

March 5, 2010

UBPR for Management

STRICTLY CONFIDENTIAL



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Janney Montgomery Scott LLC is a broker-dealer registered with the US Securities and Exchange Commission and member NYSE, FINRA, and SIPC.

Speaker Credentials: Roger G. Powell



Academic

B.A. Economics 1971 Davidson College, Davidson, NC

Certificate, Advanced Management Program 1978 North Carolina School of Banking, Chapel Hill, NC

Experience

Investment Banking Janney Montgomery Scott (2008 -)
▪ Banks / Thrifts Alex. Brown & Sons (1990-2000)

- Mortgage Cos
- Credit Card Cos
- Commercial Fin
 - Asset Based
 - Premium Fin

Investment Research Alex. Brown & Sons (1983-1990)
▪ Banks / Thrifts The Powell Group (1972-1976)

- Mortgage Cos
- Credit Card Cos
- Asset Managers

Corporate Development / Strategic Planning Deutsche Bank AG (2000-2007)
United Carolina Bancshares (1976 – 1982)

Goal:

- Critical themes for strategy and tactics in 2010
 - Competition
 - Capital
 - Control / Externals and Internals
 - Importance of UBPR
 - Users and motives
 - Construction of UBPR
 - Comparison to GAAP and MIS
 - Current regulator emphasis

UBPR = Uniform Bank Performance Report

In the beginning....

Fra Luca Bartolomeo de Pacioli (1446/7–1517)

- Summa de arithmetica, geometria, proportioni et proportionalita
1494



Galleria Nazionale di Capodimonte (Naples)

Giovanni di Averardo detto Bicci, de' Medici (1360-1429)



Mediateca di Palazzo Medici Riccardi

The UBPR is:

- An analytical tool
- Created for
 - Bank supervisory;
 - Examination; and
 - Management purposes
- Used as an aid in evaluating the
 - adequacy of earnings, liquidity, capital, asset and liability management, and growth management

...a common point of financial analysis between regulator and banker...

Users and Motives...

User	Source	Format	Motive	Frequency
Regulators	Company Call Reports Supplemental Ledgers and reports	UBPR Ledgers GAAP / SEC	Guarantor / Safety, soundness and compliance	Constant
Board and Management	General Ledger and analysis	MIS GAAP / SEC UBPR	Fiduciary / 'Prudent Man' / Shareholder Value Incentives Operations	Constant
Investors - Equity - Debt	Company Analysts Regulators	GAAP / SEC UBPR	Debt – Cash flow and repayment Equity – Earnings and franchise value	Frequent
Public - Depositor - Borrower	Company Analysts Regulators	GAAP/ SEC UBPR	Confidence Strategic vendor	Occasional

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Welcome to the Federal Financial Institutions Examination Council's (FFIEC) Web Site.

FFIEC Council

The Council is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Office of Thrift Supervision (OTS), and to make recommendations to promote uniformity in the supervision of financial institutions. In 2006, the State Liaison Committee (SLC) was added to the Council as a voting member. The SLC includes representatives from the Conference of State Bank Supervisors (CSBS), the American Council of State Savings Supervisors (ACSSS), and the National Association of State Credit Union Supervisors (NASCUS).

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(Bank Secrecy Act/Anti-Money Laundering)
- [IT Handbook InfoBase](#)
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- [QIS-4](#)
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UBPR

UBPR Modernization

The federal banking agencies of the Federal Financial Institutions Examination Council (FFIEC) are modernizing the Uniform Bank Performance Report (UBPR) system. The UBPR Modernization effort is scheduled for implementation in March 2010. A Financial Institution Letter (FIL) is scheduled to be published in early 2010, outlining the changes involved in the transition. Please visit this site to determine when the online UBPR will be available at the new site. <http://www.ffiec.gov/find/default.htm>

December 31, 2009 UBPR Delivery Schedule

The December 31, 2009 UBPR will be delivered as soon as the call report is filed, is validated and passes edits at the CDR. Peer group average data will be published for peer groups greater than shortly after January 30, 2010. Peer group data for peer groups 1 and 2 will be published shortly after February 5, 2010.

To obtain a UBPR for a bank available simply select:

[Search for a Uniform Bank Performance Report](#) or [All UBPR Statistical Reports](#) and then 'List of Banks in Peer Group' to select one or more banks within a given peer group.

IF YOU HAVE ANY QUESTIONS REGARDING THE UBPR CONTACT: 703-516-1071 OR EMAIL FFIEC_UBPR@FDIC.GOV.

The Uniform Bank Performance Report (UBPR) is an analytical tool created for bank supervisory, examination, and management purposes. In a concise format, it shows the impact of management decisions and economic conditions on a bank's performance and balance-sheet composition. The performance and composition data contained in the report can be used as an aid in evaluating the adequacy of earnings, liquidity, capital, asset and liability management, and growth management. Bankers and examiners alike can use this report to further their understanding of a bank's financial condition, and through such understanding, perform their duties more effectively.

[Summary of Changes to March 31, 2007 UBPR](#) (PDF)

[Search for a Uniform Bank Performance Report](#)

[All UBPR Statistical Reports](#)

[User's Guide - updated December 2008](#)

[Peer Group Changes for December 31, 2006 UBPR](#)

[Banks Reassigned to New Peer Groups](#) (Excel)

Notes

[Schedule for Online UBPR](#)

[Hints for using the online UBPR](#)

Archived Documents

[Summary of Changes to March 31, 2006 UBPR](#) (PDF)

[Changes to UBPR Peer Groups Effective with March 31, 2004 UBPR](#)

[FIL-58-2004 - UBPR Availability and Changes](#)

[Description of Peer Group Changes in March 31, 2004 UBPR](#)

[Analysis of UBPR Peer Group Changes effective March 31, 2004](#) (Excel)

[Changes Effective with the September 30, 2003 UBPR](#)

[Custom Peer Function Memo](#)

[UBPR Paperless Distribution Update](#)

[Changes in the March 31, 2003 UBPR](#)

UBPR Construction

- Sources: Regulatory reports
- Custom Peer Groups may be constructed
- Changes in 2008: added detail on construction and other risky lending categories
- 'Trimmed Averages' eliminate outliers
- Tax Equivalent Adjustment mechanism
- Sub S adjustment mechanism

UBPR Construction

- Modules

Net Income =

Non-interest income +

Net-interest income +

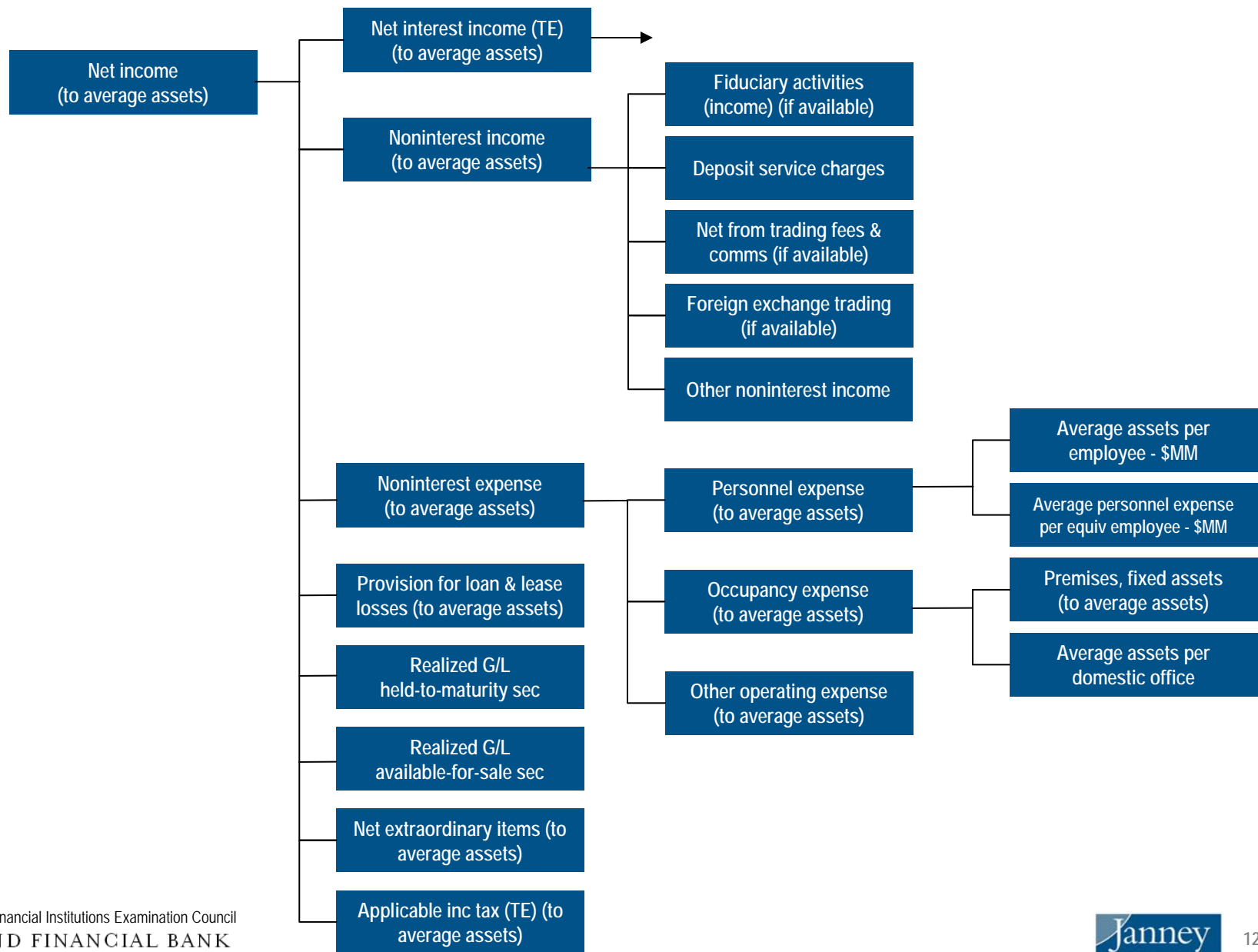
[Interest Income – Interest Expense]

Credit expense –

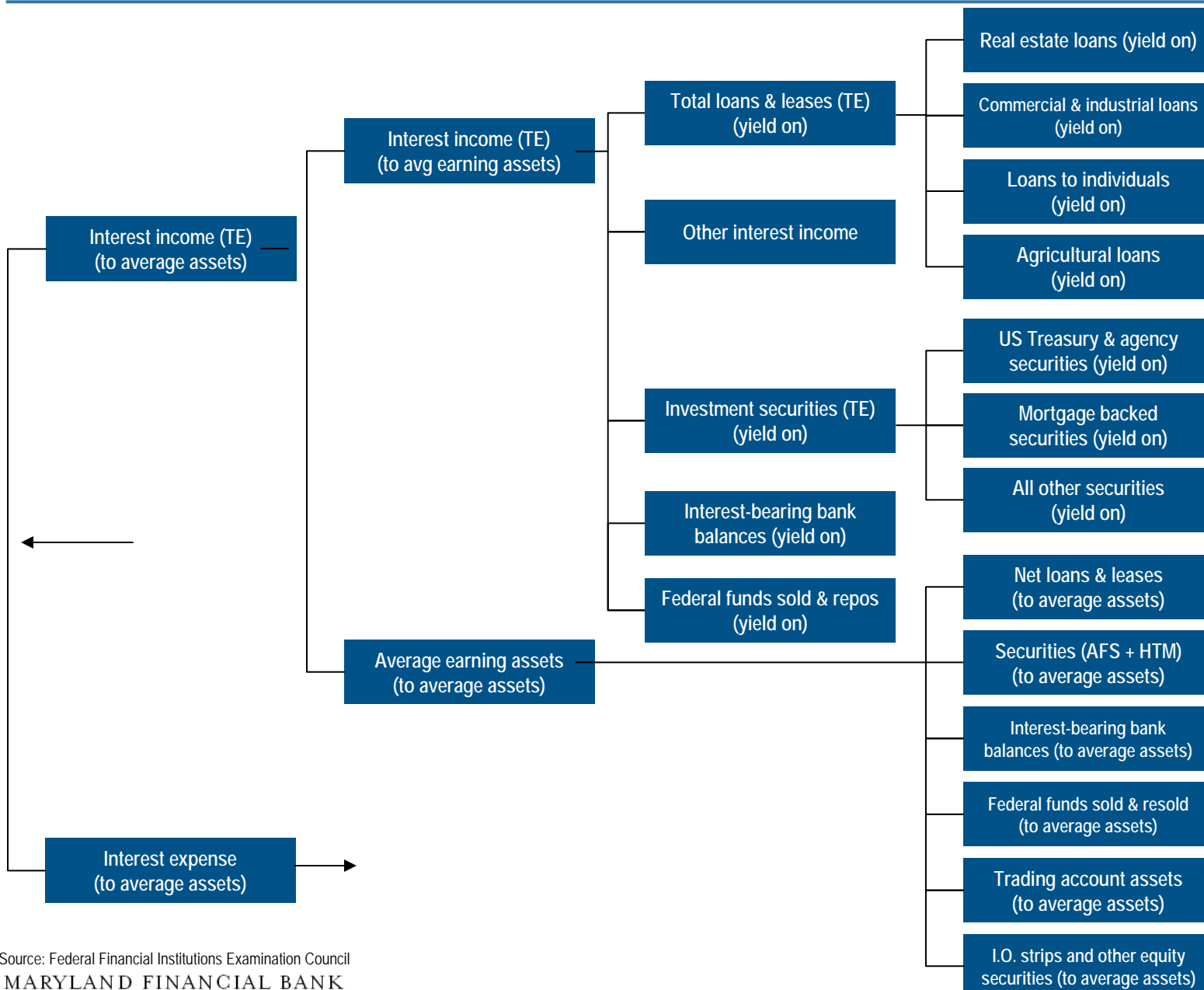
Non-interest expense –

Tax expense

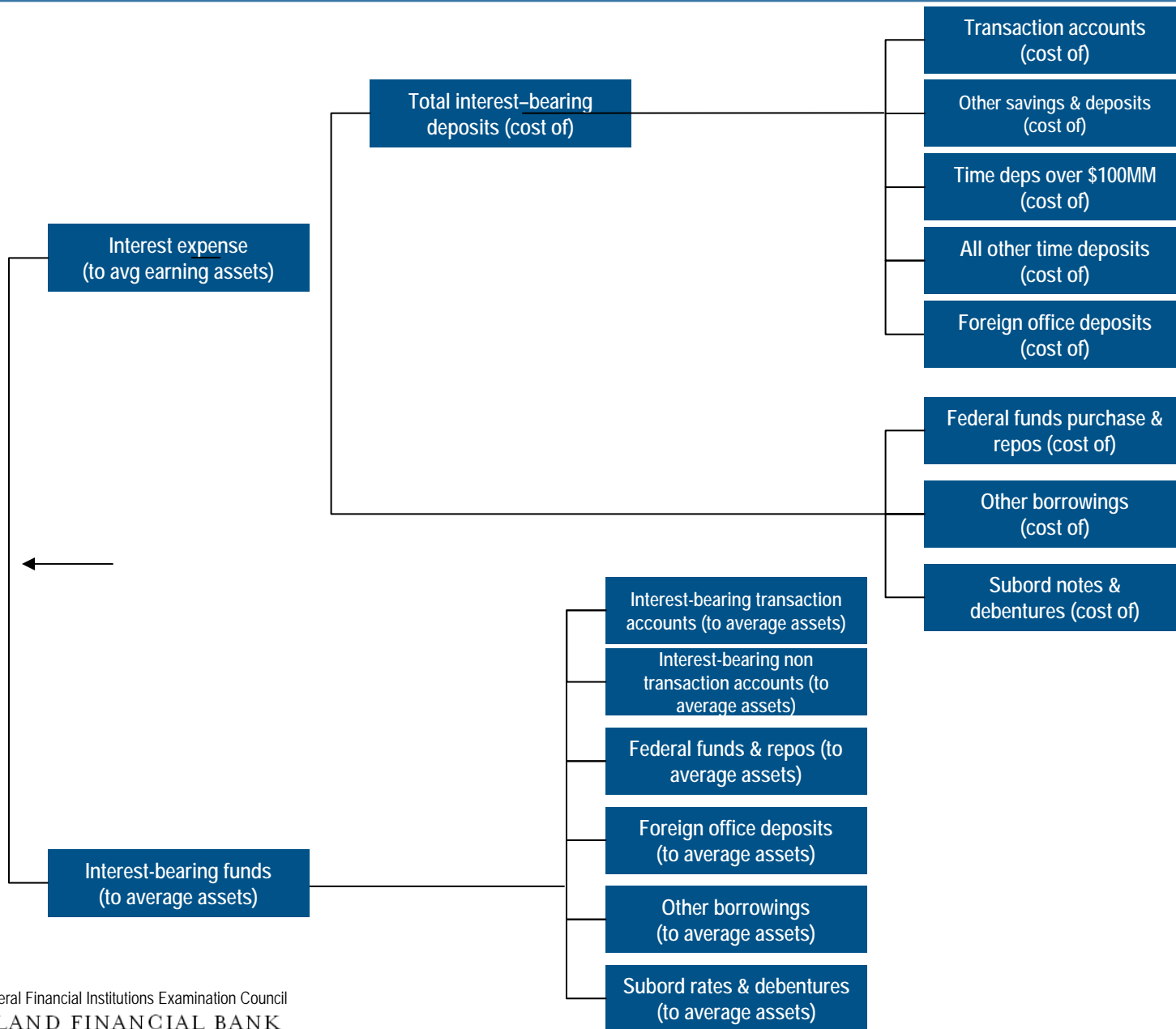
UBPR Construction / Net Income



UBPR Construction / Net Interest Income



UBPR Construction / Interest Expense



Peer Groups

Group #	Asset Size	Branches	Market	
1	\$3 billion<	NA	NA	
2	\$1B<\$3B	NA	NA	
3	\$0.3B<\$1B	NA	NA	
4	\$0.1B<\$0.3B	3 or more	Metropolitan	
5			Non-metropolitan	
6		2 or fewer	Metropolitan	
7			Non-metropolitan	
8		\$0.05B<\$0.1B	3 or more	Metropolitan
9				Non-metropolitan
10			2 or fewer	Metropolitan
11			Non-metropolitan	
12	<\$0.05B		2 or more	Metropolitan
13			Non-metropolitan	
14		1	Metropolitan	
15			Non-metropolitan	
De-novo	<0.75B	Grouped by year of formation for five years		
Specialty Groups	FDIC Savings Banks, Credit card banks (<\$1B, \$1<\$5B, \$5B<), Bankers Banks, Fiduciary Banks (<\$0.1B, \$0.1<\$0.5B, \$0.5<\$1.0B, \$1<\$10B, \$10<\$100B, \$100B<)			

Critical Issues

- Capital
- Asset Quality
- Management
- Earnings
- Liquidity
- Sensitivity to Market Risk

Case:

First South Bank
All The Bank You'll Ever Need

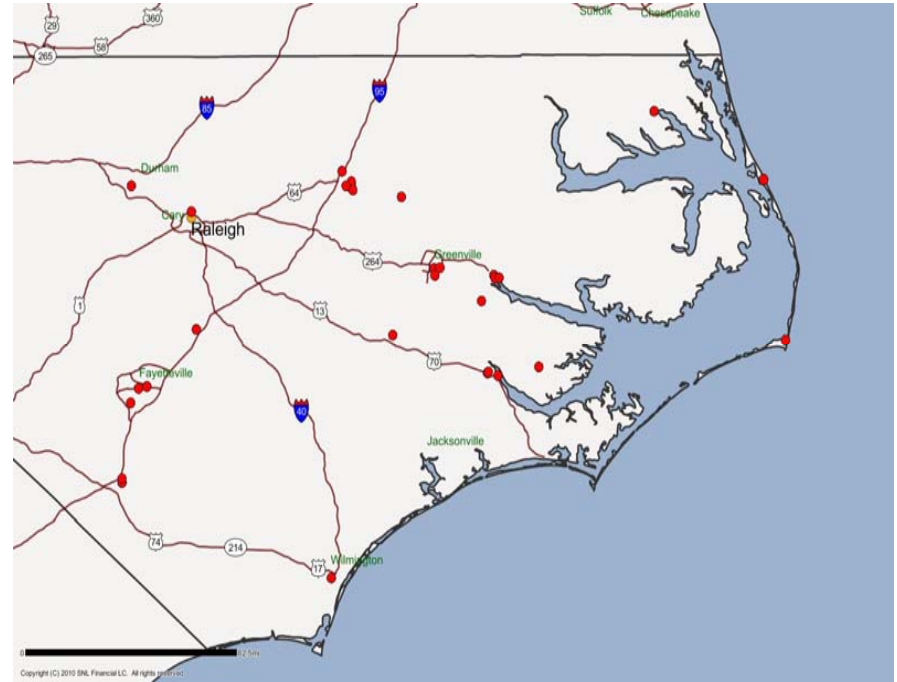
NASDAQ:FSBK

Total Assets	\$830 mm
Tang Common Equity	\$ 82 mm
5-Year Avg ROAA	1.52%
5-Year Avg ROAE	17.24%
Market Capitalization	~\$100 mn

Special Skills:

Direct FreddieMac originator; packages own loans into securities for portfolio.

Residential construction lending.



HQ: Washington, NC (Beaufort Co.)

Major Competitors:

- BB&T
- Royal Bank of Canada
- Wells Fargo

Summary - 01

CERT # 31084 CHARTER # 0	DIST/RSSD: 05 / 883874 COUNTY:			FIRST SOUTH BANK SUMMARY RATIOS		
	9/30/2009			9/30/2008		
AVERAGE ASSETS (\$000)	878,976			913,895		
NET INCOME (\$000)	5,717			9,338		
NUMBER OF BANKS IN PEER GROUP	1,200			1,189		
	N/A			N/A		
EARNINGS AND PROFITABILITY	BANK	PG 3	PCT	BANK	PG 3	PCT
PERCENT OF AVERAGE ASSETS:						
INTEREST INCOME (TE)	5.74	5.17	86	6.79	6.02	92
- INTEREST EXPENSE	1.94	1.75	63	2.59	2.45	60
NET INTEREST INCOME (TE)	3.8	3.42	71	4.2	3.58	83
+ NONINTEREST INCOME	0.98	0.75	71	1.01	0.79	71
- NONINTEREST EXPENSE	2.83	2.92	48	2.59	2.86	37
- PROVISION: LOAN&LEASE LOSSES	0.68	0.9	52	0.42	0.39	66
= PRETAX OPERATING INCOME (TE)	1.27	0.41	71	2.2	1.15	88
+ REALIZED GAINS/LOSSES SEC	0.14	0.04	83	0.01	-0.03	72
= PRETAX NET OPERATING INC (TE)	1.41	0.44	75	2.22	1.04	89
NET OPERATING INCOME	0.87	0.31	68	1.36	0.74	79
ADJUSTED NET OPERATING INCOME	0.96	0.6	61	1.62	0.92	84
NET INC ATTRIB TO MIN INTS	0	N/A	98	N/A	N/A	N/A
NET INCOME ADJUSTED SUB S		0.26			0.67	
NET INCOME	0.87	0.31	68	1.36	0.74	79
MARGIN ANALYSIS:						
AVG EARNING ASSETS TO AVG ASSETS	95.18	93.63	68	95.2	93.88	67
AVG INT-BEARING FUNDS TO AVG AST	78.83	81.72	29	78.78	80.64	35
INT INC (TE) TO AVG EARN ASSETS	6.03	5.53	82	7.13	6.43	90
INT EXPENSE TO AVG EARN ASSETS	2.04	1.87	60	2.72	2.61	57
NET INT INC-TE TO AVG EARN ASSET	3.99	3.67	66	4.41	3.83	80

Summary – 01

CERT # 31084 CHARTER # 0	DIST/RSSD: 05 / 883874 COUNTY:			FIRST SOUTH BANK SUMMARY RATIOS		
	9/30/2009			9/30/2008		
LOAN & LEASE ANALYSIS						
NET LOSS TO AVERAGE TOTAL LN&LS	0.69	0.85	55	0.19	0.34	48
EARNINGS COVERAGE OF NET LOSS(X)	3.34	6.52	53	16.04	18.17	65
LN&LS ALLOWANCE TO NET LOSSES(X)	2.4	4.32	47	7.55	9.72	60
LN&LS ALLOW TO LN&LS NOT HFS	1.79	1.71	64	1.49	1.3	72
LN&LS ALLOWANCE TO TOTAL LN&LS	1.77	1.7	64	1.48	1.3	73
NON-CUR LN&LS TO GROSS LN&LS	1.98	3.07	42	1.86	1.7	63
LIQUIDITY						
NET NON CORE FUND DEPENDENCE	31.91	26.65	64	31.53	30.25	55
NET LOANS & LEASES TO ASSETS	79.97	69.26	83	84.73	72.37	88
CAPITALIZATION						
TIER ONE LEVERAGE CAPITAL	9.33	8.79	66	9.05	8.93	59
CASH DIVIDENDS TO NET INCOME	102.2	28.8	91	62.66	37.66	73
RETAIN EARNS TO AVG TOTAL EQUITY	-0.2	-0.31	37	5.42	2.56	60
RESTR+NONAC+RE ACQ TO EQCAP+ALLL	34.11	30.11	67	26.45	14.86	79
GROWTH RATES						
ASSETS	-3.71	6.2	12	-2.16	9.08	11
TIER ONE CAPITAL	-0.61	5.39	25	0.06	6.04	22
NET LOANS & LEASES	-9.12	1.98	12	-1.45	10.37	13
SHORT TERM INVESTMENTS	631.39	216.2	85	511.87	11.71	95
SHORT TERM NON CORE FUNDING	25.77	7.52	74	3.24	20.6	34

Capital – 11

RISK-BASED CAPITAL	BANK	PEER 3	PCT
TIER ONE RBC TO RISK-WGT ASSETS	11.94	11.88	58
TOTAL RBC TO RISK-WEIGHT ASSETS	13.2	13.13	58
TIER ONE LEVERAGE CAPITAL	9.33	8.79	66
OTHER CAPITAL RATIO:			
DEF TAX ASSET TO T1 CAP	0.85	2.24	50

Capital – 11

CAPITAL RATIOS	BANK	PG 3	PCT
PERCENT OF BANK EQUITY:			
NET LOANS & LEASES (X)	7.94	7.5	56
SUBORD NOTES & DEBENTURES	0	0.02	94
LONG TERM DEBT	0	0.02	94
COM RE & RELATED VENTURES	518.22	357.4	79
PERCENT OF AVERAGE BANK EQUITY:			
NET INCOME	8.85	2.97	67
DIVIDENDS	9.05	2.59	89
RETAINED EARNINGS	-0.2	-0.31	37
OTHER CAPITAL RATIOS:			
DIVIDENDS TO NET OPER INCOME	102.2	42.51	88
BANK EQUITY CAPITAL TO ASSETS	10.08	9.45	66
BANK EQ CAP + MIN INT TO ASSETS	10.08	9.46	66
GROWTH RATES:			
TOTAL EQUITY CAPITAL	0.25	8.33	23
EQUITY GROWTH LESS ASST GROWTH	3.96	1.2	57
INTANG ASSETS % BANK EQUITY			
MORTGAGE SERVICING RIGHTS	1.45	0.12	92
GOODWILL	4.91	2.73	75
PURCH CREDIT CARD RELATION	0 N/A		97
ALL OTHER INTANGIBLES	0.17	0.46	68
TOTAL INTANGIBLES	6.53	3.87	73

Asset Quality – 07A

LOAN MIX, % AVERAGE GROSS LN&LS	BANK	PG 3	PCT
CONSTRUCTION & DEVELOPMENT	36.87	13.27	96
1-4 FAMILY CONSTRUCTION	11.16	3.29	94
OTHER CONST & LAND DEVEL	25.72	9.52	94
1 - 4 FAMILY RESIDENTIAL	27.02	23.58	63
HOME EQUITY LOANS	3.65	3.47	54
OTHER REAL ESTATE LOANS	28.66	37.36	22
FARMLAND	0.46	2.56	40
MULTIFAMILY	2.78	2.51	63
NON-FARM NON-RESIDENTIAL	25.42	30.61	33
OWNER OCCUPIED NFARM NRESID	5.45	15.17	9
OTHER NONFARM NONRESIDENTIAL	19.97	14.72	74
TOTAL REAL ESTATE	92.55	77.55	91
FINANCIAL INSTITUTION LOANS	0	0	93
AGRICULTURAL LOANS	0.11	1.45	48
COMMERCIAL & INDUSTRIAL LOANS	4.45	13.48	9
LOANS TO INDIVIDUALS	1.31	3.69	28
CREDIT CARD LOANS	0	0.07	68
MUNICIPAL LOANS	0	0.5	40
FOREIGN OFFICE LOANS & LEASES	0 N/A		99
ALL OTHER LOANS	0	0.3	13
LEASE FINANCING RECEIVABLES	1.58	0.05	95
SUPPLEMENTAL:			
LOANS TO FOREIGN GOVERNMENTS	0 N/A		99
LOANS TO FINANCE COMML REAL EST	0	0.16	68
MEMORANDUM (% OF AVG TOT LOANS):			
LOAN & LEASE COMMITMENTS	14.42	14.97	50
OFFICER, SHAREHOLDER LOANS	0.14	1.62	15
OFFICER, SHAREH LOANS TO ASSETS	0.11	1.12	17

Source: Federal Financial Institutions Examination Council; UBPR

MARYLAND FINANCIAL BANK

Asset Quality – 07B

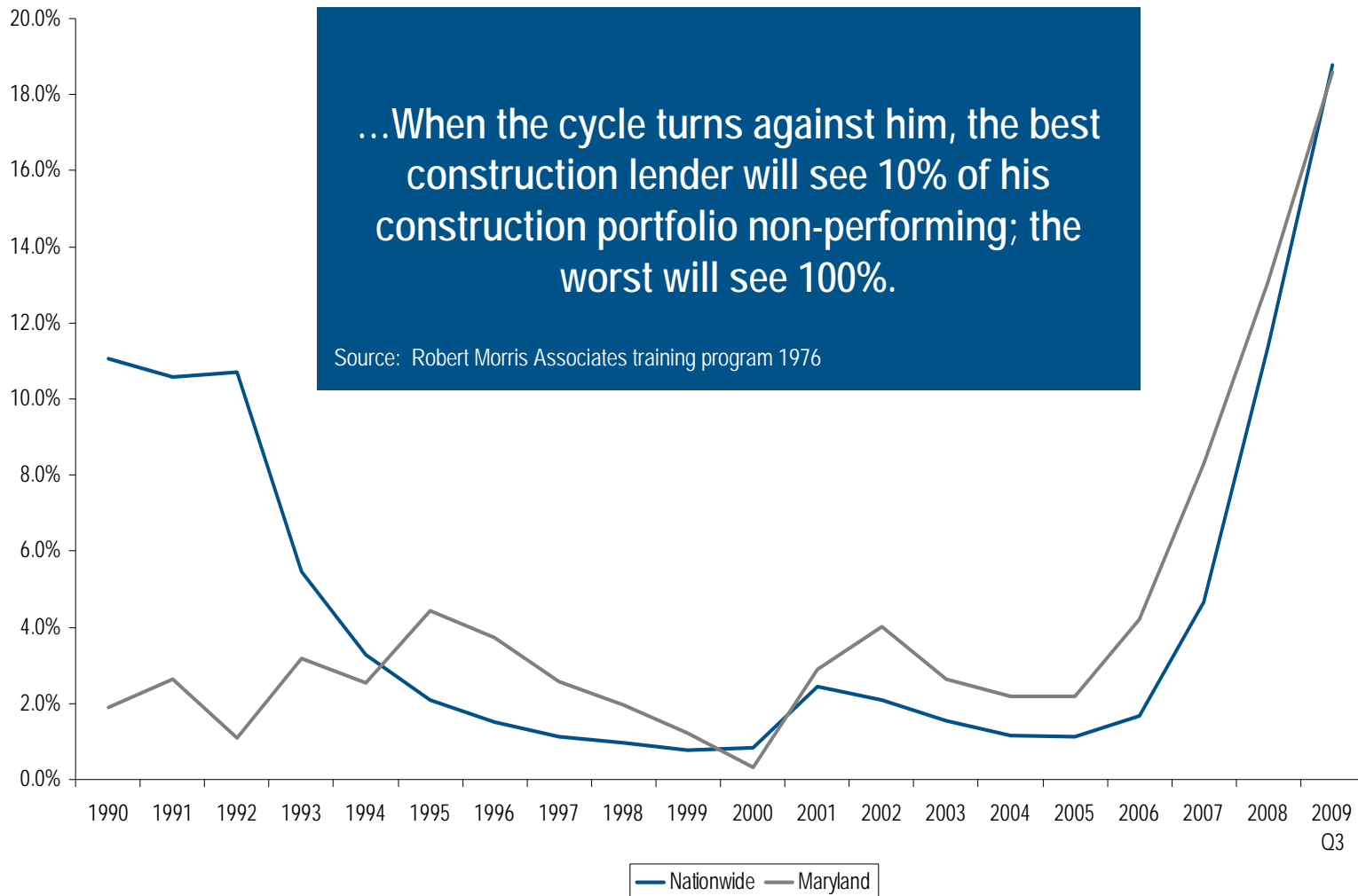
LOAN & LSE % TOTAL CAPITAL	BANK	PG 3	PCT
CONSTRUCTION & DEVELOPMENT	278.76	92.11	95
1-4 FAMILY CONSTRUCTION	70.66	20.17	92
OTHER CONST & LAND DEVEL	208.1	67.99	94
1 - 4 FAMILY RESIDENTIAL	216.22	174.7	67
HOME EQUITY LOANS	28.5	26.62	55
OTHER REAL ESTATE LOANS	230.99	284.53	32
FARMLAND	3.77	18.86	41
MULTIFAMILY	19.36	19.6	59
NON-FARM NON-RESIDENTIAL	207.86	232.75	43
OWNER OCCUPIED NFARM NRESID	42.68	115.03	11
OTHER NONFARM NONRESIDENTIAL	165.18	113.3	76
TOTAL REAL ESTATE	725.97	569.53	80
FINANCIAL INSTITUTION LOANS	0 N/A		95
AGRICULTURAL LOANS	0.99	10.47	50
COMMERCIAL & INDUSTRIAL LOANS	31.68	97.01	11
LOANS TO INDIVIDUALS	9.61	25.31	28
CREDIT CARD LOANS	0	0.48	69
MUNICIPAL LOANS	0	3.5	41
FOREIGN OFFICE LOANS & LEASES	0 N/A		99
ALL OTHER LOANS	0	2.09	14
LEASE FINANCING RECEIVABLES	12.26	0.37	95
SUPPLEMENTAL:			
LOANS TO FOREIGN GOVERNMENTS	0 N/A		99
LOANS TO FINANCE COMM REAL EST	0	1.03	70
NONOWNER OCC COMML RE % TOT CAP	463.3	239	91
TOTAL COMML REAL ESTATE % TOT CAP	505.98	359.56	79
CONSTRUCTION & DEVEL % TOT LNS	35.72	12.34	96
NONOWNER OCC COMML RE % TOT LNS	59.36	32.21	92
TOTAL COMML REAL ESTATE % TOT LNS	64.83	48.8	81

Source: Federal Financial Institutions Examination Council; UBPR

MARYLAND FINANCIAL BANK

Asset Quality:

Noncurrent Rate on Real Estate and Construction Development Loans



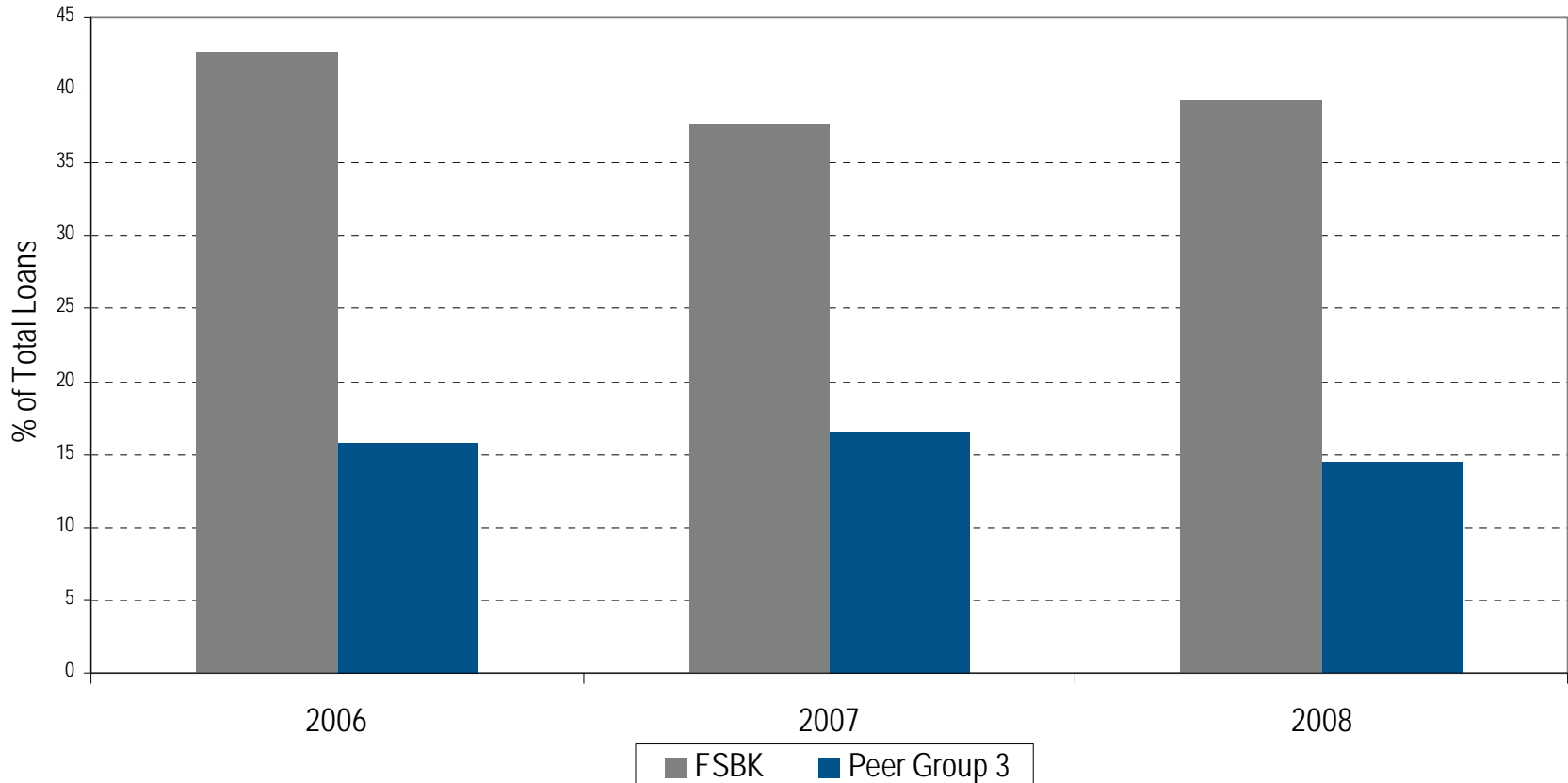
Source: FDIC US Bank Statistics

Asset Quality – 07

LOAN & LSE % TOTAL CAPITAL	BANK	PG 3	PCT
CONSTRUCTION & DEVELOPMENT	278.76	92.11	95
1-4 FAMILY CONSTRUCTION	70.66	20.17	92
OTHER CONST & LAND DEVEL	208.1	67.99	94
1 - 4 FAMILY RESIDENTIAL	216.22	174.7	67
HOME EQUITY LOANS	28.5	26.62	55
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FOREIGN OFFICE LOANS & LEASES	0	N/A	99
ALL OTHER LOANS	0	2.09	14
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NONOWNER OCC COMML RE % TOT LNS	59.36	32.21	92
TOTAL COMML REAL ESTATE % TOT LNS	64.83	48.8	81

Asset Mix / Construction Lending

Construction Loans as a % of Total Loans



Source: UBPR 9/30/2009

Asset Quality – 08

% OF NON-CURR LN&S BY LN TYPE	BANK	PG 3	PCT
REAL ESTATE LNS-90+ DAYS P/D	0.34	0.18	77
-NONACCRUAL	1.75	3.16	37
-TOTAL	2.1	3.45	40
-30-89 DAYS P/D	0.74	1.38	38
CONST & LAND DEV-90+ DAYS P/D	0.73	0.16	87
-NONACCRUAL	1.64	7.94	32
-TOTAL	2.37	8.38	34
-30-89 DAYS P/D	0.43	1.71	47
1-4 FAM CONS & L DEV-90+ DAYS	0	0.07	88
-NONACCRUAL	1.53	6.74	51
-TOTAL	1.53	7.16	50
-30-89 DAYS P/D	1.49	1.42	70
OTHER CONST & LAND DEV-90+ DAYS	0.97	8.01	N/A
-NONACCRUAL	1.68	1.46	39
-TOTAL	2.65	0.43	41
-30-89 DAYS P/D	0.07	N/A	46
SINGLE & MULTI MTG-90+ DAYS P/D	0.2	0.15	71
-NONACCRUAL	2.03	1.78	64
-TOTAL	2.24	2.03	64
-30-89 DAYS P/D	0.8	1.3	41
NON-FARM/RESI MTG-90+ DAYS P/D	0	0.09	71
-NONACCRUAL	1.61	1.8	55
-TOTAL	1.61	2.02	52
-30-89 DAYS P/D	1.1	0.93	66
OWN OCC NFARM NONRE-90+ DAYS P/D	0	0.07	80
-NONACCRUAL	0	1.6	28
-TOTAL	0	1.78	25
-30-89 DAYS P/D	0.27	0.84	45
OTH NONFARM NONRES-90+ DAYS P/D	0	0.05	83
-NONACCRUAL	2.03	1.61	68
-TOTAL	2.03	1.84	65
-30-89 DAYS P/D	1.31	0.79	75

Management – 03

- Trend analysis in every category

CERT # 31084 CHARTER # 0	DIST/RSSD: 05 / 883874 COUNTY:		FIRST SOUTH BANK				WASHINGTON, NC		PAGE 03	
			NONINTEREST INCOME AND EXPENSES (\$000) AND YIELDS						1/20/2010 14:28	
	9/30/2009		9/30/2008		12/31/2008		12/31/2007		12/31/2006	
PERCENT OF AVERAGE ASSETS	BANK	PG 3	BANK	PG 3	BANK	PG 3	BANK	PG 3	BANK	PG 3
PERSONNEL EXPENSE	1.63	1.46	1.53	1.54	1.52	1.53	1.54	1.57	1.54	1.57
OCCUPANCY EXPENSE	0.29	0.38	0.29	0.4	0.29	0.4	0.29	0.4	0.27	0.4
OTHER OPER EXP(INCL INTANGIBLES)	0.91	1.05	0.76	0.89	0.79	0.93	0.64	0.87	0.63	0.85
TOTAL OVERHEAD EXPENSE	2.83	2.92	2.59	2.86	2.6	2.91	2.47	2.85	2.44	2.84
OVERHEAD LESS NONINT INC	1.85	2.11	1.57	2.01	1.63	2.05	1.47	1.98	1.51	1.96
OTHER INCOME & EXPENSE RATIOS:										

Earnings – 01

AVERAGE ASSETS (\$000)		878,976	
NET INCOME (\$000)		5,717	
NUMBER OF BANKS IN PEER GROUP		1,200	
EARNINGS AND PROFITABILITY			
	BANK	PG 3	PCT
PERCENT OF AVERAGE ASSETS:			
INTEREST INCOME (TE)	5.74	5.17	86
- INTEREST EXPENSE	1.94	1.75	63
NET INTEREST INCOME (TE)	3.8	3.42	71
+ NONINTEREST INCOME	0.98	0.75	71
- NONINTEREST EXPENSE	2.83	2.92	48
- PROVISION: LOAN&LEASE LOSSES	0.68	0.9	52
= PRETAX OPERATING INCOME (TE)	1.27	0.41	71
+ REALIZED GAINS/LOSSES SEC	0.14	0.04	83
= PRETAX NET OPERATING INC (TE)	1.41	0.44	75
NET OPERATING INCOME	0.87	0.31	68
ADJUSTED NET OPERATING INCOME	0.96	0.6	61
NET INC ATTRIB TO MIN INTS	0	N/A	98
NET INCOME ADJUSTED SUB S		0.26	
NET INCOME	0.87	0.31	68
MARGIN ANALYSIS:			
AVG EARNING ASSETS TO AVG ASSETS	95.18	93.63	68
AVG INT-BEARING FUNDS TO AVG AST	78.83	81.72	29
INT INC (TE) TO AVG EARN ASSETS	6.03	5.53	82
INT EXPENSE TO AVG EARN ASSETS	2.04	1.87	60
NET INT INC-TE TO AVG EARN ASSET	3.99	3.67	66

Earnings – 01

AVERAGE ASSETS (\$000)		878,976	
NET INCOME (\$000)		5,717	
NUMBER OF BANKS IN PEER GROUP		1,200	
LOAN & LEASE ANALYSIS			
	BANK	PG 3	PCT
NET LOSS TO AVERAGE TOTAL LN&LS	0.69	0.85	55
EARNINGS COVERAGE OF NET LOSS(X)	3.34	6.52	53
LN&LS ALLOWANCE TO NET LOSSES(X)	2.4	4.32	47
LN&LS ALLOW TO LN&LS NOT HFS	1.79	1.71	64
LN&LS ALLOWANCE TO TOTAL LN&LS	1.77	1.7	64
NON-CUR LN&LS TO GROSS LN&LS	1.98	3.07	42
LIQUIDITY			
NET NON CORE FUND DEPENDENCE	31.91	26.65	64
NET LOANS & LEASES TO ASSETS	79.97	69.26	83
CAPITALIZATION			
TIER ONE LEVERAGE CAPITAL	9.33	8.79	66
CASH DIVIDENDS TO NET INCOME	102.2	28.8	91
RETAIN EARNS TO AVG TOTAL EQUITY	-0.2	-0.31	37
RESTR+NONAC+RE ACQ TO EQCAP+ALLL	34.11	30.11	67
GROWTH RATES			
ASSETS	-3.71	6.2	12
TIER ONE CAPITAL	-0.61	5.39	25
NET LOANS & LEASES	-9.12	1.98	12
SHORT TERM INVESTMENTS	631.39	216.2	85
SHORT TERM NON CORE FUNDING	25.77	7.52	74

Earnings – Annualized Quarter – 12

PERCENT OF AVERAGE ASSETS:	BANK	PG 3	PCT
INTEREST INCOME (TE)	5.71	5.1	87
- INTEREST EXPENSE	1.77	1.63	60
NET INTEREST INCOME (TE)	3.95	3.48	74
+ NONINTEREST INCOME	0.97	0.74	71
- NON-INTEREST EXPENSE	2.99	2.9	57
- PROVISION: LOAN&LEASE LOSSES	0.58	1.03	46
PRETAX OPERATING INCOME (TE)	1.35	0.36	72
+ REALIZED GAINS/LOSSES SECS	0	0.04	62
PRETAX NET OPERATING INC (TE)	1.35	0.37	70
NET OPERATING INCOME	0.82	0.27	63
ADJUSTED NET OPERATING INCOME	1.09	0.56	64
NET INC ATTRIB TO MIN INTS	0 N/A		98
NET INCOME ADJUSTED SUB S	0.82	0.23	66
NET INCOME	0.82	0.27	63
MARGIN ANALYSIS:			
INT INC (TE) TO AVG EARN ASSETS	5.98	5.47	80
INT EXPENSE TO AVG EARN ASSETS	1.85	1.74	57
NET INT INC-TE TO AVG EARN ASST	4.13	3.73	69
LOAN & LEASE ANALYSIS			
NET LOSS TO AVERAGE TOTAL LN&LS	0.38	1.02	40
EARNINGS COVERAGE OF NET LOSS(X)	6.24	7.13	67
LN&LS ALLOWANCE TO NET LOSSES(X)	4.6	4.82	67

Liquidity – 10

PERCENT OF TOTAL ASSETS	BANK	PG 3	PCT
SHORT TERM INVESTMENTS	2.92	5.5	35
MARKETABLE EQUITY SEC (MES)	0.05	0.03	81
CORE DEPOSITS	56.09	64.34	18
S T NON CORE FUNDING	28.67	20.09	81

LIQUIDITY RATIOS			
NET S T NONCORE FUND DEPENDENCE	27.94	16.32	84
NET NON CORE FUND DEPENDENCE	31.91	26.65	64
BROKERED DEPOSITS TO DEPOSITS	0.13	5.73	32
BROKER DEP MAT < 1YR TO BKR DEPS	0	69.38	2
SHORT TRM INV TO S T N CORE FUND	10.18	31.58	25
SHORT TERM ASSET TO S T LIABS	59.65	81.69	31
NET S T LIAB TO ASSETS	21.78	7.46	85
NET LOANS & LEASES TO DEPOSITS	95.38	84.8	76
NET LN&LS TO CORE DEPOSITS	142.59	109.13	90
NET LN&LS & SBLC TO ASSETS	80.12	69.8	82

Sensitivity to Market Risk – 09

LONG ASSETS INSTS W/ OPTIONS	BANK	PG 3	PCT
MORTGAGE LOANS & PASS THRUS	26.46	16.68	82
LOANS & SECURITIES OVER 15 YRS	10.29	2.88	90
LOANS & SECURITIES 5-15 YRS	5.09	3.31	74
OTHER LOANS AND SECURITIES	64.33	65.34	44
LOANS & SECURITIES OVER 15 YRS	0.39	1.98	25
LOANS & SECURITIES 5-15 YRS	7.3	9.02	43
TOTAL LOANS & SECURITIES OVR 15	10.68	5.58	80
OVERALL RISK INDICATORS			
AVAILABLE FOR SALE	10.69	15.32	36
HELD TO MATURITY	0.07	1.01	62
OFF BALANCE SHEET	11.95	11.92	55
UNREALIZED APPN/DEPN	0	0.02	73
UNREAL APP/DEP % TIER ONE CAP	0	0.24	69
CONTRACTUAL MAT/REPRICE DATA			
LOANS/SECURITIES OVER 3 YEARS	38.59	35.89	56
LIABILITIES OVER 3 YEARS	0.12	3.13	10
NET 3 YEAR POSITION	38.47	32.24	66
LOANS/SECURITIES OVER 1 YEAR	59.84	54.83	64
LIABILITIES OVER 1 YEAR	5.31	11.81	22
NET OVER 1 YEAR POSITION	54.53	42.32	78
NON-MATURITY DEPOSITS	29.13	41.61	15
NON-MATURITY DEPS % LONG ASSETS	75.49	129.86	16
NET OVER 3 YEAR POSITION	9.46	-5.59	80

Source: Federal Financial Institutions Examination Council; UBPR

MARYLAND FINANCIAL BANK

Custom Peer Group

	9/30/2009		
AVERAGE ASSETS	878,976		
NUMBER OF BANKS IN TABULATION	19		
	BANK	PEER	PCT
EARNINGS AND PROFITABILITY			
PERCENT OF AVERAGE ASSETS:			
INTEREST INCOME (TE)	5.74	5	95
- INTEREST EXPENSE	1.94	1.9	50
NET INTEREST INCOME (TE)	3.8	3.1	90
+ NONINTEREST INCOME	0.98	0.69	70
- NON-INTEREST EXPENSE	2.83	2.7	65
- PROVISION: LOAN&LEASE LOSSES	0.68	1.05	30
= PRETAX OPERATING INCOME (TE)	1.27	0.03	95
+ SECURITIES GAINS (LOSSES)	0.14	0.09	65
= PRETAX NET OPERATING INC (TE)	1.41	0.12	95
NET OPERATING INCOME	0.87	0.08	95
ADJUSTED NET OPERATING INCOME	0.96	0.43	85
NET INC ATTRIB TO MIN INTS	0	0	95
NET INCOME ADJUSTED SUB S		0.08	
NET INCOME	0.87	0.08	95

Comparison

- Regulators rely on UBPR / CDR
- Most investors, borrowers and investment banks
 - Subscribe to SNL Financial
 - Review Company SEC reporting documents
 - Construct 'relevant' comparison groups
 - Rely on GAAP

The OCC's "Canary Report" – Red Flags / Capital

- Ratios below "well capitalized" or those required by order or agreement
- Capital growth rate is less than total asset growth rate
- Ratios significantly different from peer ratios
- Declining capital levels or ratios
- Dividend payout ratio is significantly higher than peer ratios
- Concentration in nontraditional activities
- Significant growth in off-balance-sheet activities

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Red Flags / Asset Quality

- Significant increase in loans to total assets ratio
- Significant increase in loans to equity ratio
- Significant change in portfolio mix
- Significant upward or downward trend in the percent of the ALLL to total loans and leases
- High growth rates in total loans or within individual categories of loans
- Significant increase in loan yields

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Red Flags / Asset Quality

- Loan yields significantly higher than peer group
- Downward trends in risk ratings among pass credits and/or increases in special mention or classified assets
- Significant volume of retail loans that have been extended, deferred, renewed, or rewritten
- Increasing levels of past-due and nonperforming loans as a percent of loans
- Significant changes in the ALLL
- Significant increases in ALLL provisions
- Stable or declining ALLL at the same time net loan losses trend upward

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Red Flags / Asset Quality

- Annual net charge-offs that exceed the balance in the ALLL
- ALLL averages and percentages significantly different from the peer group's
- Increasing levels of other real estate owned
- Loans identified by internal and external loan review that are not included in problem loan lists provided by management
- Any significant changes in the above relative to historical performance, planned performance, or peer performance

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Red Flags / Earnings

- Significant increases or decreases in noninterest income
- Significantly higher or lower average personnel expenses than peer banks
- Significant variances in the ROAA, ROE, or NIM from prior periods and as compared with peer group
- Significant variances from budgeted amounts on income or expense items and balance sheet accounts

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Red Flags / Liquidity

- Significant increases in reliance on wholesale funding
- Significant increases in large certificates of deposit, brokered deposits, or deposits with interest rates higher than the market
- Significant increases in borrowings
- Significant increases in dependence on funding sources other than core deposits
- Declines in levels of core deposits
- Significant decreases in short-term investments

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Red Flags / Market Risk

- Capital falling below the level established by the board to support interest rate risk
- Significant increases or decreases in the percent of long-term assets to total assets
- Significant decrease in the percent of nonmaturity funding sources to long-term assets
- High or increasing percent of asset depreciation to tier 1 capital

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Red Flags / Growth Management

- Inconsistent with the bank's budget or strategic plan
- Significantly greater than that of peer banks, even if projected in the bank's budget or strategic plan
- Unaccompanied by an increasing level of and sophistication in risk management controls
- Results in:
 - a higher risk profile than forecast
 - Declining capital levels or ratios that result from asset growth
 - Reliance on unstable or short-term funding sources to support growth
- Based on Introduction of new products or activities with little or no expertise or inadequate risk management controls
- Generated largely by brokered or agent transactions

Source: *Detecting Red Flags In Board Reports A Guide for Directors*, Office of the Comptroller of the Currency, Washington, D.C. October 2003

Maryland State Average – All Insured Banks

	SUMMARY INFORMATION FOR BANKS IN STATE OF MARYLAND					STAVG		
	AVERAGE FOR ALL INSURED COMMERCIAL BANKS IN STATE					BANKS WITH ASSETS - \$MILL 9/30/2009		
	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>0-25</u>	<u>25-100</u>	<u>100+</u>
EARNINGS AND PROFITABILITY								
PERCENT OF AVERAGE ASSETS:								
INTEREST INCOME (TE)	5.14	5.91	5.84	6.74	6.34	NA	##	5.23
- INTEREST EXPENSE	1.80	2.31	2.28	2.79	2.32	NA	##	1.85
NET INTEREST INCOME (TE)	3.32	3.57	3.53	3.92	4.04	NA	##	3.40
+NONINTEREST INCOME	0.54	0.58	0.56	0.60	0.70	NA	##	0.51
- NON-INTEREST EXPENSE	3.08	3.20	3.25	3.37	3.15	NA	##	2.99
- PROVISION: LOAN&LEASE LOSSES	0.90	0.44	0.59	0.20	0.09	NA	##	0.91
= PRETAX OPERATING INCOME (TE)	-0.25	0.55	0.30	1.01	1.57	NA	##	-0.04
+SECURITIES GAINS (LOSSES)	0.03	-0.02	-0.02	0.00	0.00	NA	##	0.03
= PRETAX NET OPERATING INC (TE)	-0.24	0.49	0.24	0.99	1.56	NA	##	-0.02
NET OPERATING INCOME	-0.22	0.33	0.13	0.64	1.00	NA	##	-0.01
ADJUSTED NET OPERATING INCOME	0.17	0.47	0.41	0.77	1.05	NA	##	0.29
NET INC ATTRIB TO MIN INTS	N/A	N/A	N/A	N/A	N/A	##	##	N/A
NET INCOME ADJUSTED SUB S	-0.23	0.31	0.12	0.65	0.97	NA	##	-0.02
NET INCOME	-0.22	0.33	0.13	0.64	1.00	NA	##	-0.01

Maryland State Average – All Insured Banks

SUMMARY INFORMATION FOR BANKS IN STATE OF MARYLAND

STAVG

AVERAGE FOR ALL INSURED COMMERCIAL BANKS IN STATE

BANKS WITH ASSETS - \$MILL 9/30/2009

9/30/2009 9/30/2008 12/31/2008 12/31/2007 12/31/2006 0-25 25-100 100+

MARGIN ANALYSIS:

AVG EARNINGS ASSETS TO AVG ASSETS	93.94	94.04	94.29	94.23	94.13	NA	##	94.22
AVG INT-BEARING FUNDS TO AVG AST	78.35	76.46	76.28	76.03	75.70	NA	##	79.14
INT INC (TE) TO AVG EARN ASSETS	5.48	6.32	6.24	7.20	6.81	NA	##	5.56
INT EXPENSE TO AVG EARN ASSETS	192	2.45	2.41	2.95	2.46	NA	##	196
NET INT INC-TE TO AVG EARN ASSET	3.57	3.85	3.80	4.21	4.33	NA	##	3.60

LOAN & LEASE ANALYSIS:

NET LOSS TO AVERAGE TOTAL LN&LS	0.67	0.34	0.41	0.12	0.04	NA	##	0.72
EARNINGS COVERAGE OF NET LOSS(X)	4.74	21.05	10.81	53.05	113.90	NA	##	4.79
LN&LS ALLOW TO LN&LS NOT HFS	151	111	128	106	107	NA	##	148
LN&LS ALLOWANCE TO NET LOSSES(X)	4.44	10.88	5.92	30.73	44.43	NA	##	4.49
LN&LS ALLOWANCE TO TOTAL LN&LS	151	110	127	106	106	NA	##	147

Maryland State Average – All Insured Banks

SUMMARY INFORMATION FOR BANKS IN STATE OF MARYLAND						STAVG		
	AVERAGE FOR ALL INSURED COMMERCIAL BANKS IN STATE					BANKS WITH ASSETS - \$MILL 9/30/2009		
	9/30/2009	9/30/2008	12/31/2008	12/31/2007	12/31/2006	0-25	25-100	100+
LIQUIDITY:								
NET NON CORE FUNDING DEPENDENCE	28.03	27.59	29.47	23.97	18.03	NA	##	28.37
NET LOANS & LEASES TO ASSETS	74.25	76.28	76.52	75.17	70.98	NA	##	75.30
CAPITALIZATION								
TIER ONE LEVERAGE CAPITAL	9.79	10.24	10.09	10.36	10.26	NA	##	9.33
CASH DIVIDENDS TO NET INCOME	27.04	58.05	42.79	40.42	29.33	NA	##	26.56
RETAIN EARN TO AVG TOTAL EQUITY	-3.91	-121	-2.39	192	5.80	NA	##	-2.82
GROWTH RATES:								
ASSETS	10.84	10.80	11.17	7.85	11.99	NA	##	9.59
TIER ONE CAPITAL	8.41	5.47	5.97	4.05	9.50	NA	##	7.88
NET LOANS & LEASES	6.94	14.53	13.63	12.68	12.99	NA	##	5.91
SHORT TERM INVESTMENTS	108.87	54.71	30.58	0.86	34.32	NA	##	116.93
SHORT TERM NON CORE FUNDING	28.39	23.50	25.03	22.26	72.95	NA	##	22.11
NON-CURRENT LOANS & LEASES:								
TOTAL LN&LS-90+DAYS PAST DUE	0.34	0.27	0.37	0.15	0.05	NA	##	0.37
- NONACCRUAL	2.67	1.31	1.65	0.65	0.34	NA	##	2.74
- TOTAL	3.16	1.64	2.07	0.84	0.43	NA	##	3.27
TOTAL ASSETS (\$MILLIONS)	23,252	31,665	28,132	29,725	44,148	0	435	22,817
EQUITY CAPITAL (\$MILLIONS)	2,340	2,945	2,760	2,941	4,827	0	124	2,215
NET INCOME (\$ MILLIONS)	-60	72	-76	213	538	0	-20	-40
NUMBER OF BANKS IN TABULATION	50	55	53	55	65	0	5	45

Maryland State Average – All Insured Banks

	SUMMARY INFORMATION FOR BANKS IN STATE OF MARYLAND					STAVG		
	AVERAGE FOR ALL INSURED COMMERCIAL BANKS IN STATE					BANKS WITH ASSETS - \$MILL 9/30/2009		
	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>12/31/2008</u>	<u>12/31/2007</u>	<u>12/31/2006</u>	<u>0-25</u>	<u>25-100</u>	<u>100+</u>
TOTAL ASSETS (\$MILLIONS)	23,252	31,665	28,132	29,725	44,148	0	435	22,817
EQUITY CAPITAL (\$MILLIONS)	2,340	2,945	2,760	2,941	4,827	0	124	2,215
NET INCOME (\$ MILLIONS)	-60	72	-76	213	538	0	-20	-40
NUMBER OF BANKS IN TABULATION	50	55	53	55	65	0	5	45

Summary All Insured Banks in Maryland, Virginia and North Carolina

	MD	VA	NC
	9/30/2009	9/30/209	9/30/2009
EARNINGS AND PROFITABILITY			
PERCENT OF AVERAGE ASSETS:			
INTEREST INCOME (TE)	5.44	5.33	4.87
- INTEREST EXPENSE	180	192	185
NET INTEREST INCOME (TE)	3.32	3.40	3.02
+NONINTEREST INCOME	0.54	0.62	0.64
- NON-INTEREST EXPENSE	3.08	3.33	3.23
- PROVISION: LOAN&LEASE LOSSES	0.90	0.70	105
=PRETAX OPERATING INCOME (TE)	-0.25	0.05	-0.61
+SECURITIES GAINS (LOSSES)	0.03	0.03	0.04
=PRETAX NET OPERATING INC (TE)	-0.24	0.05	-0.57
NET OPERATING INCOME	-0.22	-0.01	-0.58
ADJUSTED NET OPERATING INCOME	0.17	0.35	-0.17
NET INC ATTRIB TO MIN INTS	N/A	N/A	N/A
NET INCOME ADJUSTED SUB S	-0.23	0.00	-0.58
NET INCOME	-0.22	0.00	-0.58
MARGIN ANALYSIS:			
AVG EARNINGS ASSETS TO AVG ASSETS	93.94	93.61	93.39
AVG INT-BEARING FUNDS TO AVG AST	78.35	78.11	81.17
INT INC (TE) TO AVG EARN ASSETS	5.48	5.71	5.25
INT EXPENSE TO AVG EARN ASSETS	192	2.06	199
NET INT INC-TE TO AVG EARN ASSET	3.57	3.65	3.23
LOAN & LEASE ANALYSIS:			
NET LOSS TO AVERAGE TOTAL LN&LS	0.67	0.45	0.83
EARNINGS COVERAGE OF NET LOSS(X)	4.74	6.55	2.39
LN&LS ALLOW TO LN&LS NOT HFS	151	156	181
LN&LS ALLOWANCE TO NET LOSSES(X)	4.44	7.51	3.99
LN&LS ALLOWANCE TO TOTAL LN&LS	151	155	179

	MD	VA	NC
	9/30/2009	9/30/209	9/30/2009
LIQUIDITY:			
NET NON CORE FUNDING DEPENDENCE	28.03	25.43	34.60
NET LOANS & LEASES TO ASSETS	74.25	72.22	72.27
CAPITALIZATION			
TIER ONE LEVERAGE CAPITAL	9.79	10.09	9.99
CASH DIVIDENDS TO NET INCOME	27.04	19.66	7.87
RETAIN EARN TO AVG TOTAL EQUITY	-3.91	-120	-4.89
GROWTH RATES:			
ASSETS	10.84	12.75	16.92
TIER ONE CAPITAL	8.41	6.71	6.36
NET LOANS & LEASES	6.94	9.79	14.10
SHORT TERM INVESTMENTS	108.87	124.41	90.03
SHORT TERM NON CORE FUNDING	28.39	17.84	1188
NON-CURRENT LOANS & LEASES:			
TOTAL LN&LS-90+DAYS PAST DUE	0.34	0.25	0.09
- NONACCRUAL	2.67	171	2.06
- TOTAL	3.16	2.15	2.23
TOTAL ASSETS (\$MILLIONS)	23,252	353,783	2,223,522
EQUITY CAPITAL (\$MILLIONS)	2,340	45,731	254,023
NET INCOME (\$ MILLIONS)	-60	139	7,371
NUMBER OF BANKS IN TABULATION	50	103	76

Themes for 2010 and beyond....

- Competitive position
- Capital
 - For growth
 - For stability
- Control
 - External
 - Internal

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JMS Contact	Telephone	Email	Location
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Jay Junior, Managing Director	215-665-4497	jjunior@janney.com	Philadelphia

Percentage of loans outstanding

- Loans 30-89 days past due
- Loans 90 days past due or on nonaccrual status
- Net charge-offs

Where do they get this stuff?

The New York Times

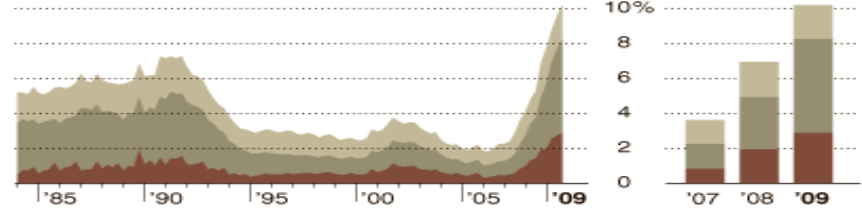
Off the Charts

Banks Out of the Woods? Maybe Not

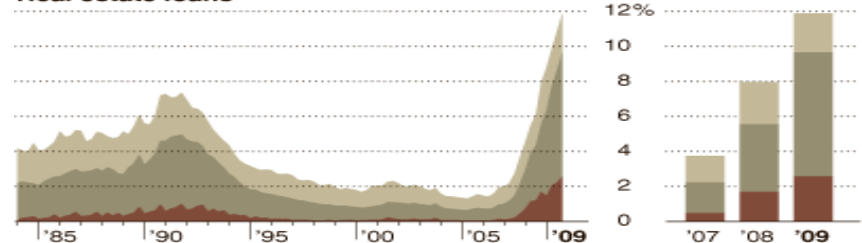
By [FLOYD NORRIS](#) Published: February 26, 2010

MORE than \$1 in every \$10 that American banks have outstanding in loans is lent to a troubled borrower, a ratio far higher than...

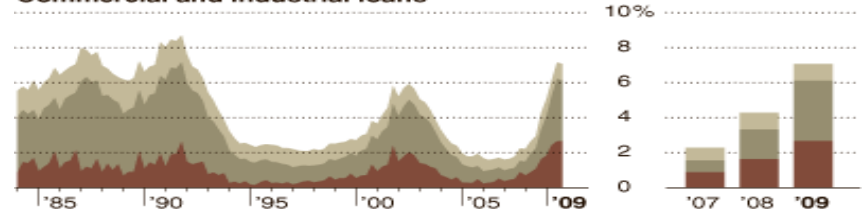
TOTAL BANK LOANS AND LEASES



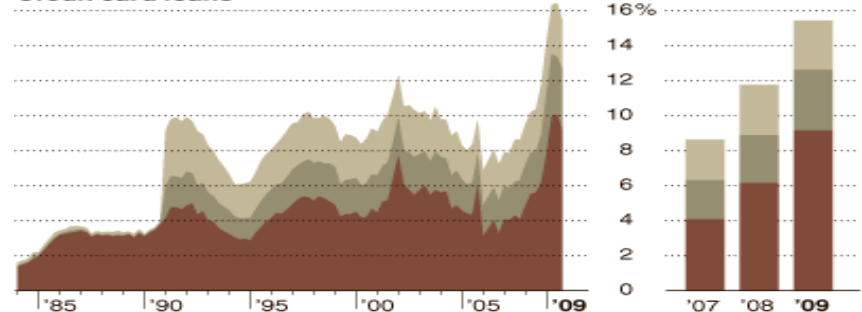
Real estate loans



Commercial and industrial loans



Credit card loans



Source: Federal Deposit Insurance Corporation