

ATLANTA ECONOMICS CLUB



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Mission Statement

- To provide the public with a sound deposit insurance system by: providing comprehensive statistical information on banking; identifying and analyzing emerging risks; conducting research that supports sound deposit insurance, banking policy, improved risk assessment, and consumer protection; and assessing the adequacy of the deposit insurance fund and implementing an effective and fair risk-based premium system.



The Nation Is In Recession

- **The economy peaked in December 2007 according to the NBER.**
- **The recession is now clearly a deep one, perhaps the deepest of the post World War II era.**
- **Nearly all sectors of the economy are in retreat, with few areas of strength.**
- **Recovery before fall is highly doubtful.**



How Did We Get Here?

Easy to get mortgage loans created a housing boom and soaring home prices, which fueled consumption and job growth



As ARMs reset sharply higher, delinquencies rose significantly leading to higher defaults and free falling home prices



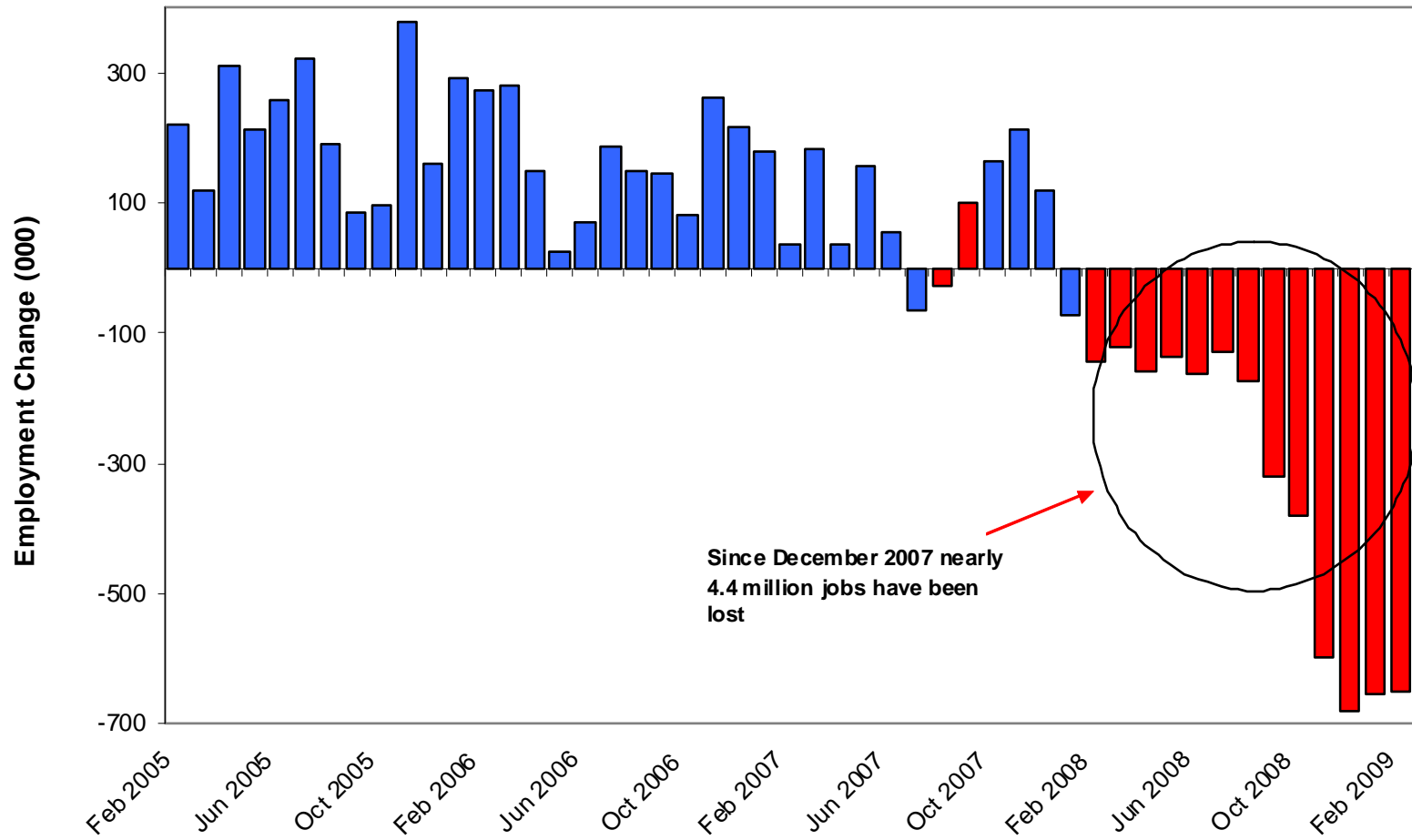
Rising defaults negatively impacted all forms of financial instruments causing massive losses at financial and non-financial institutions



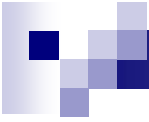
Greed turned into fear freezing the credit markets as interest rates soared, impacting production, consumption and ultimately jobs



Employment Is Cliff Diving

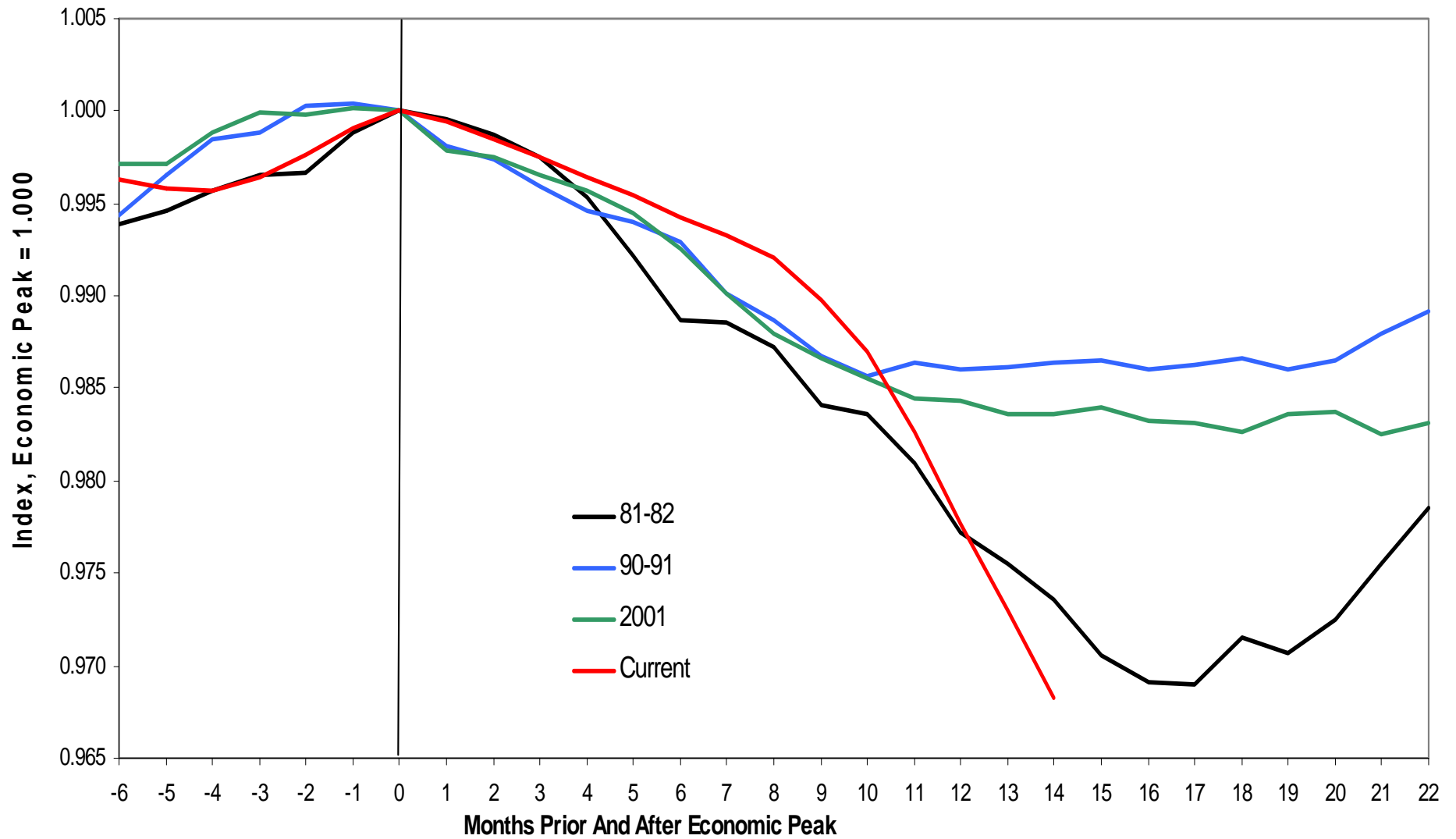


Source: Bureau of Labor Statistics



The Recession Is Growing Deeper

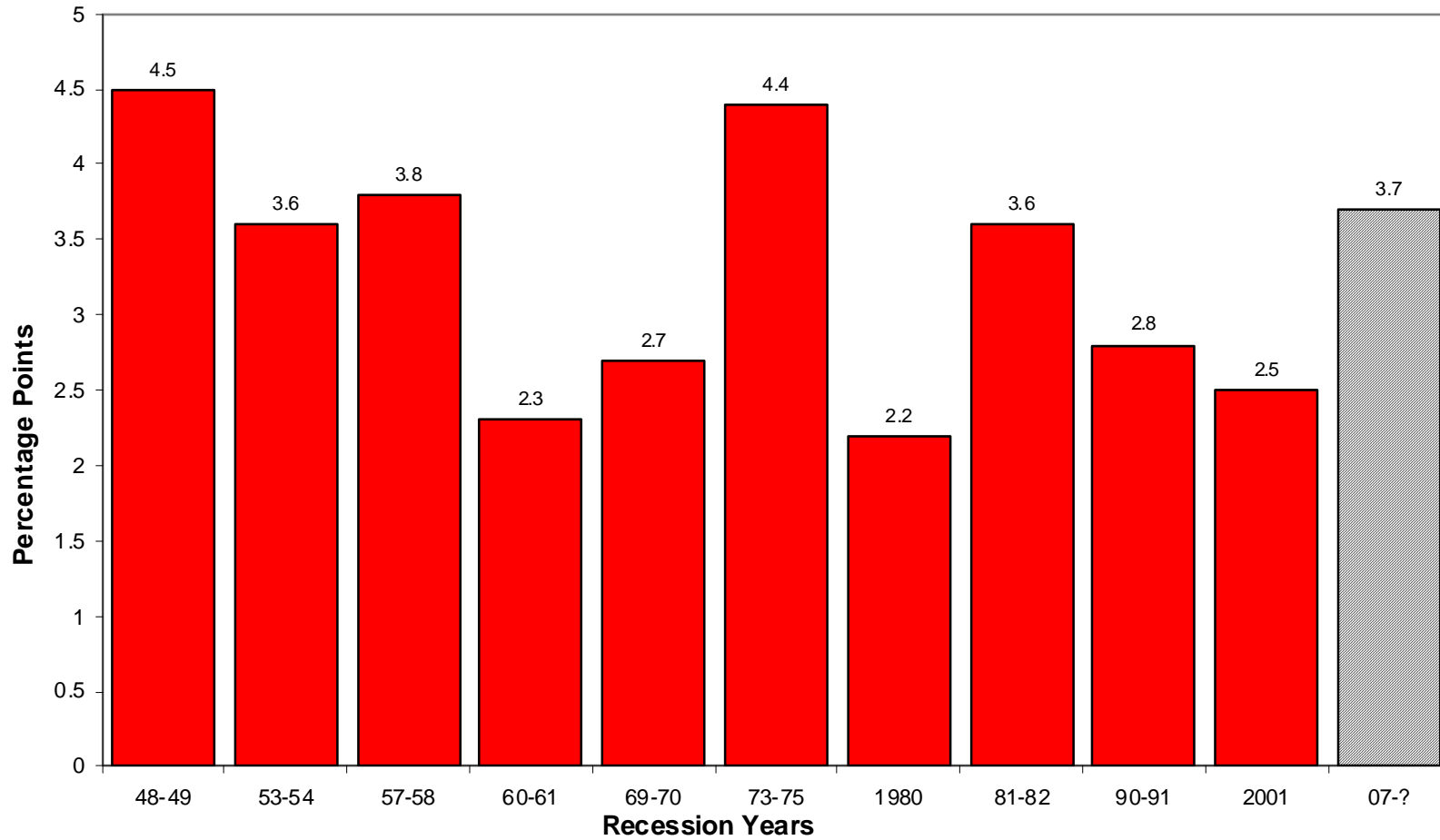
Current Job Losses Compared To Previous Three Recessions



Source: FDIC calculation using BLS source data



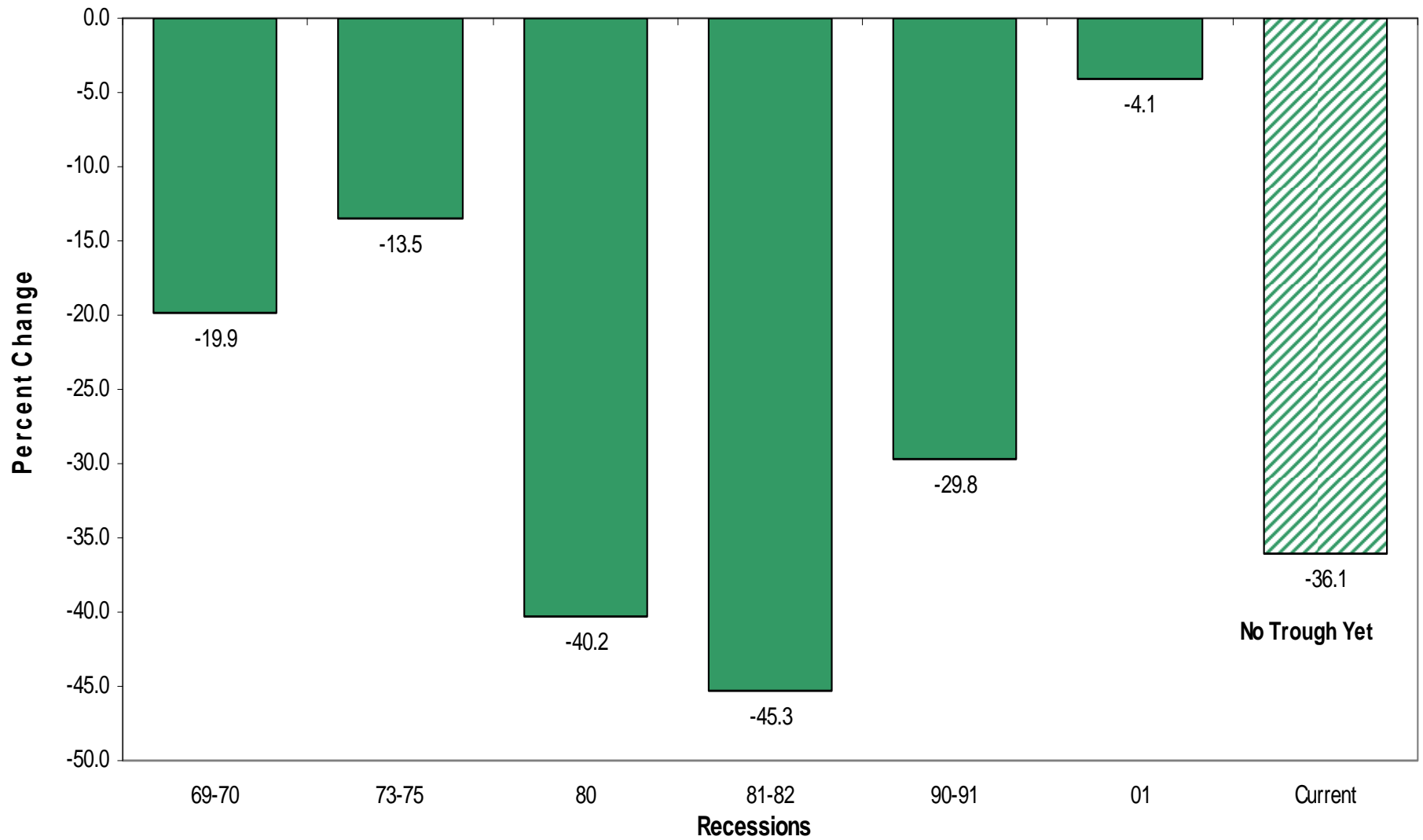
Rise In The Unemployment Rate During Post WW2 Recessions (Trough to Peak Except 07-?)



Source: Bureau of Labor Statistics



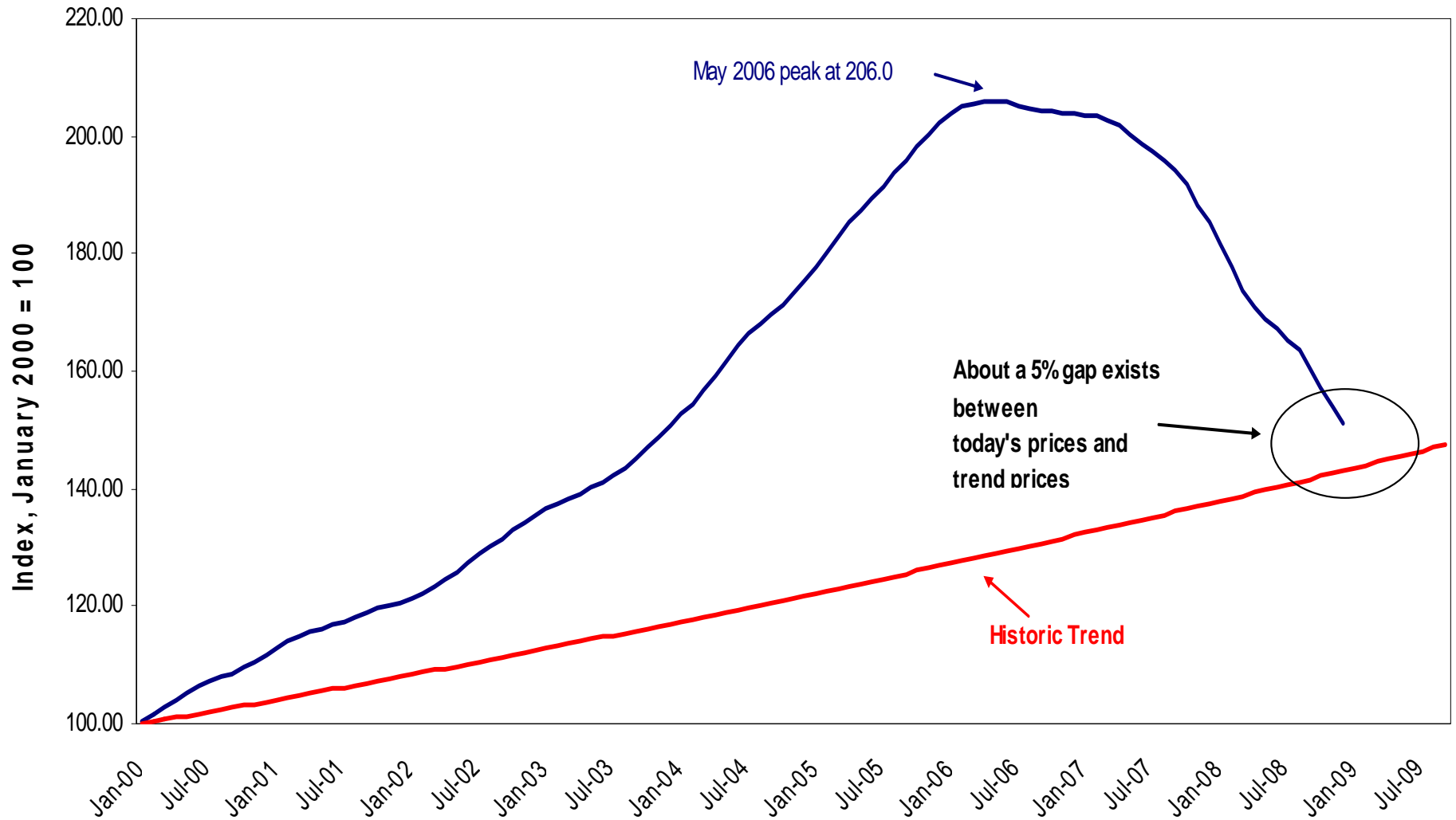
Peak-to-Trough Change In Existing Single-Family Home Sales Across Business Cycles

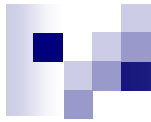


Source: National Association of Realtors

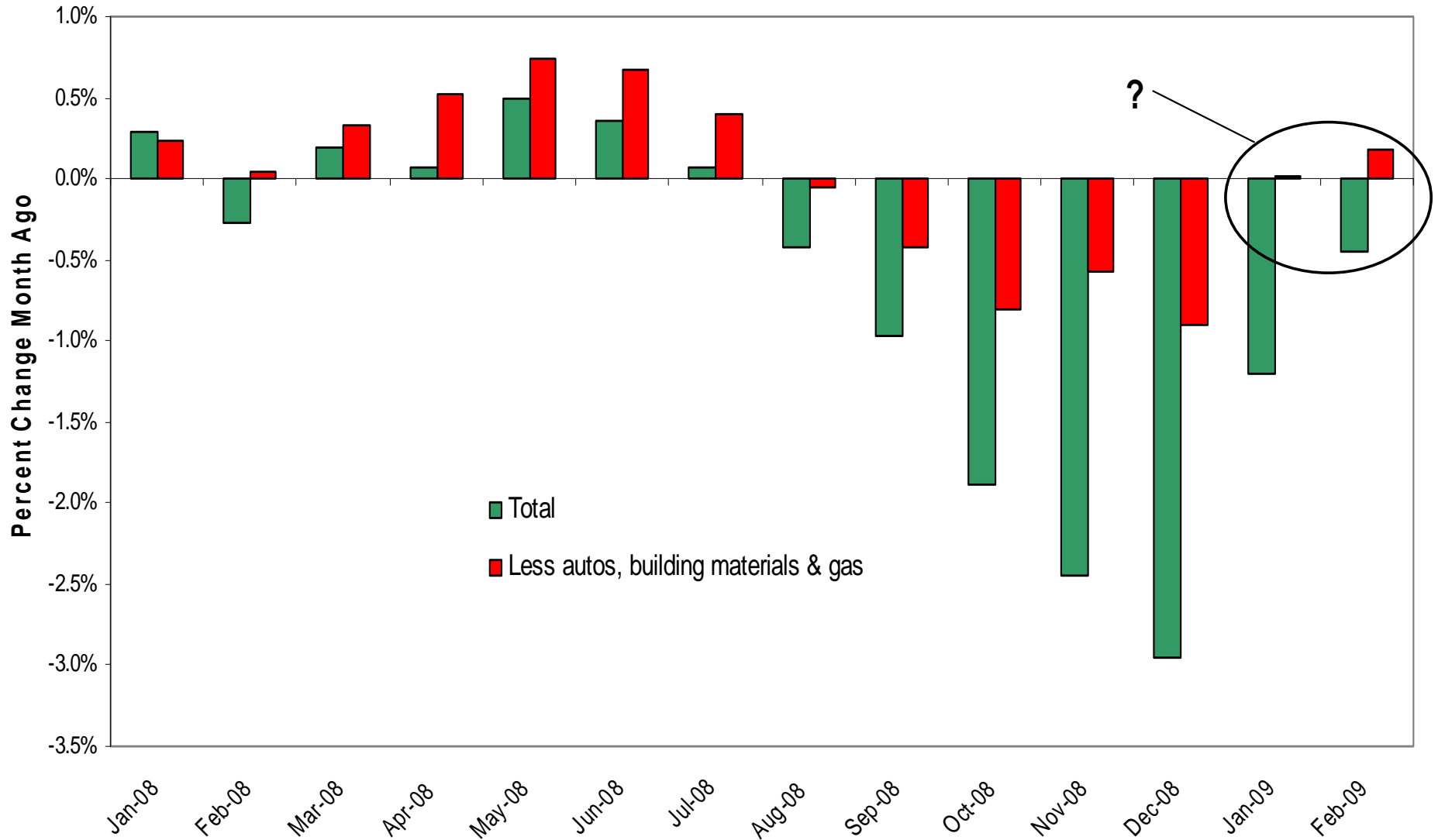
Home Prices Continue To Decline

S&P/Case-Shiller: Composite 20



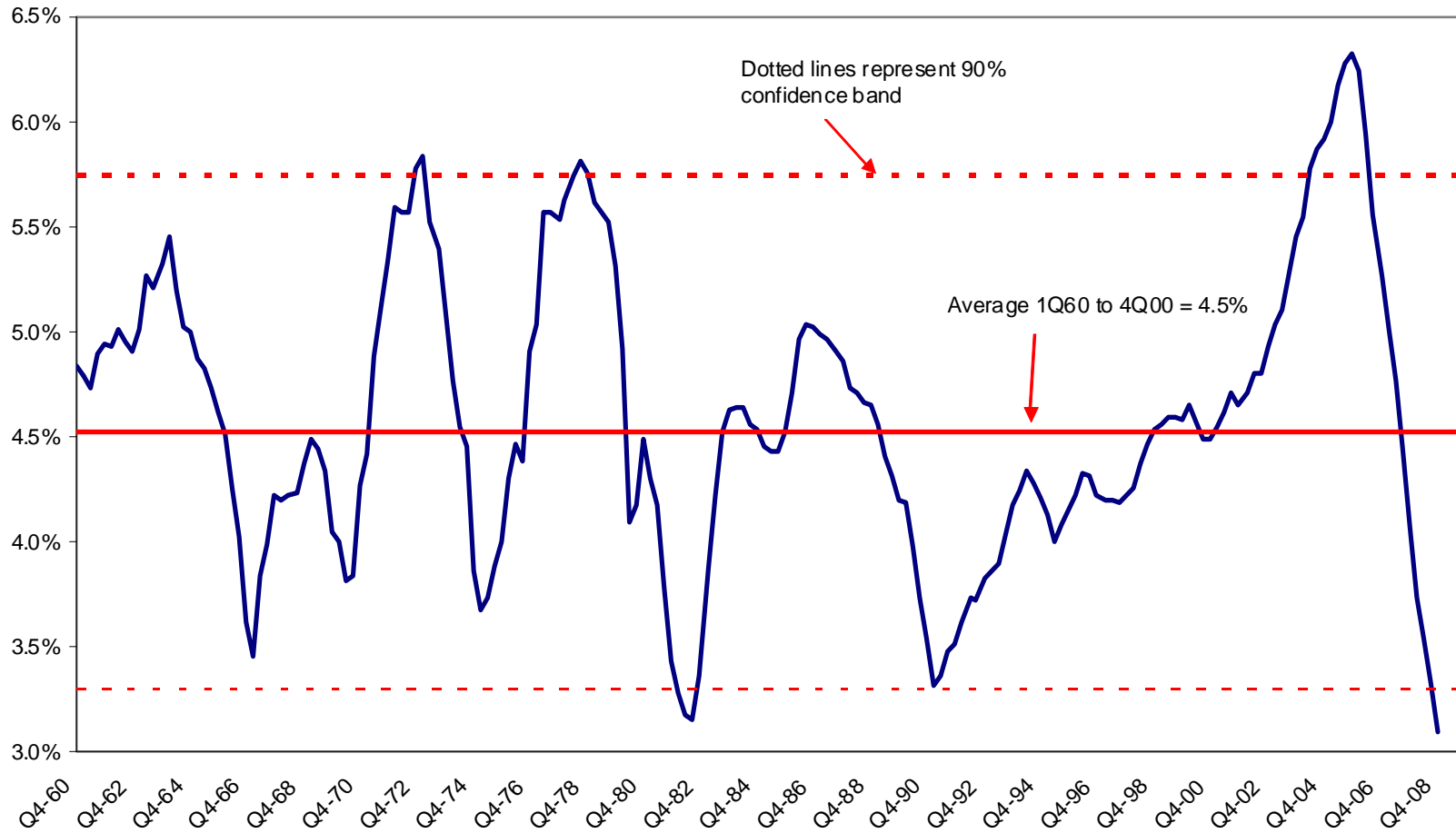


A Glimmer Of Hope? Nominal Retail Sales (3 month Moving Average)

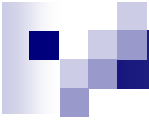


Source: Bureau of the Census

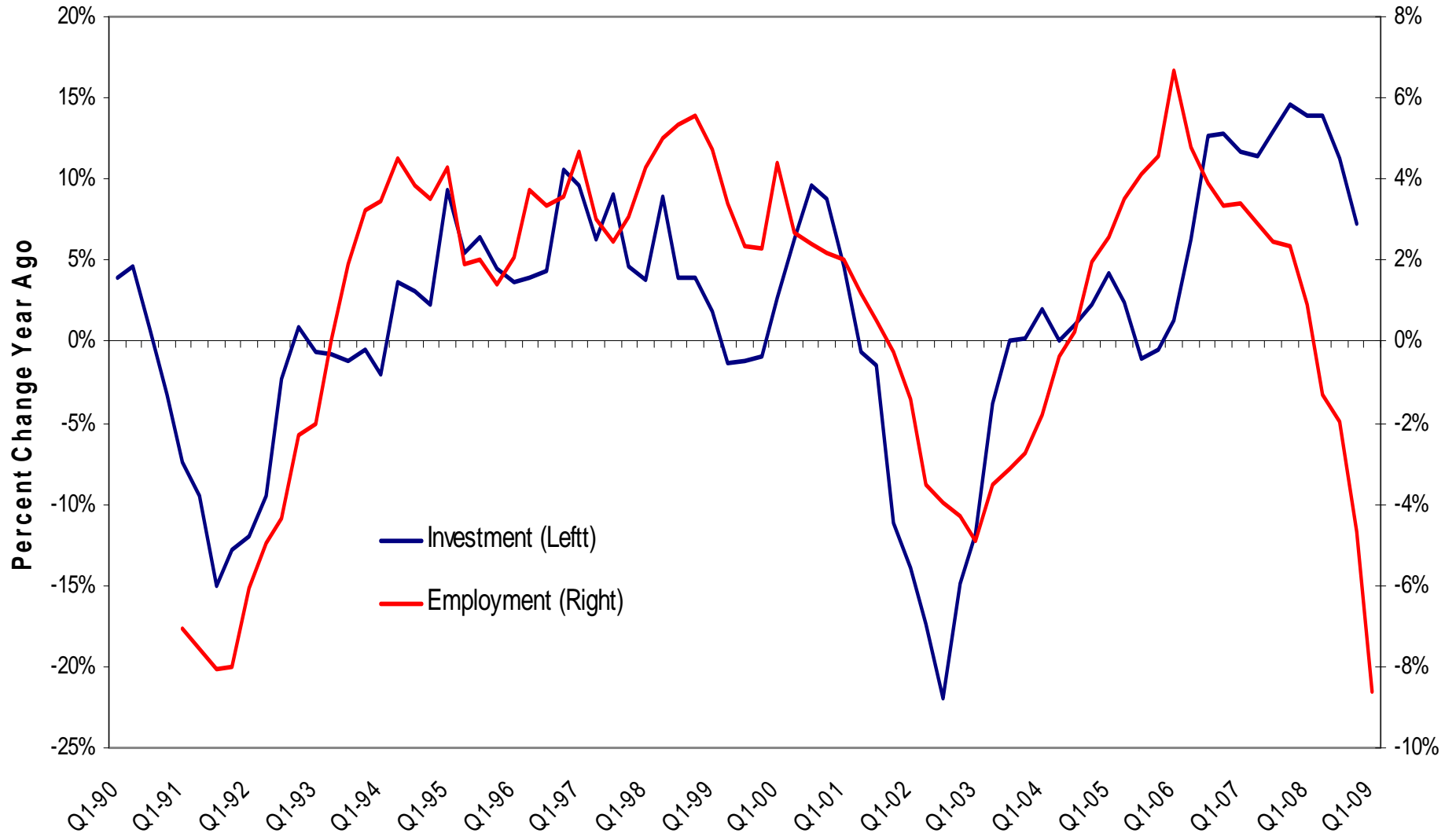
Residential Investment As A Share Of GDP



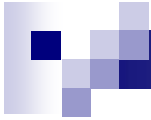
Source Data: Bureau of Economic Analysis; Calculation FDIC Atlanta



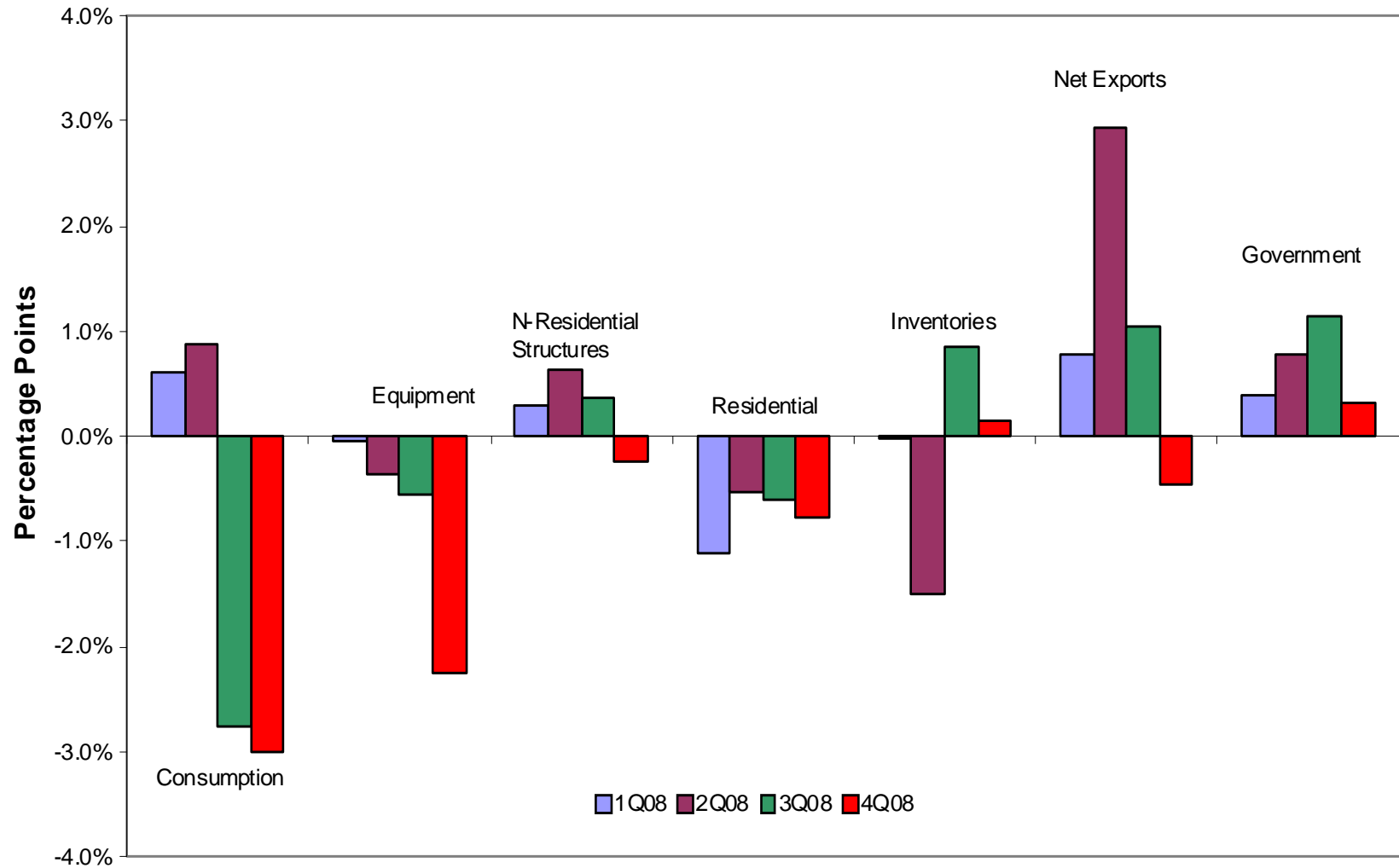
Non-Residential Construction Employment & Investment Are Still Diverging



Source: Bureau of Economic Analysis; Bureau of Labor Statistics

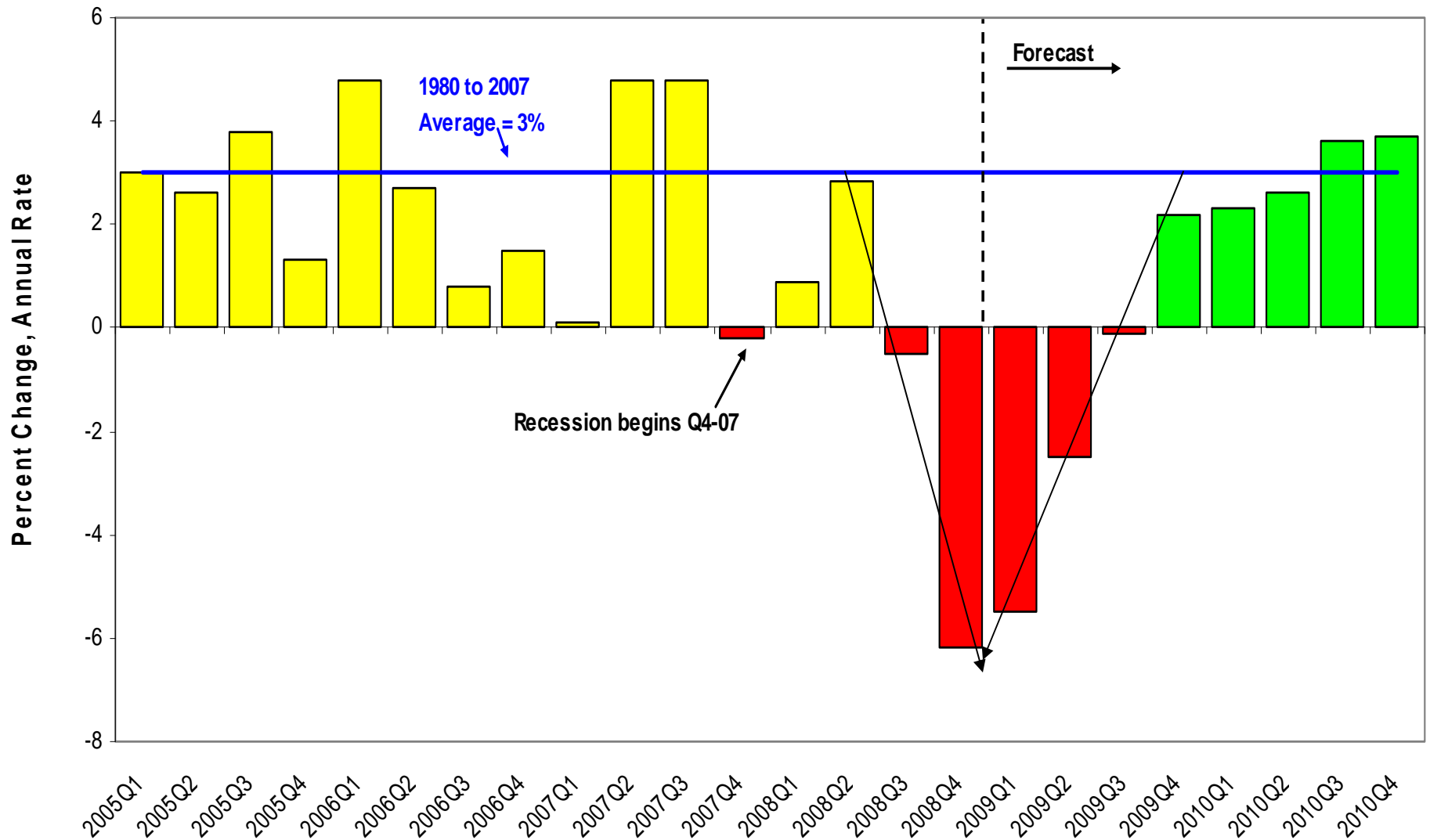


Contributions To Real GDP Growth



Source: Bureau of Economic Analysis

Real Gross Domestic Product





Prolonging The Recession

- **Severely depressed consumers, confidence at or near record lows**
- **A spreading global economic retreat**
- **Plunging corporate profits**
- **No light at the end of the foreclosure tunnel**
- **The breadth of domestic economic weakness**



Preconditions For Recovery

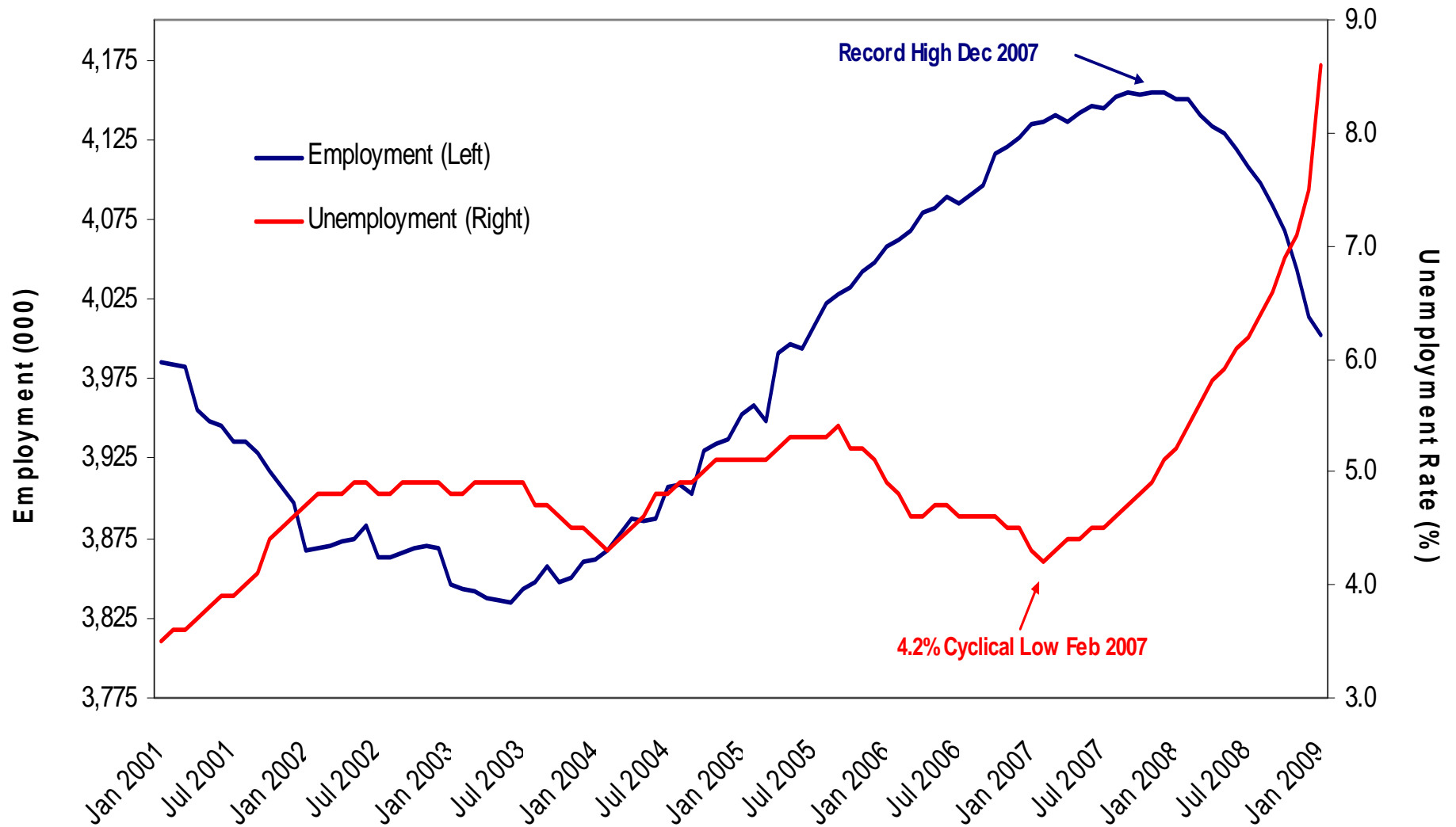
- **The housing market must stabilize, at the least plateau**
- **Consumer confidence must be restored**
- **Energy prices must remain at recent low levels; it's a tax cut**
- **Fiscal and monetary policy must remain simulative**
- **The credit crunch must continue to ease**

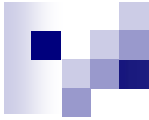


Other Forecast Details

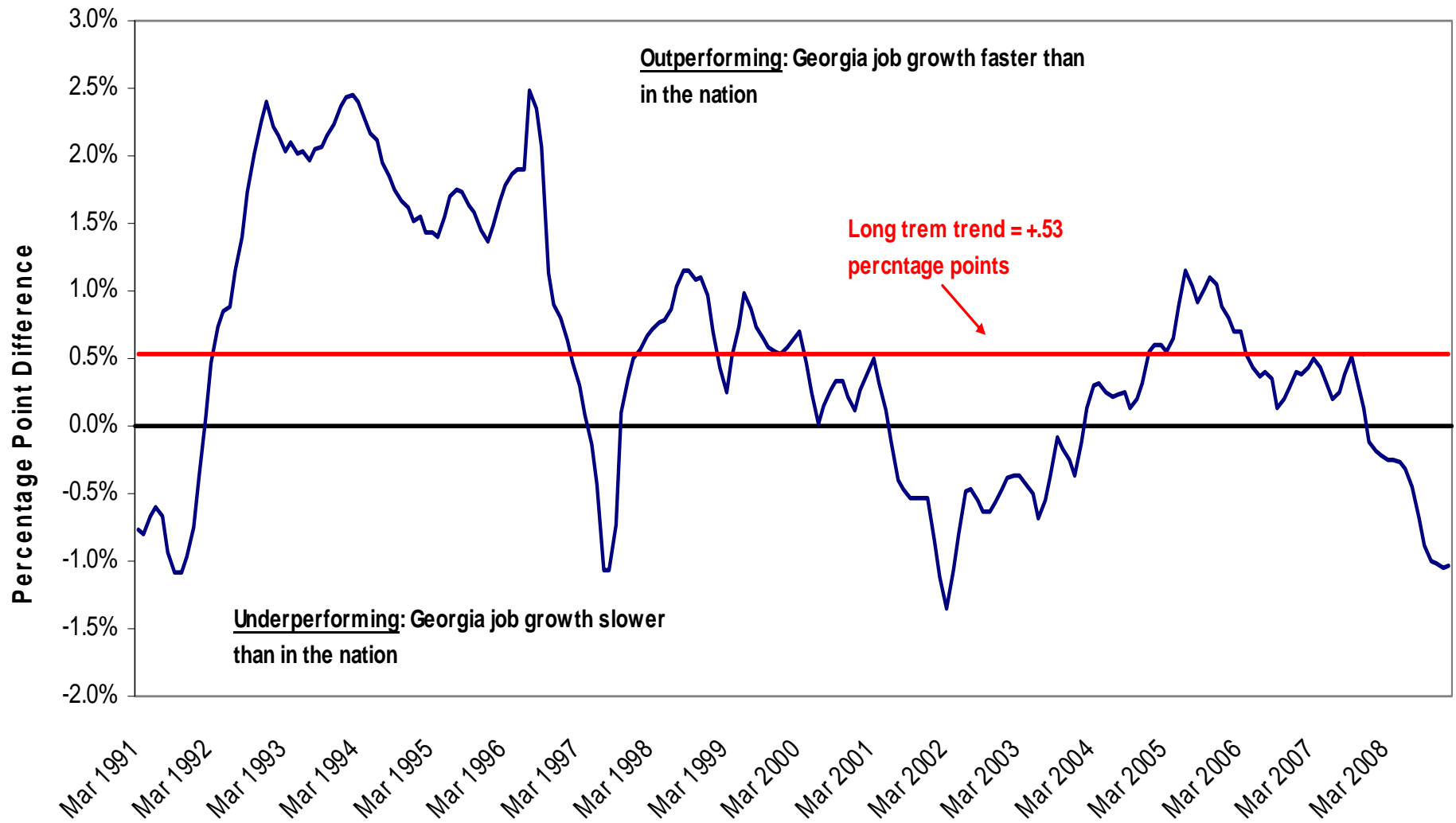
- **Labor Markets:** employment declines through year end, tepid recovery in Q1 2010; Unemployment peaks in the summer of 2010 at 10%.
- **Housing:** sales and new construction to stabilize by mid year 2009, slow growth to follow in 2nd half. Prices bottom in 3rd quarter.
- **Consumption:** significant declines through mid-year. Tepid recovery to follow.
- **Non-residential investment:** a significant, multi-quarter decline lasting well into 2010 is now underway.
- **Interest rates & inflation:** both remain low well into 2010. Credit crunch to continue easing.

Georgia's Labor Market Has Been Deteriorating For More Than A Year





Georgia vs National Performance (state YOY job growth minus national YOY job growth, 3-mo MA)

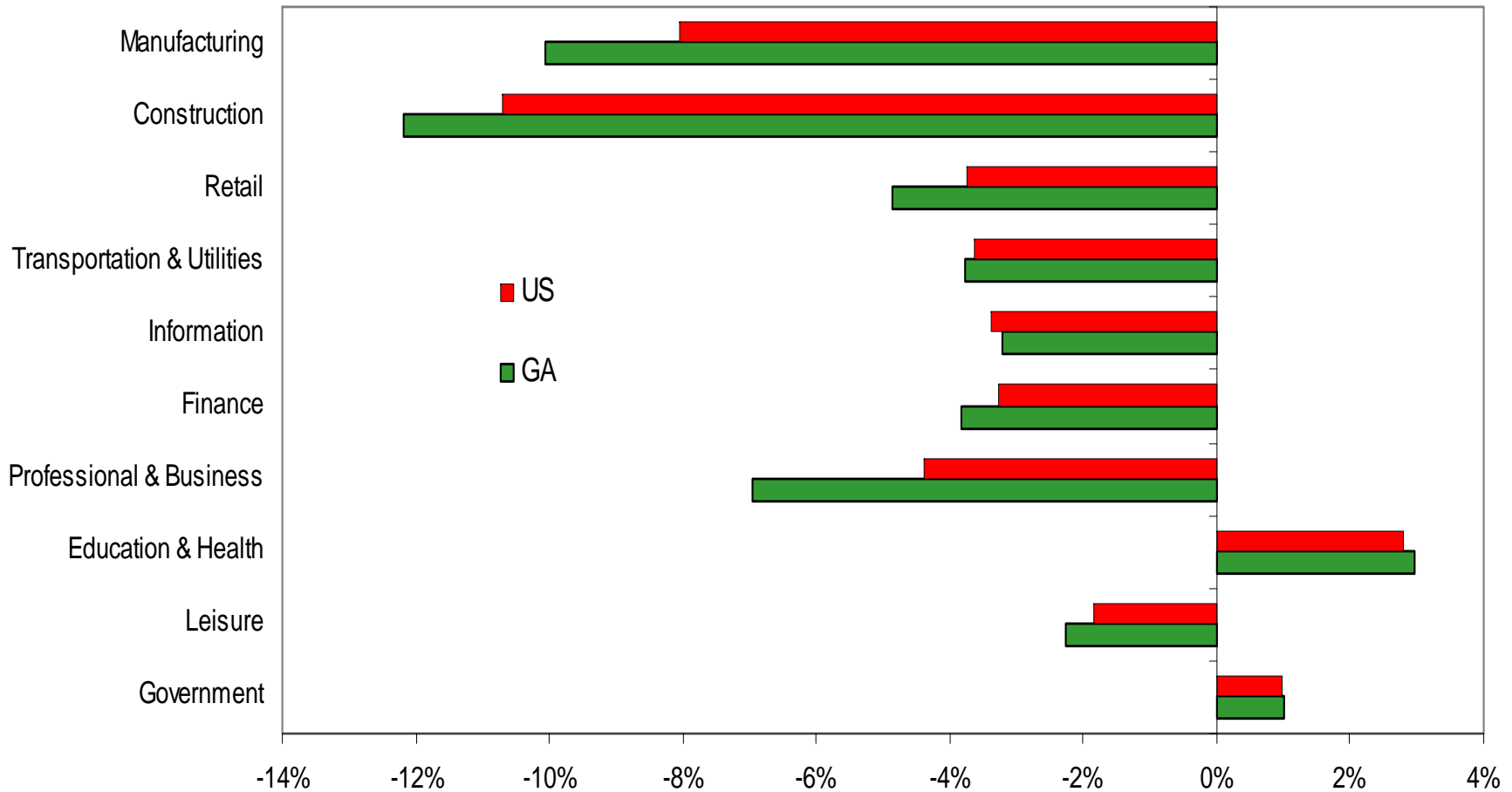


Source: FDIC calculation using BLS source data.



Georgia Job Losses Are Broad Based

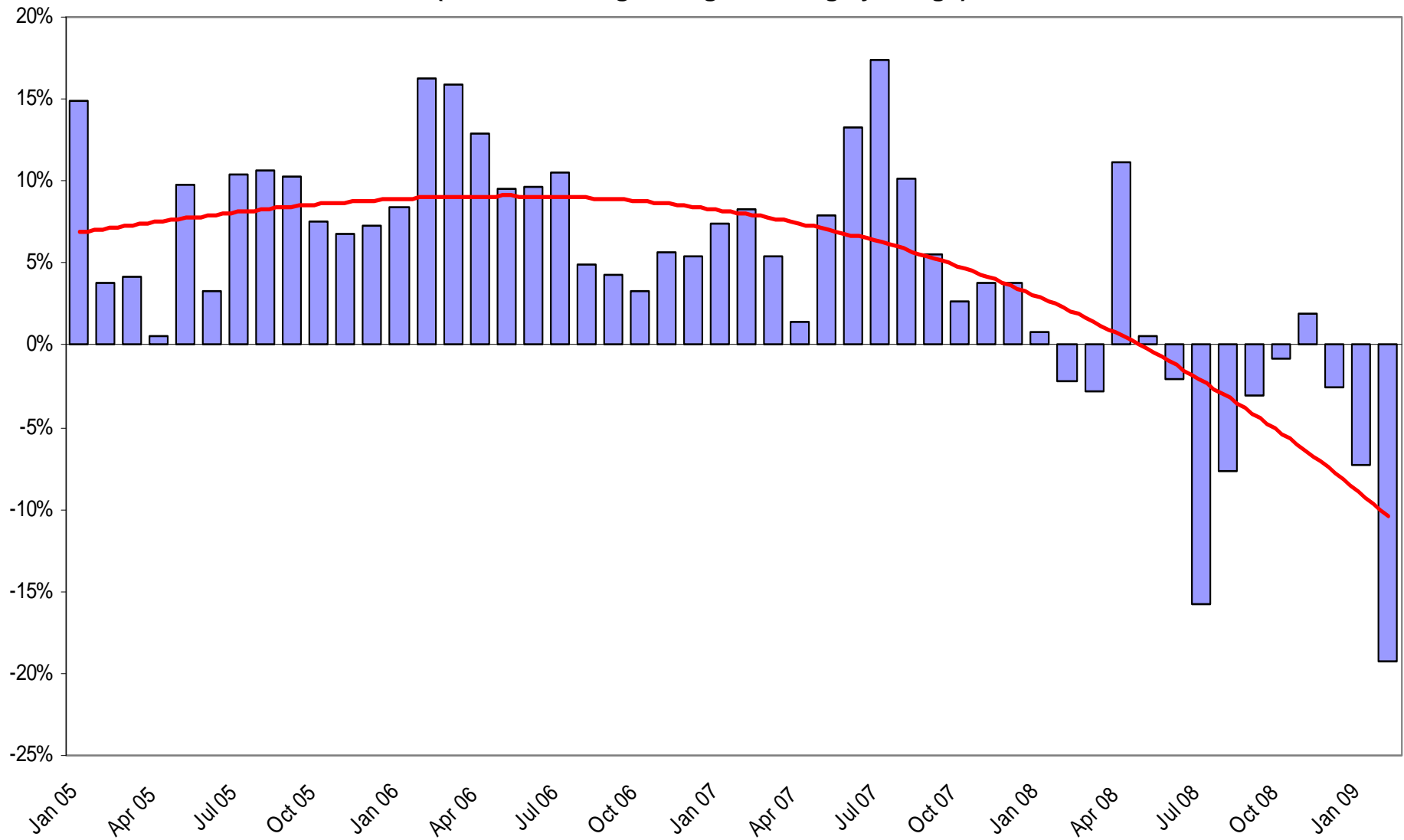
January 2009 %Change Year Ago



Source: Bureau of Labor Statistics

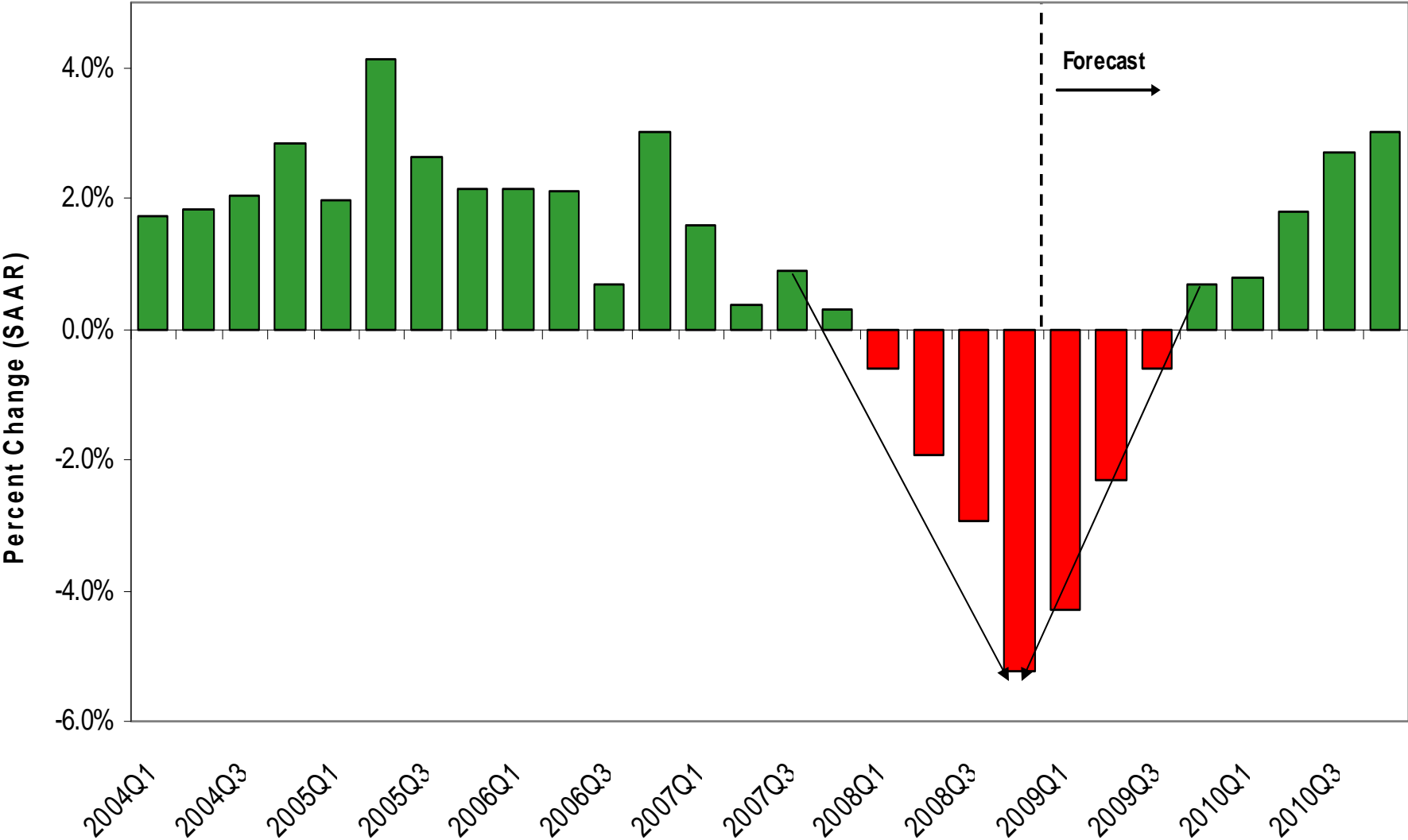
Georgia Tax Collections Are Declining

(3 month moving average % change year ago)



Source: Georgia Department of Revenue

Georgia Employment Will Begin To Recover In The Fall



Source: Bureau of Labor Statistics; Moody's Economy.com

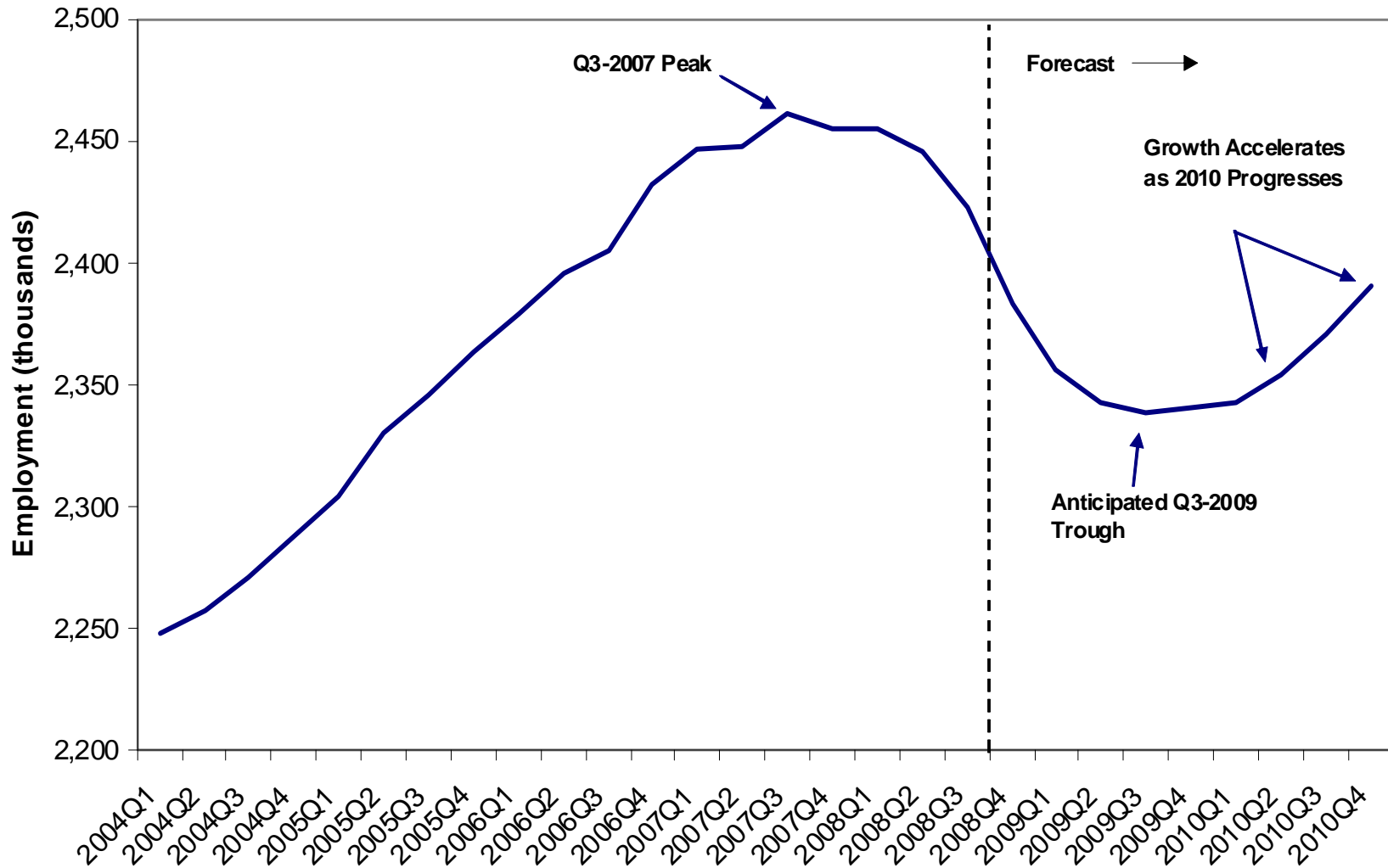


Employment Conditions

-Major MSA's-

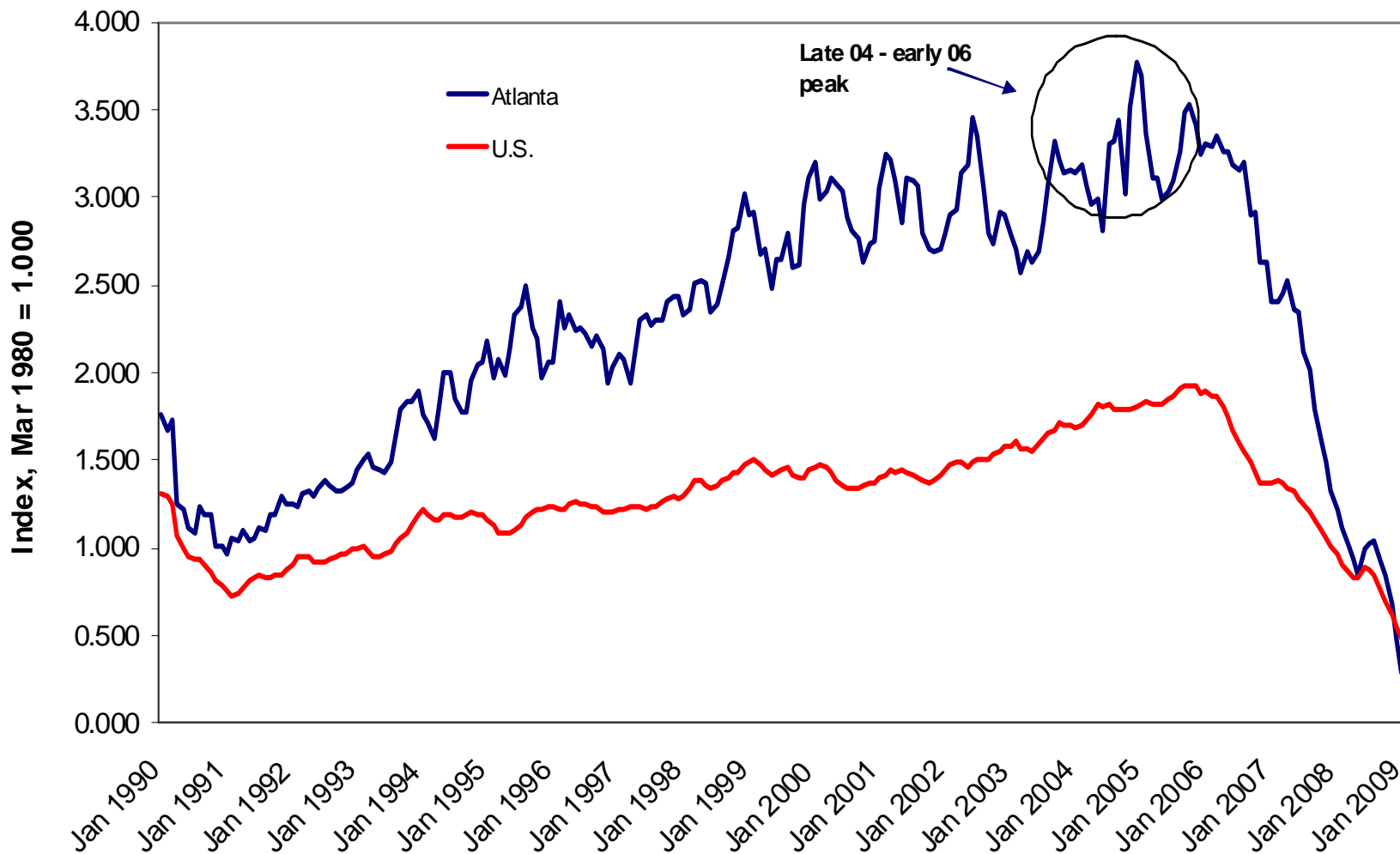
	<u>January 09 Employment</u>		<u>Unemployment</u>	
	<u>Peak Month</u>	<u>% Change From Peak</u>	<u>December 08</u>	<u>Cyclical Low</u>
Atlanta	Sep 07	(3.9%)	7.7%	4.1%
Savannah	Sep 07	(2.8%)	6.7%	3.6%
Chattanooga	Jun 07	(2.3%)	7.6%	5.2%
Macon	Jul 08	(2.0%)	8.1%	3.4%
Columbus	Apr 08	(1.7%)	7.8%	4.9%
Augusta	May 08	(1.6%)	7.9%	4.6%
GA	Dec 07	(3.6%)	8.1%	4.2%

Atlanta Employment Trends Will Mirror Georgia



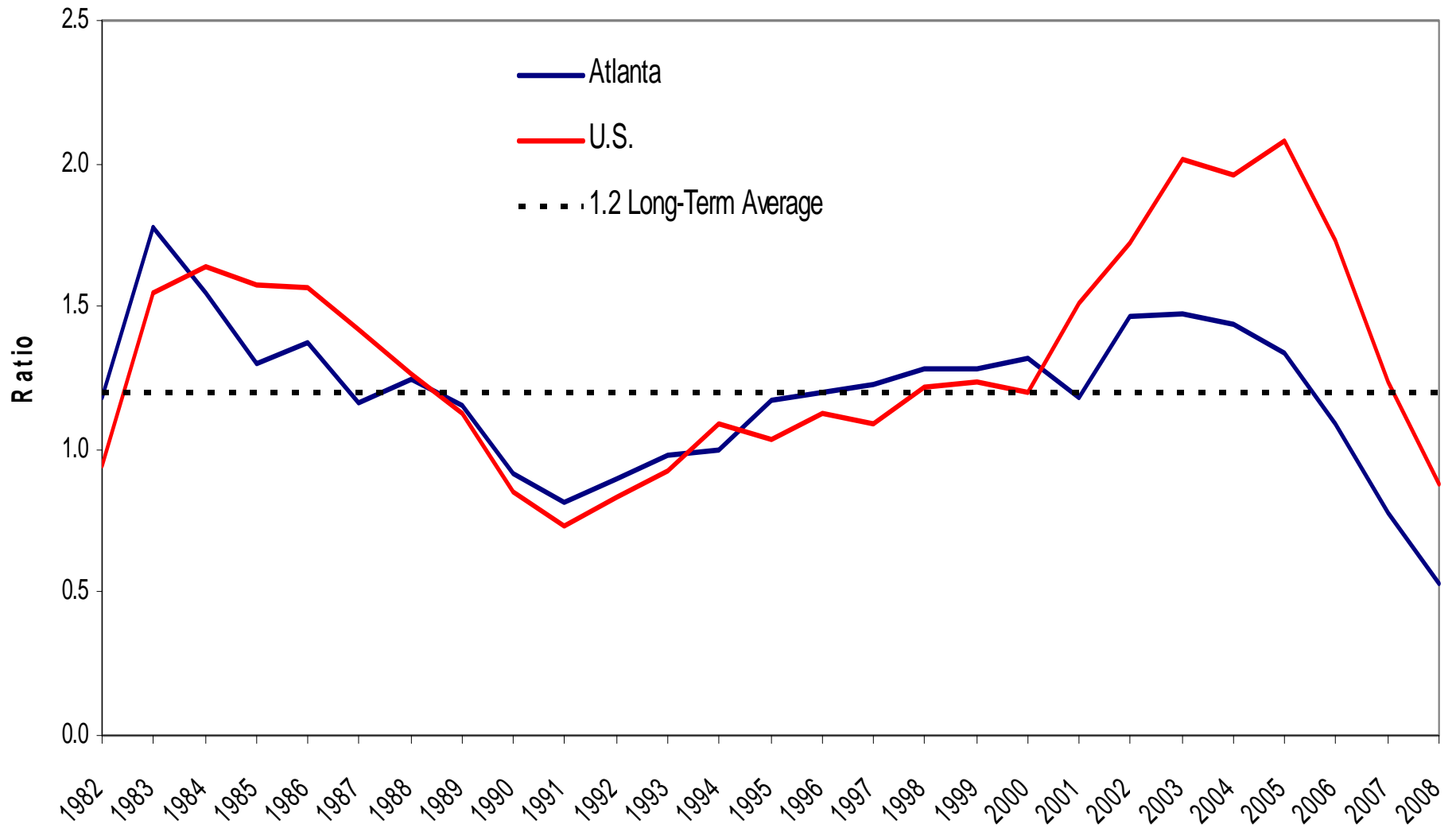
Source: Bureau of Labor Statistics; Moody's Economy.com

Atlanta Permits Grew Much Faster Than In The Nation From The Early 90s To The Peak; 3-mo MA



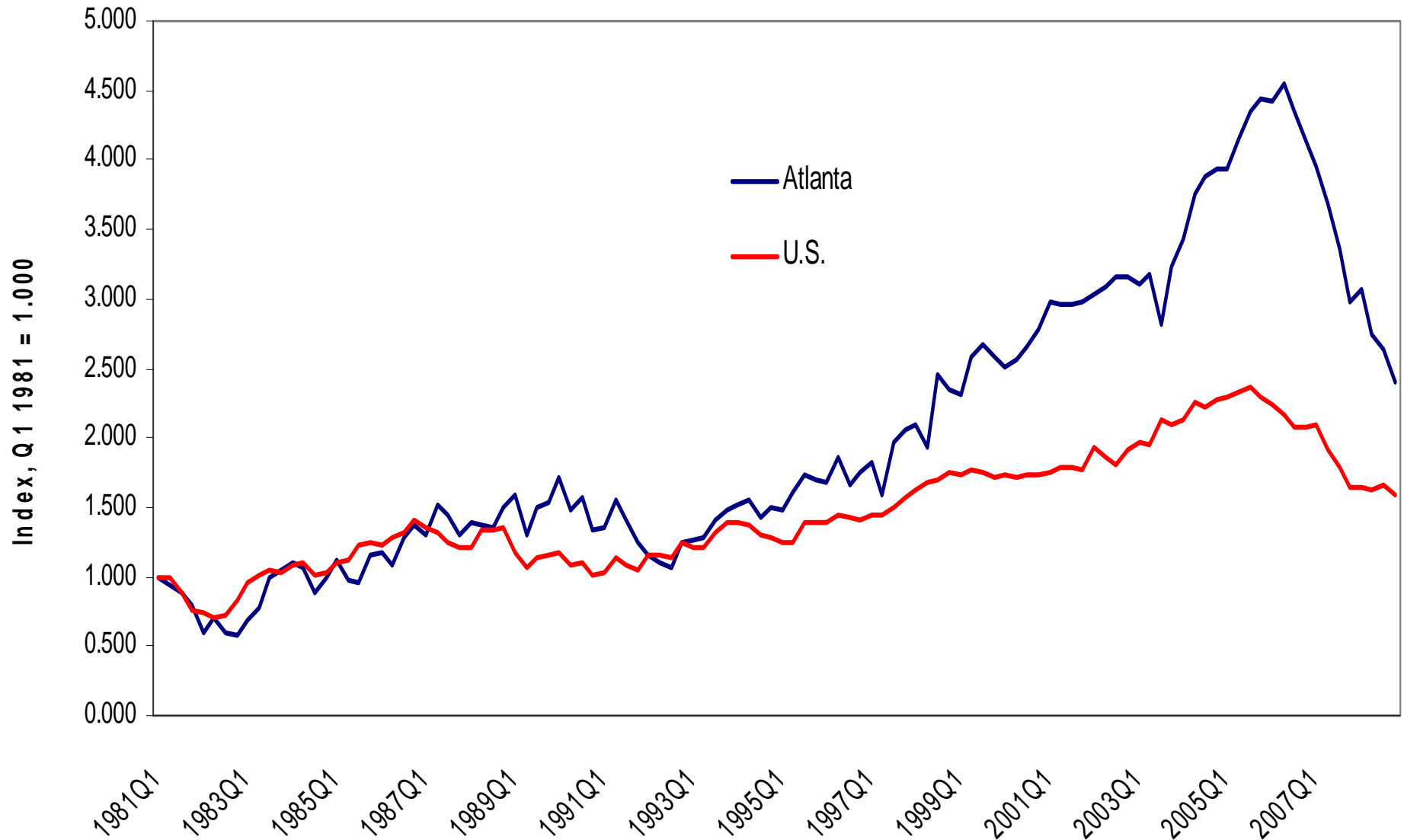
Source: Bureau of the Census; Moody's Economy.com

Housing Starts Per Household Formation



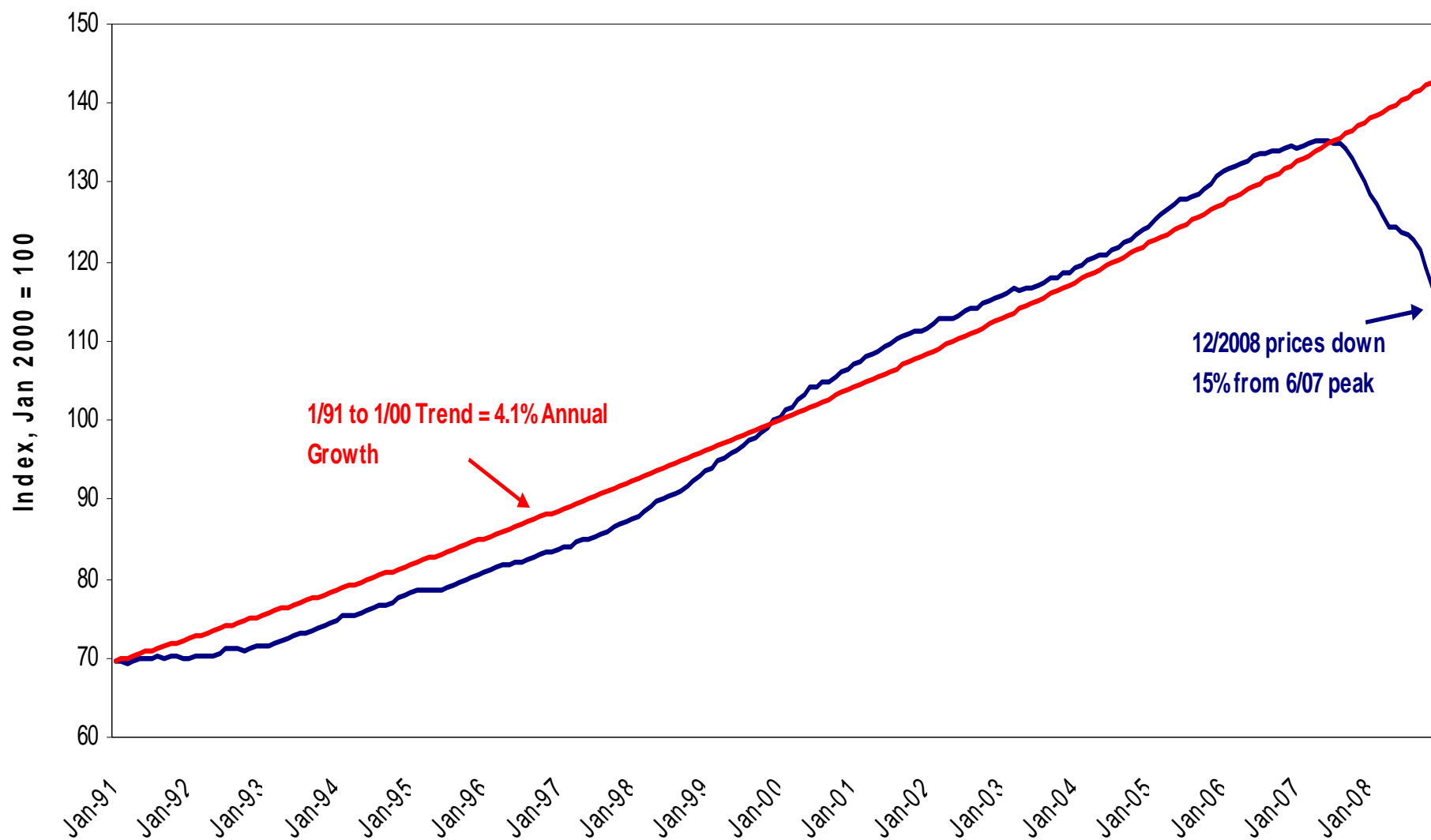
Source: FDIC Calculation

Atlanta vs National Existing Single-Family Home Sales

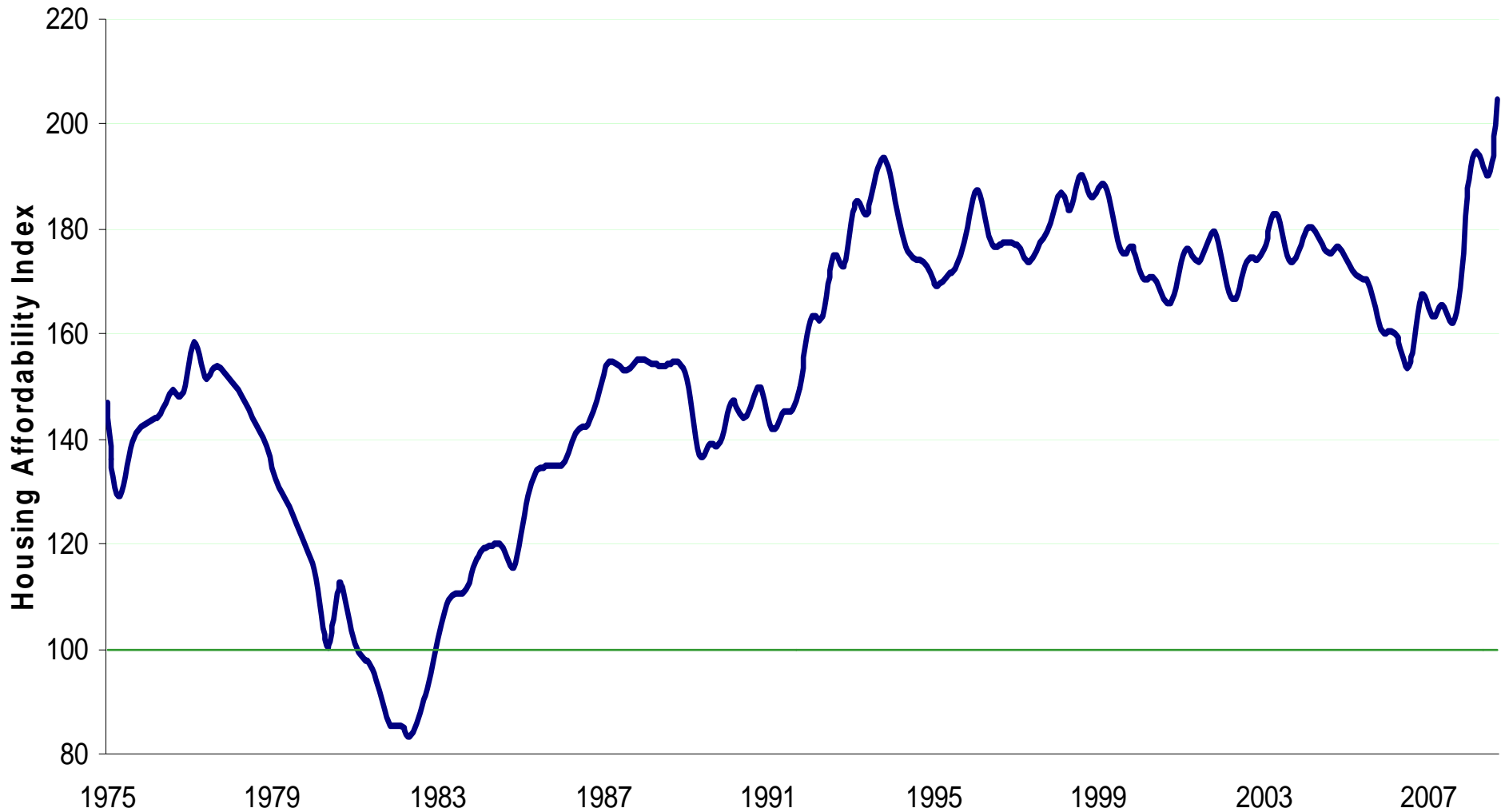


Source: National Association of Realtors; Moody's Economy.com

Atlanta Home Prices Never Boomed But Are Now Falling Rapidly S&P/Case-Shiller Index



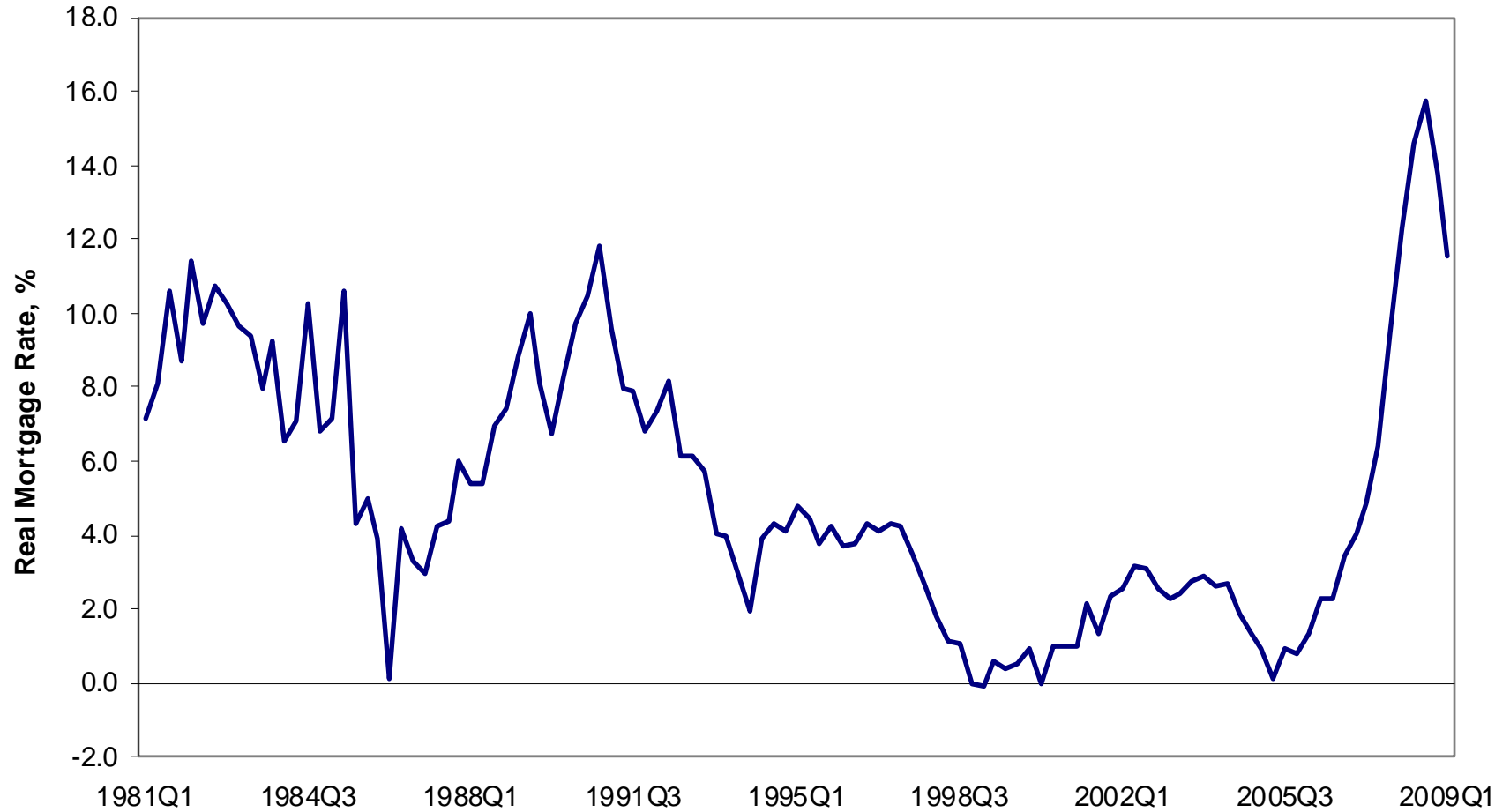
Atlanta Housing Affordability Is On The Rise



Source: Moody's Economy.com



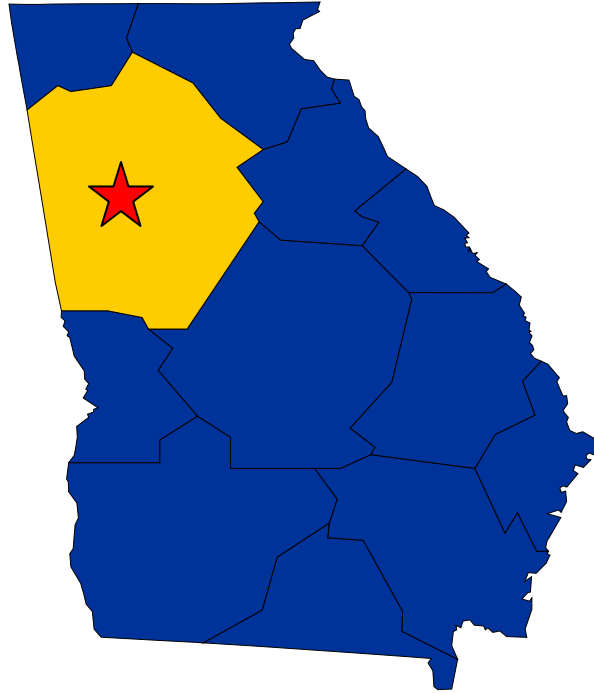
Atlanta Real Mortgage Rates Are In Record Territory



Source: FDIC calculation using Freddie Mac and Moody's Economy.com data.

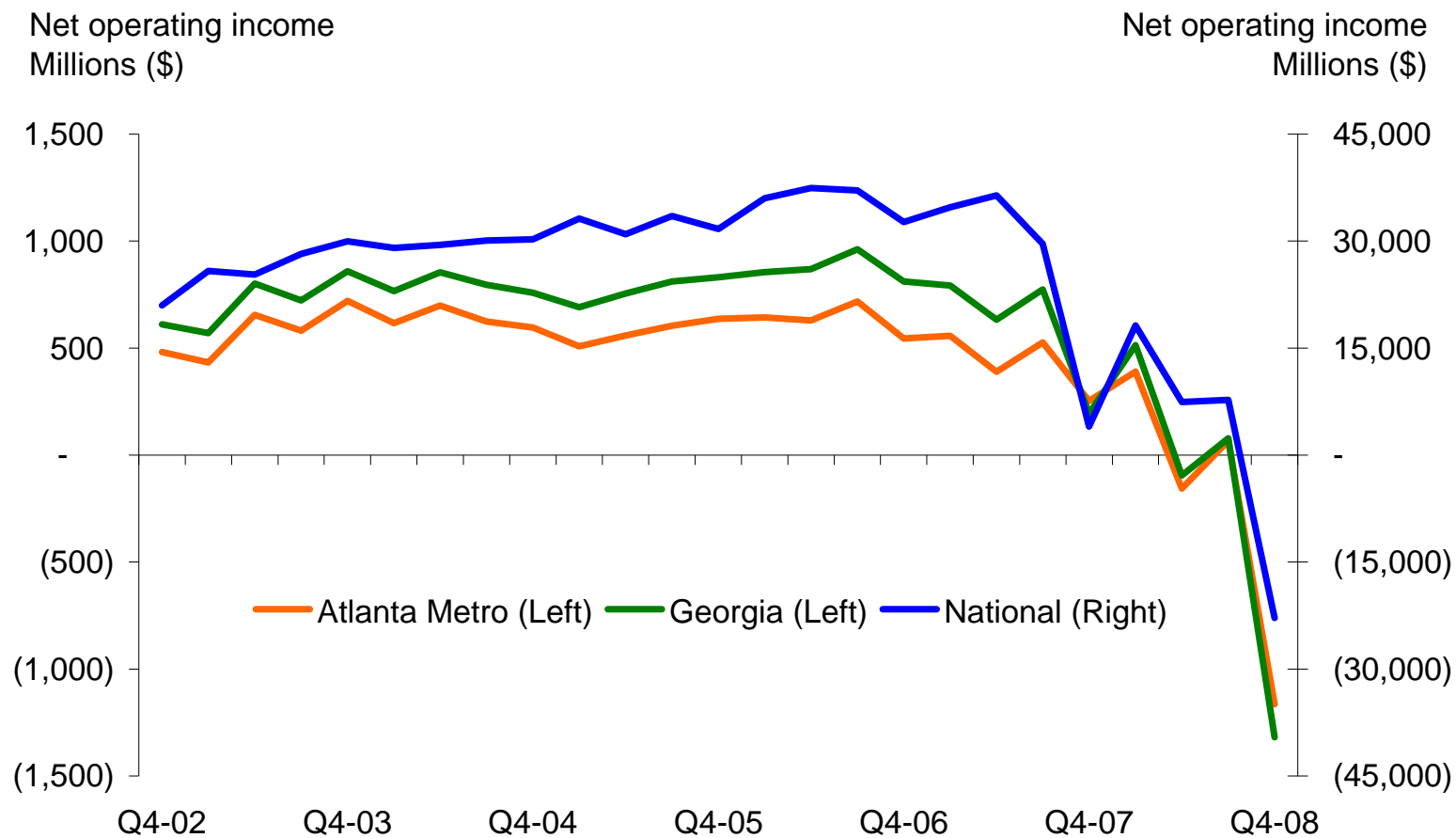


Atlanta Area Banking Performance



CONFIDENCE AND STABILITY

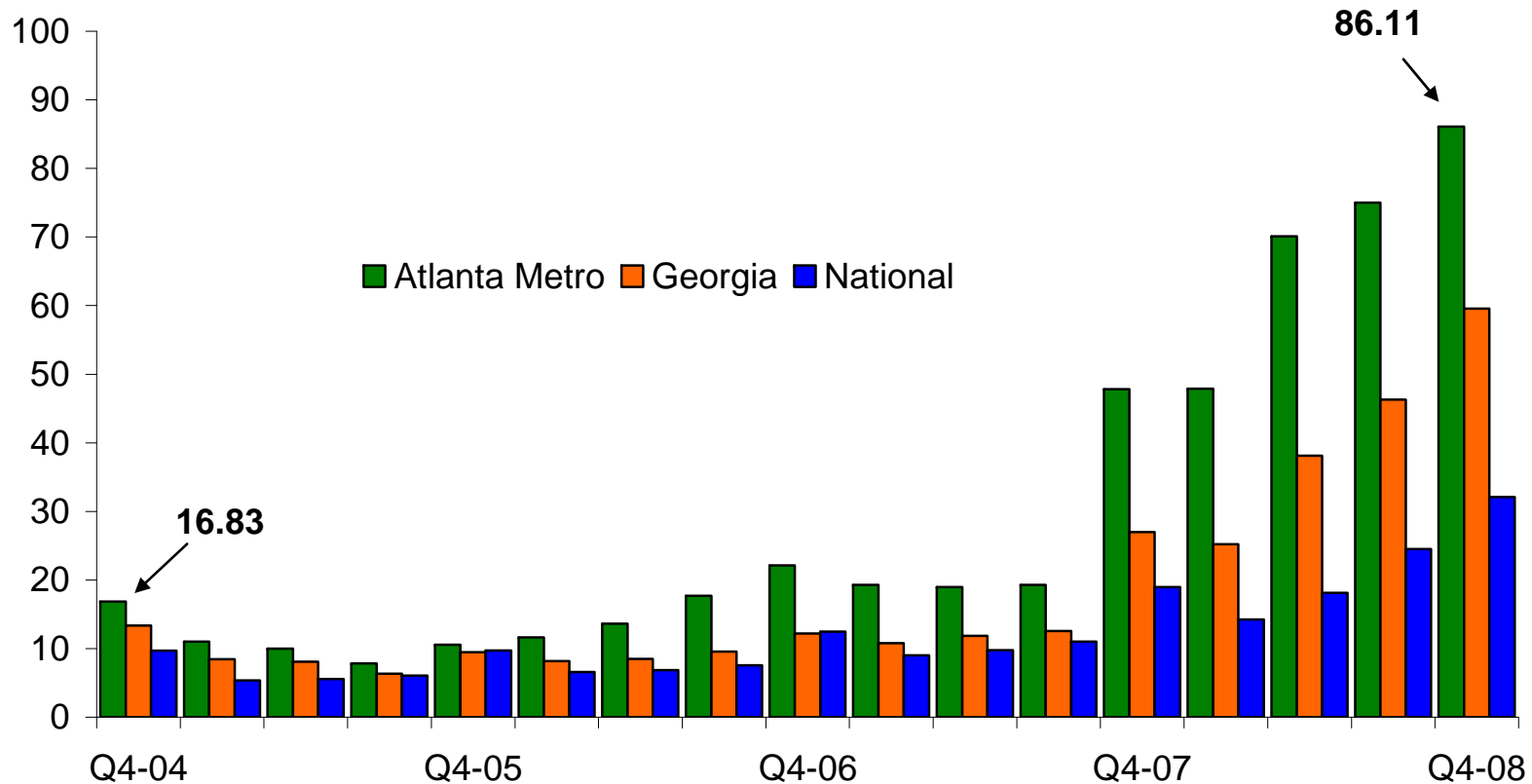
Earnings continue to weaken among insured institutions.



Source: FDIC, all insured institutions included.

The number of insured institutions losing money is on the rise.

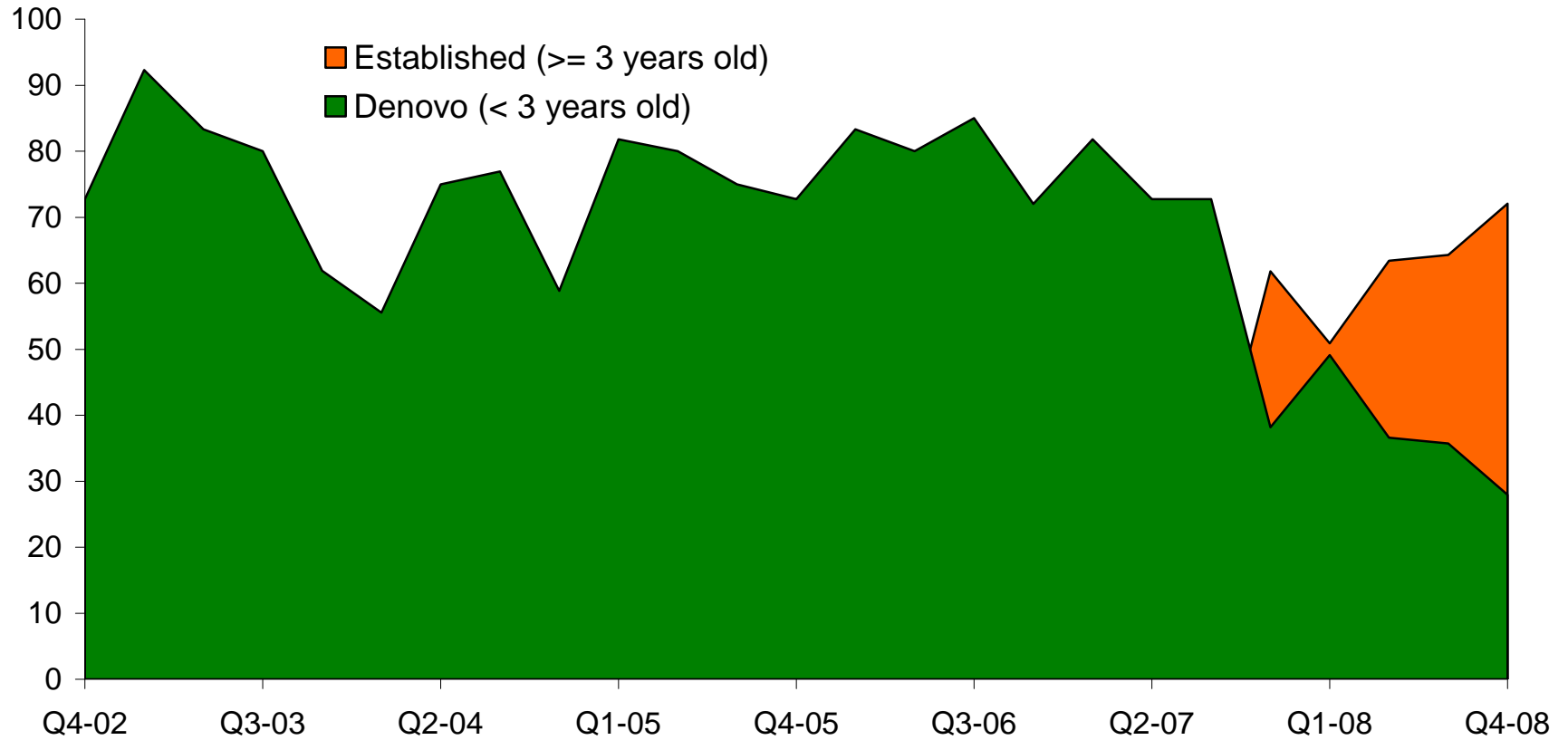
Institutions reporting a loss in net operating income
Percent



Source: FDIC, all insured institutions.

Established institutions in the Atlanta metro area comprise an increasingly larger share of the banks and thrifts that are losing money.

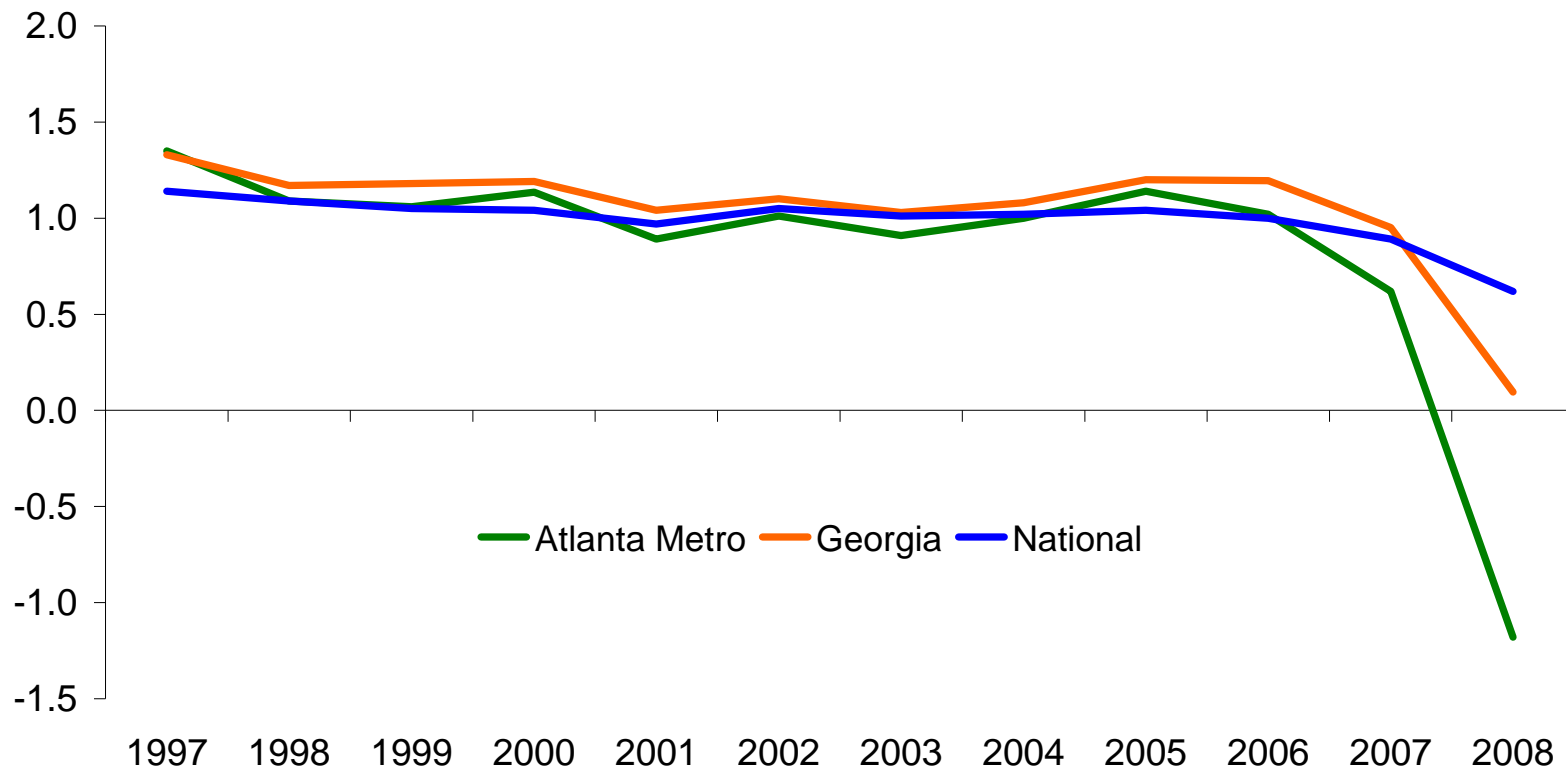
Percent of total that lost money



Source: FDIC, all insured institutions.

Return on assets continue to soften among insured institutions.

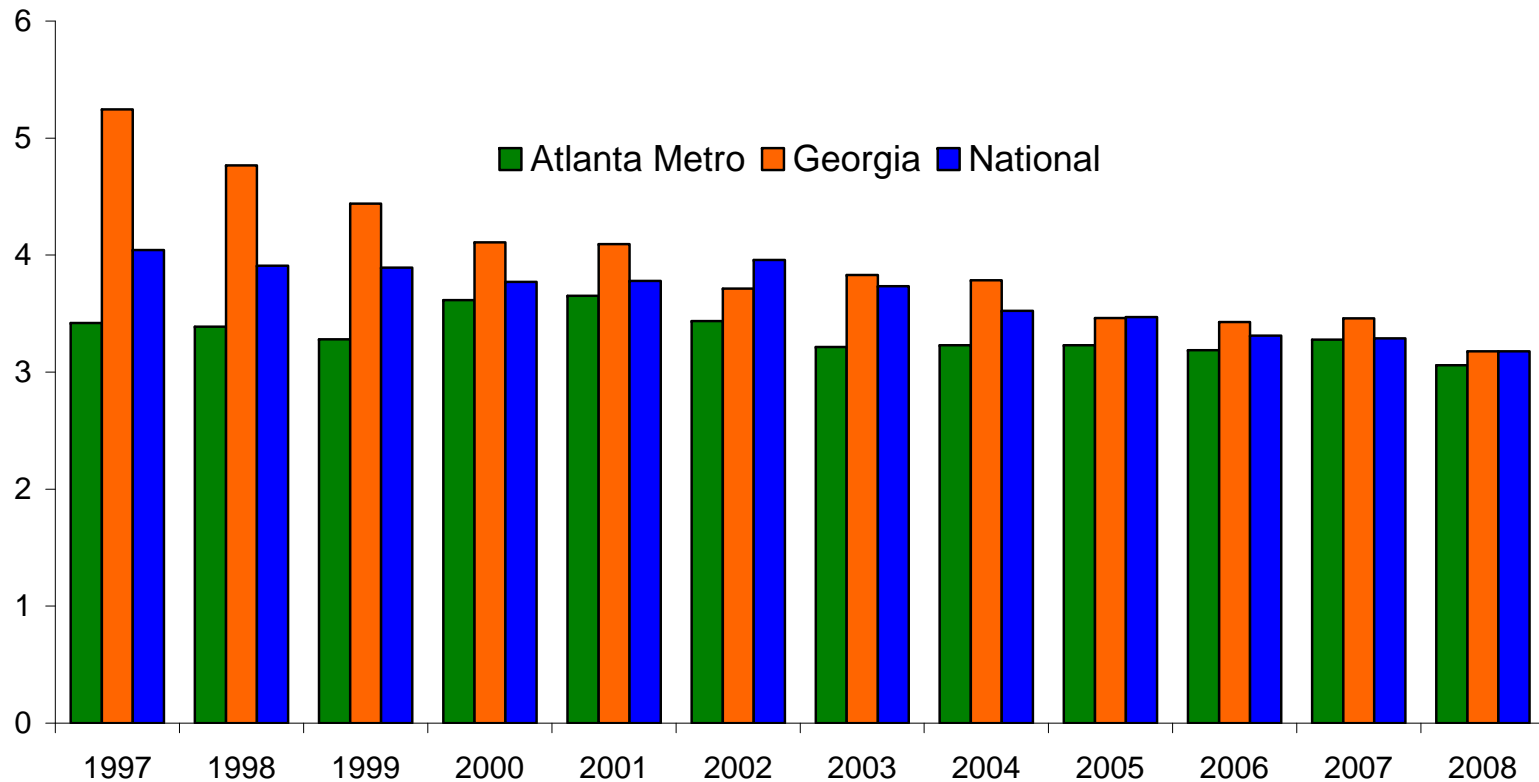
Return on assets
Median (%)



Source: FDIC, data for December 31st for all Insured Institutions.

Margin compression has been widespread across insured institutions.

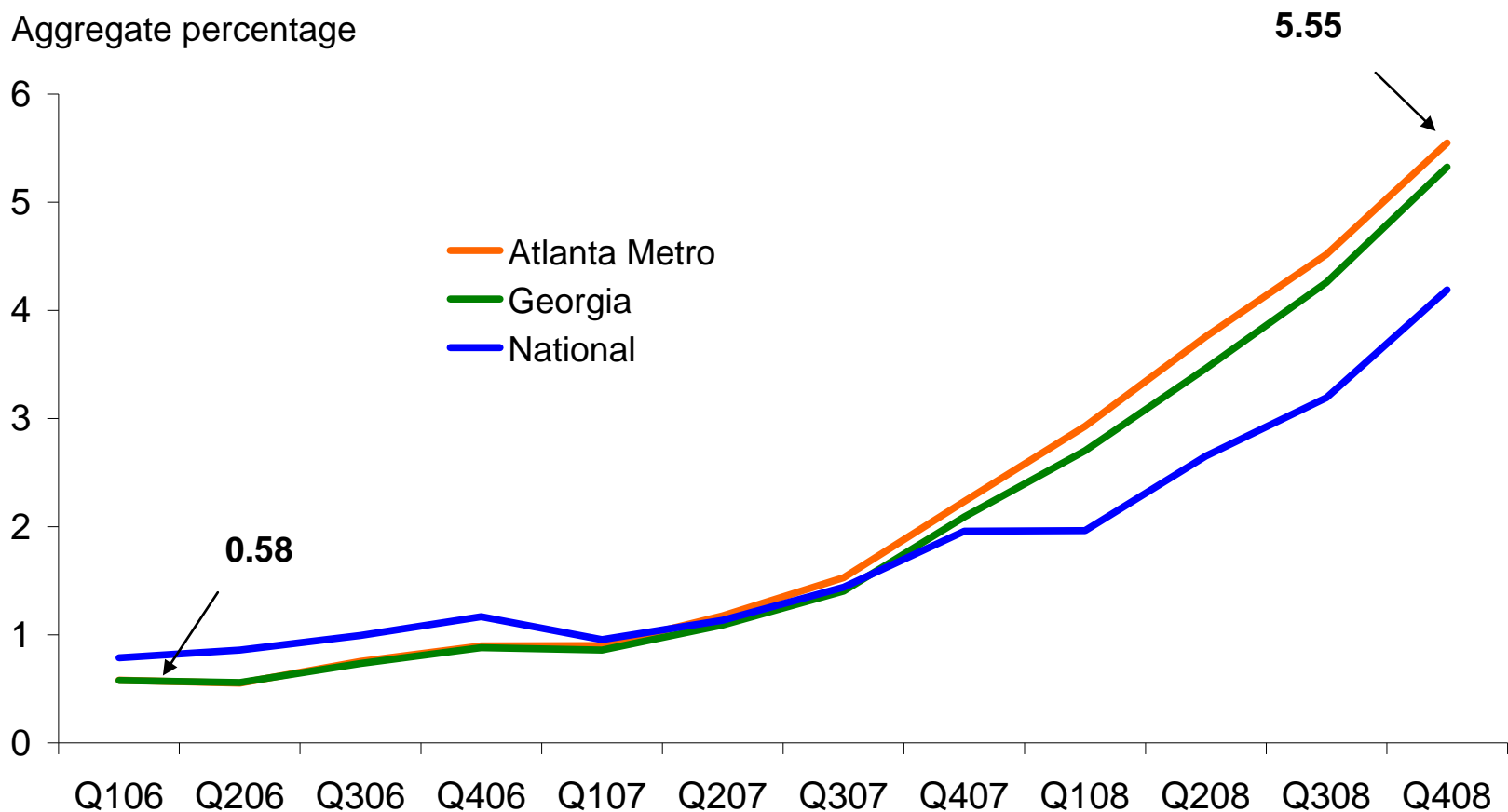
Net interest margins
Aggregate percentage



Source: FDIC, data as of December 31st for all insured institutions.

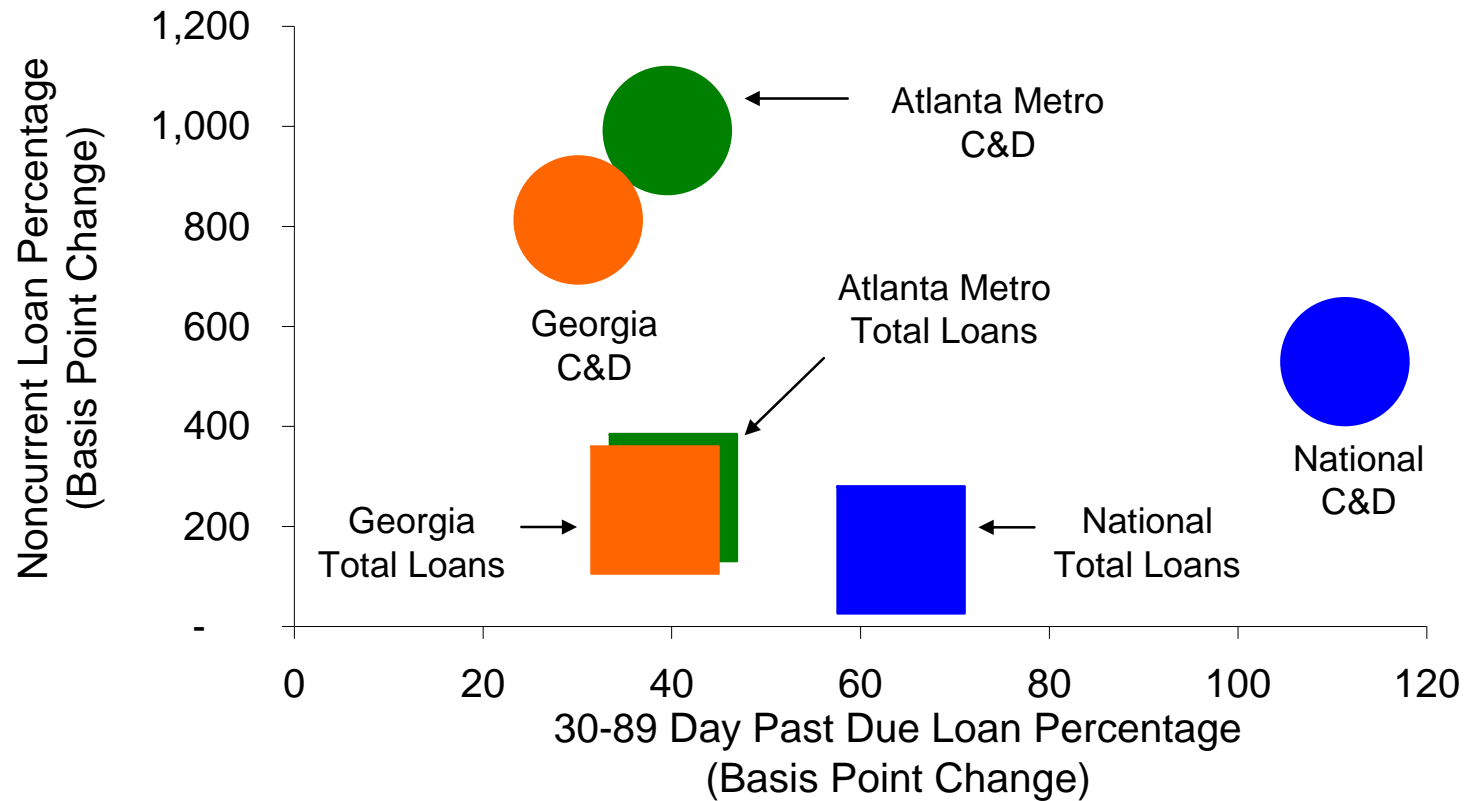
Troubled loan balances inside the Atlanta metro area have risen faster than average over the past several quarters.

Trouble loan balance-to-total loans
Aggregate percentage



Source: FDIC, all insured institutions.

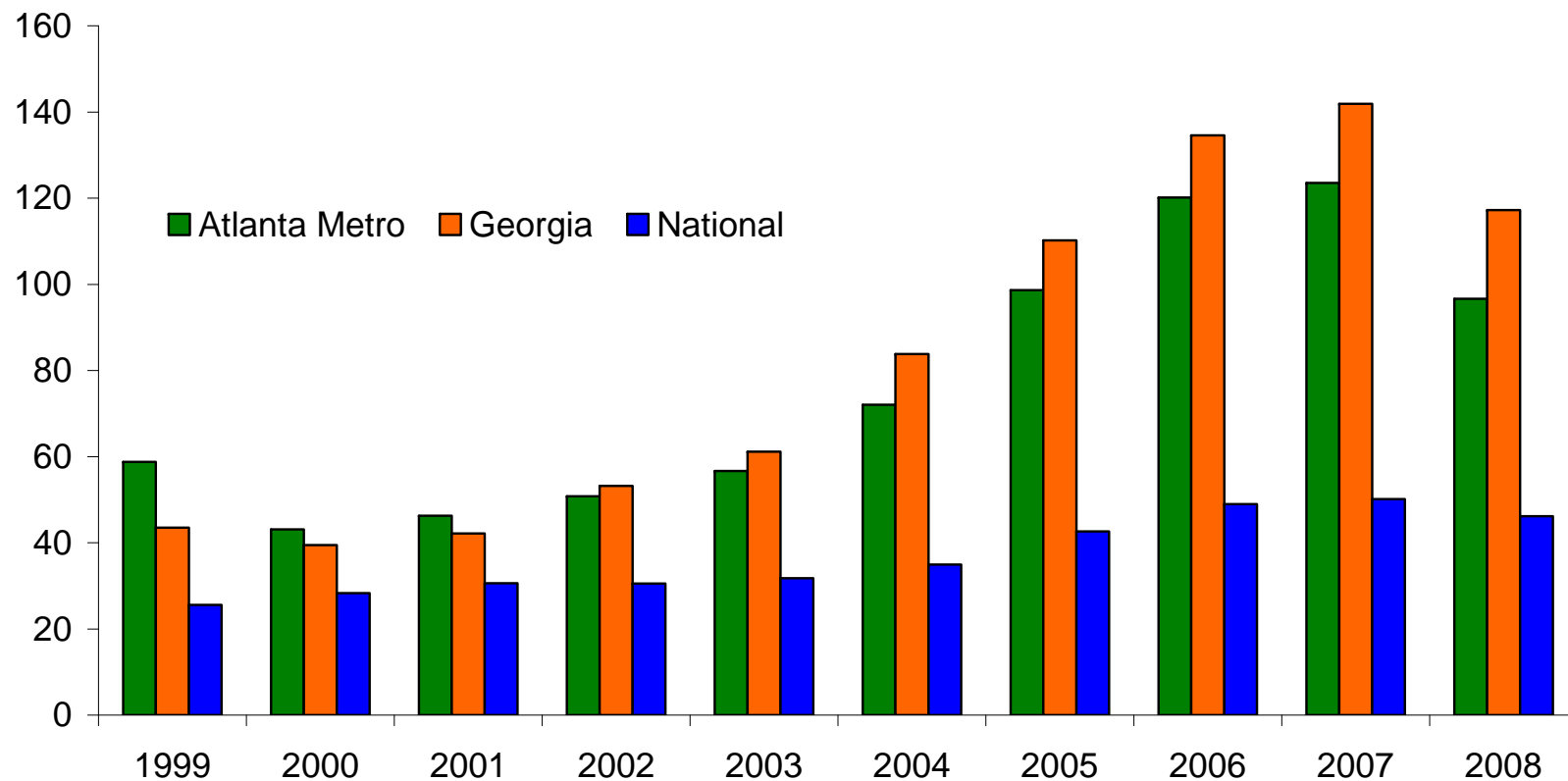
Asset quality weakness among C&D loan products drives overall past due levels higher.



Source: FDIC, data is aggregate for December 31st (2007-2008) for all insured institutions.

Capital exposure to C&D lending has started to taper off.

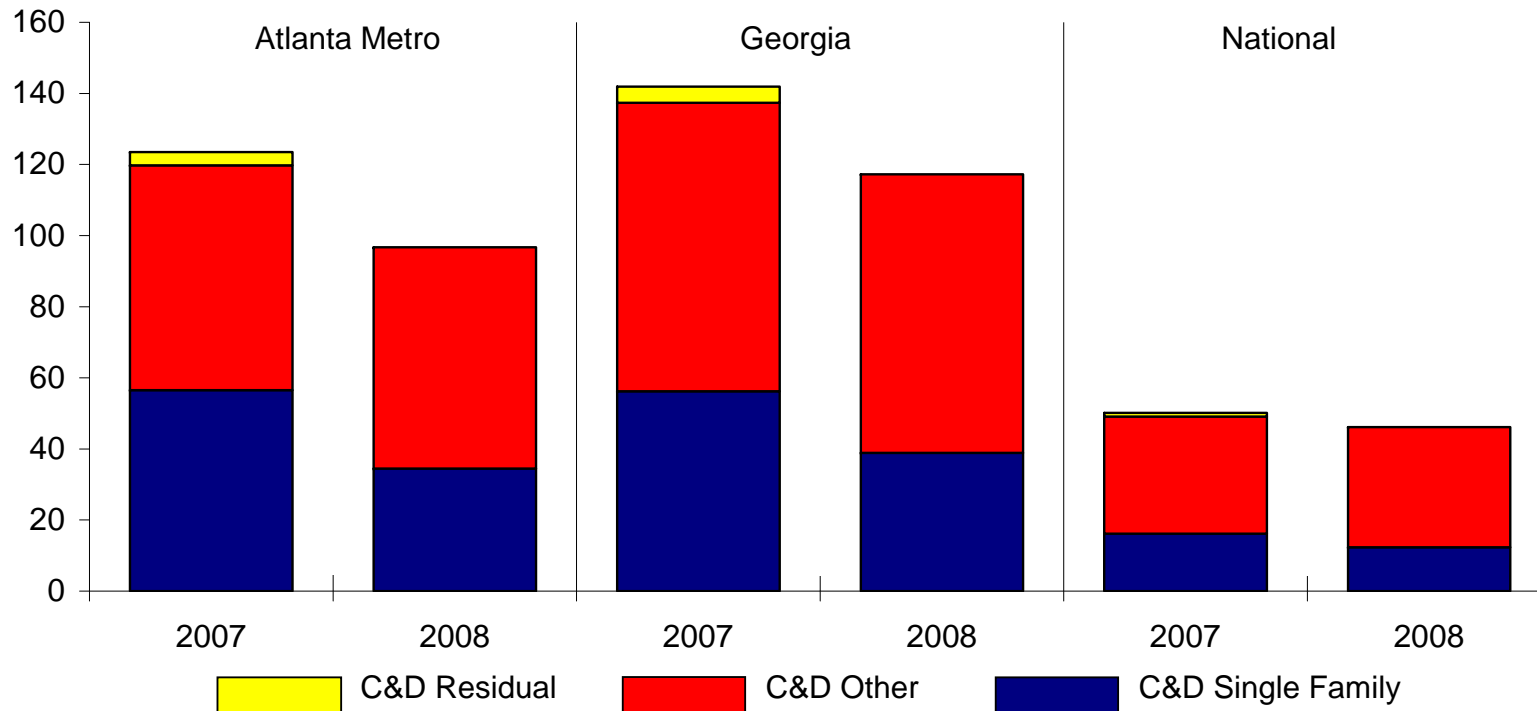
C&D-to-Total Risk Based Capital
Aggregate percentage



Source: FDIC, data as of December 31st for all insured institutions.

The majority of construction loans have been primarily for construction other than 1-to-4 family residential building.

C&D loan category-to-total risk based capital
Aggregate percentage

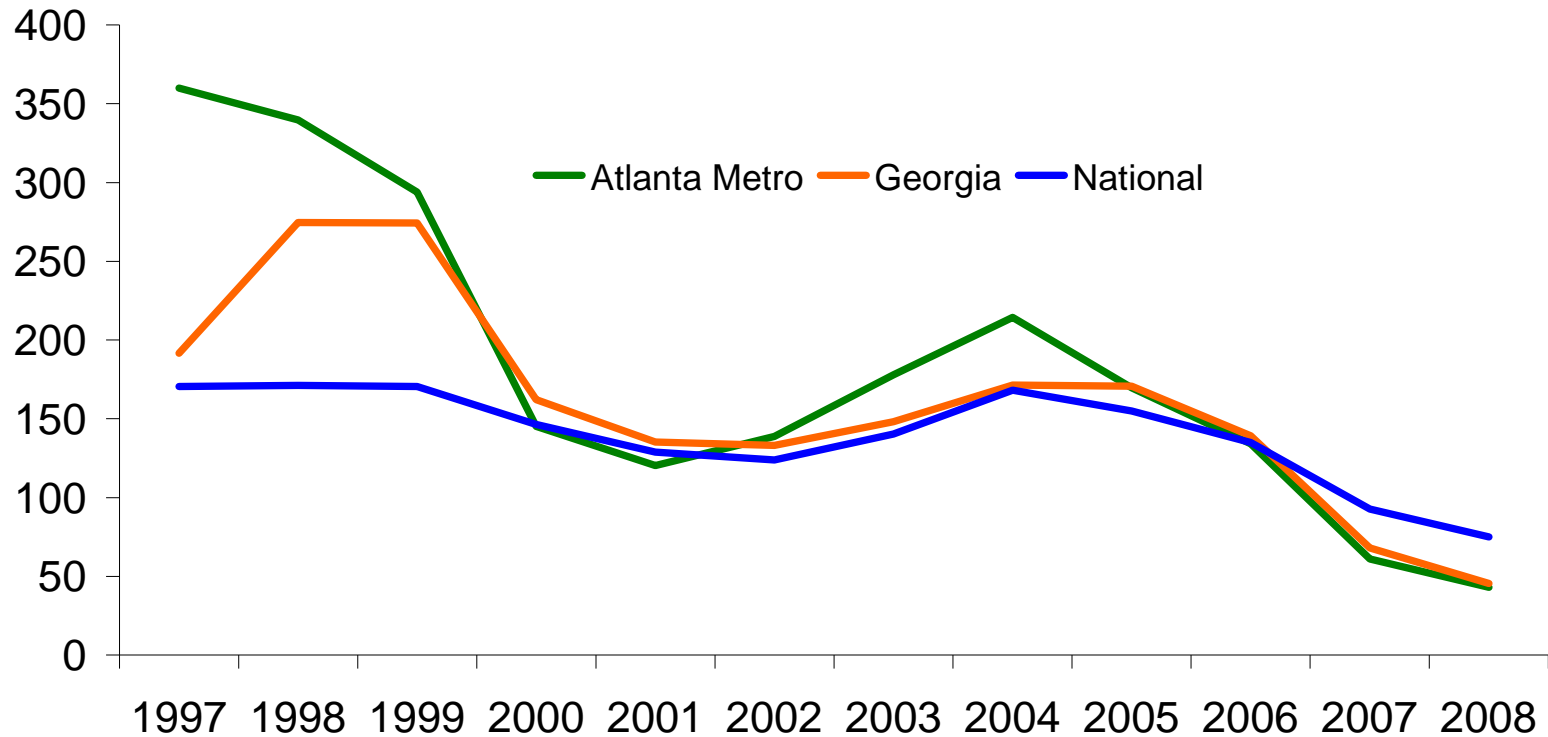


Source: FDIC, data as of December 31st for all insured institutions.

Note: Prior to 2007, the break out of C&D loan categories did not exist.

A sizable increase in noncurrent loan levels has pushed the reserve coverage ratio to decade lows.

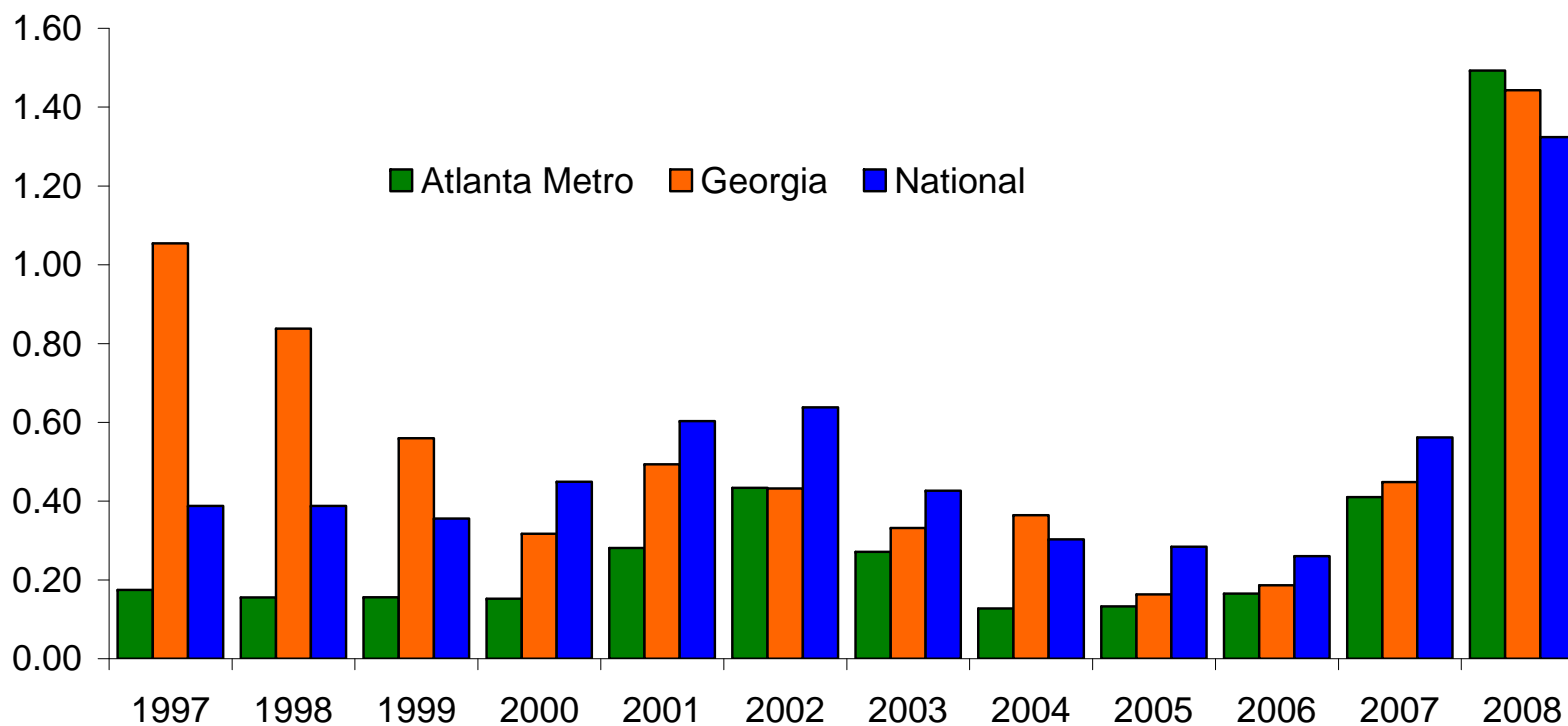
Loan loss reserve-to-noncurrent loans
Aggregate percentage



Source: FDIC, data as of December 31st for all insured institutions.

Loan loss provisions soar in anticipation of further asset quality weakness.

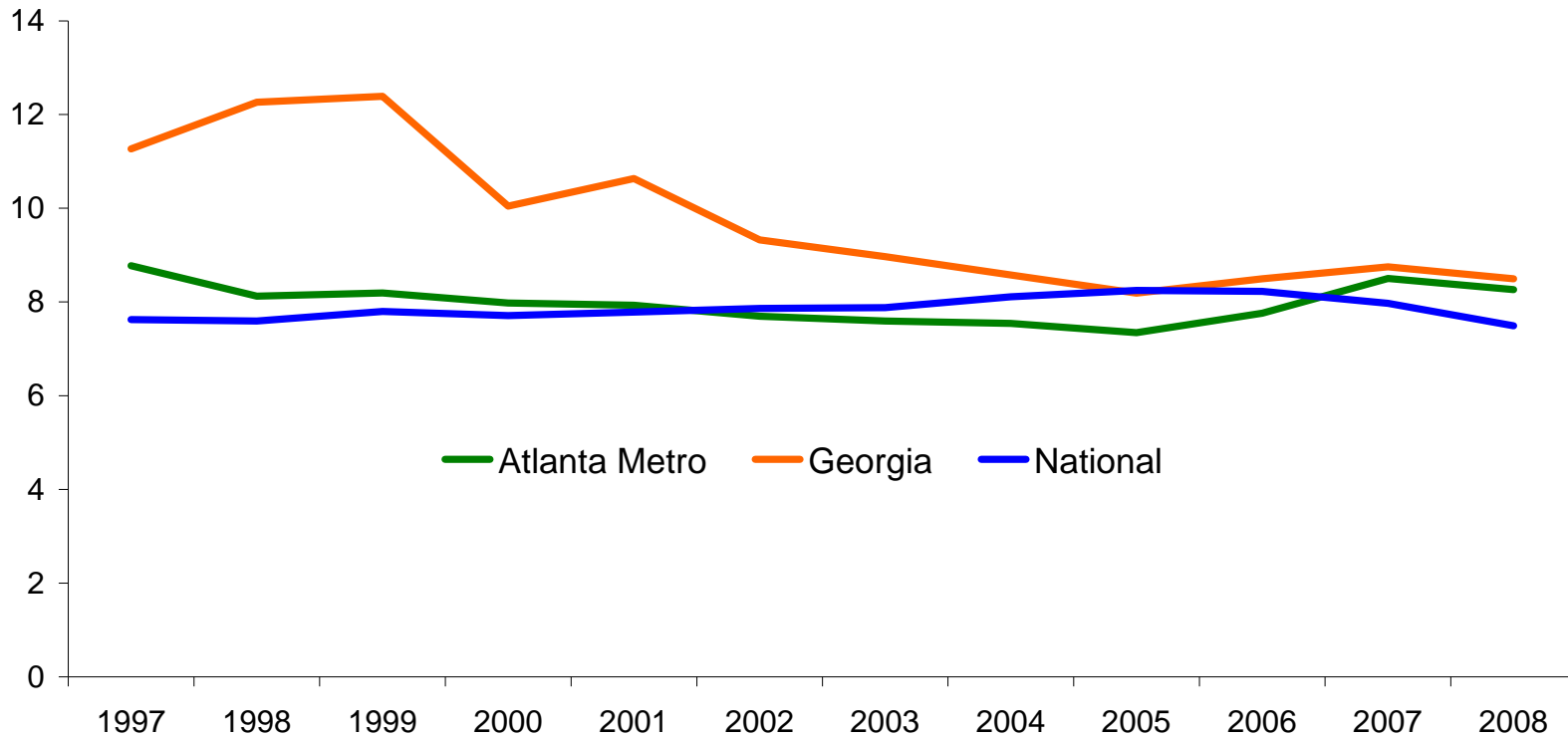
Provision expenses-to-average assets
Aggregate percentage



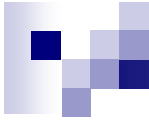
Source: FDIC, data as of December 31st for all insured institutions.

The majority of insured institutions remain well capitalized.

Tier 1 leverage capital ratio
Aggregate percentage



Source: FDIC, data as of December 31st for all insured institutions.



For further information or a copy of today's presentation, please contact:

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