun-11
Arkansas	0.43	1.19	1.21	0.60	0.79	0.99	1.35	0.98	1.21	2.23
United States	0.63	1.12	0.93	1.02	0.96	1.18	1.46	1.00	2.75	4.43

Loans in Process of Foreclosure

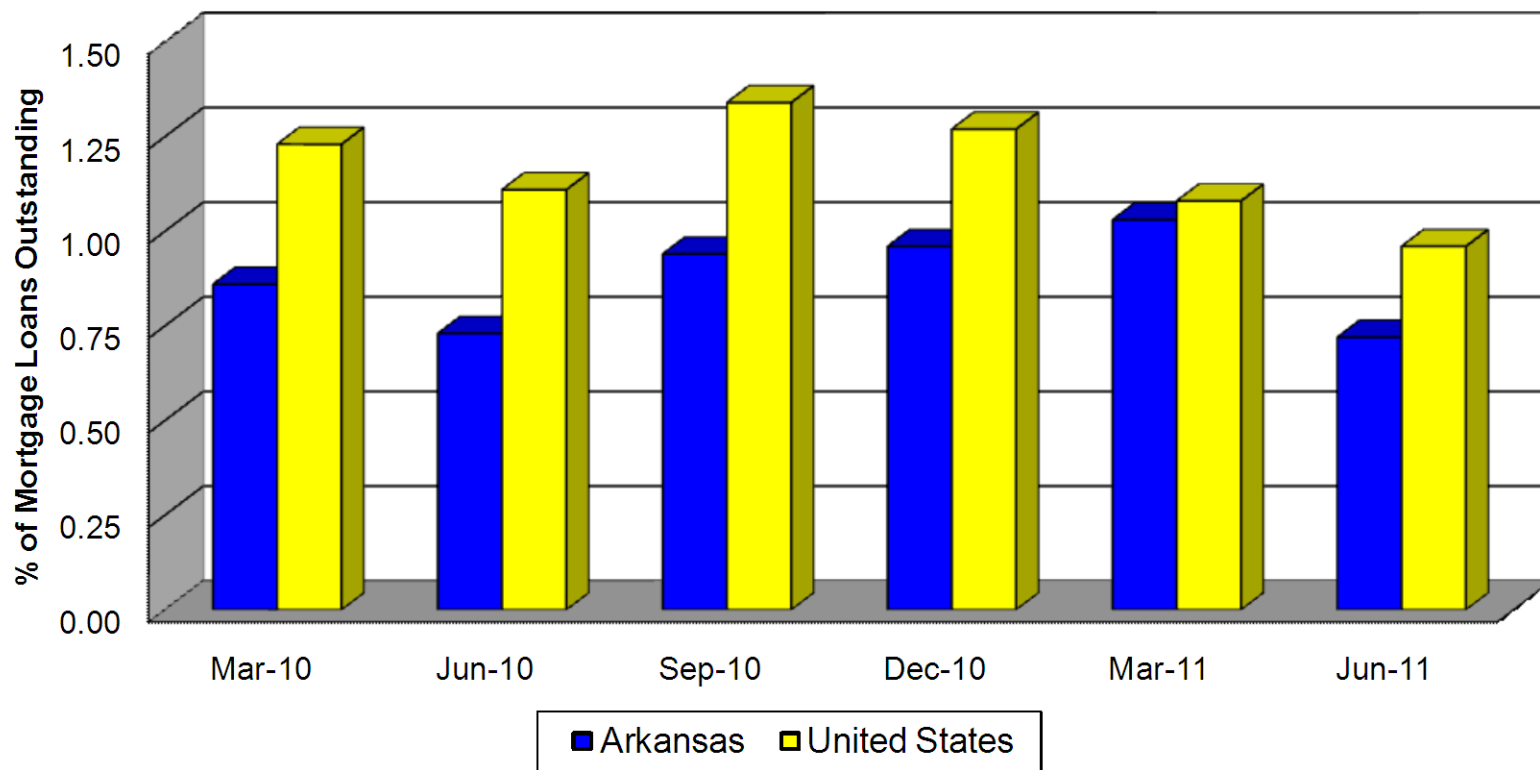


Data consists of the number of first-lien mortgage loans on 1- to 4-unit residential properties that are in process of foreclosure. Data is not seasonally adjusted. Source: National Delinquency Survey © 2011, Mortgage Bankers Association.

Mortgage foreclosures started during quarter as a percentage of mortgage loans outstanding

	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
Arkansas	0.86	0.73	0.94	0.96	1.03	0.72
United States	1.23	1.11	1.34	1.27	1.08	0.96

Mortgage Foreclosures Started

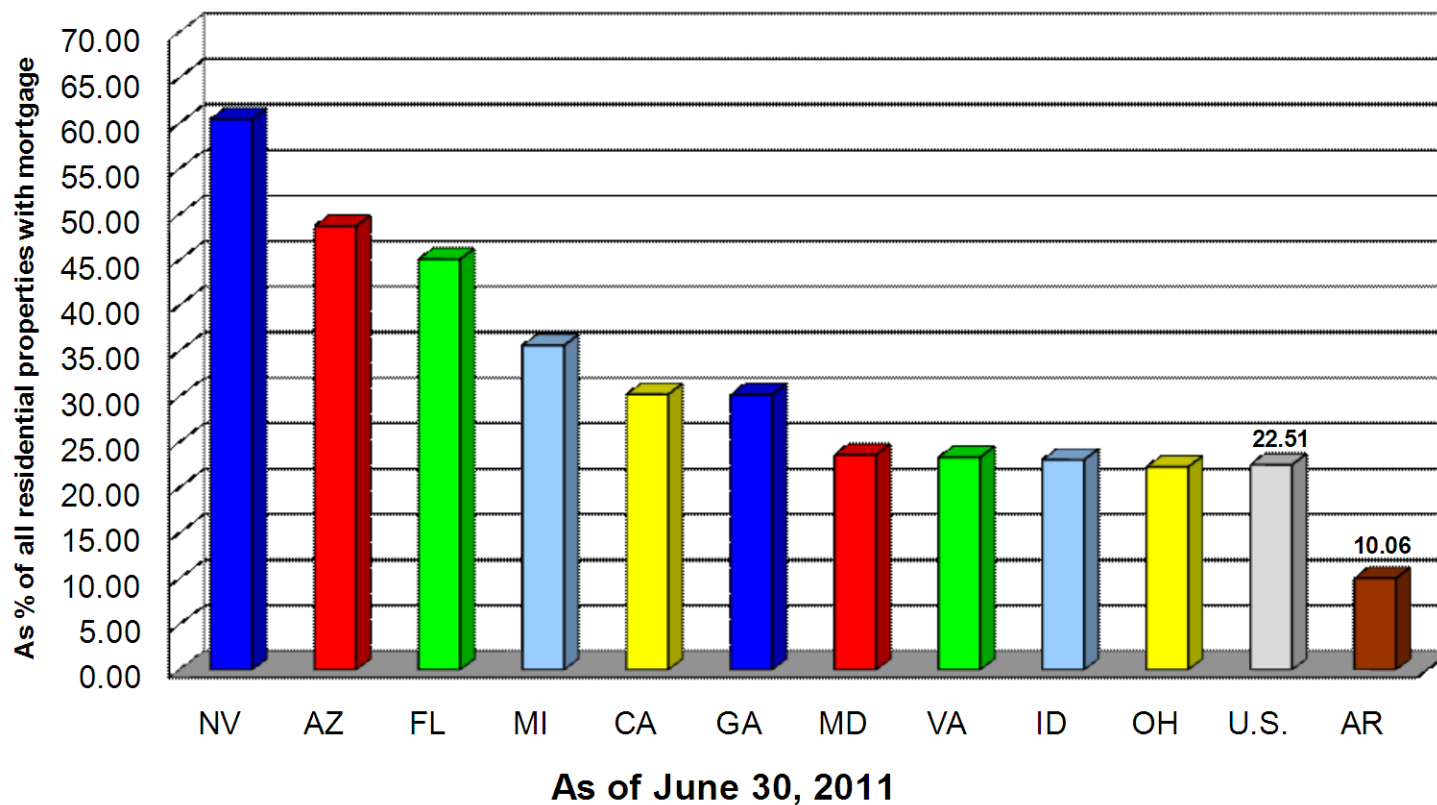


Data consists of the number of first-lien mortgage loans on 1- to 4-unit residential properties that entered foreclosure during the quarter. Data is not seasonally adjusted. Source: National Delinquency Survey © 2011, Mortgage Bankers Association.

Negative residential mortgage equity by state/June 30, 2011

NV	AZ	FL	MI	CA	GA	MD	VA	ID	OH	U.S.	AR
60.44	48.69	45.07	35.61	30.23	30.20	23.60	23.32	23.05	22.26	22.51	10.06

States With Highest Negative Equity Rates





Critical factors moving forward

- Speed, strength and sustainability of economic recovery in Arkansas
 - ✓ *Employment and job creation*
 - ✓ *Quality loan demand*
 - ✓ *Commercial real estate*
 - ✓ *Residential real estate*
- Ability to work out problem credits and optimize recovery value



Questions?

Candace A. Franks

Commissioner

Arkansas State Bank Department

501-324-9019

<http://www.arkansas.gov/bank/>