

Losses Down, Problem Loans Remain High at Florida-Based Banks | May 20, 2010

Dear clients and friends:

Banks based in Florida reduced their composite loss but experienced another increase in their overall non-current loans ratio during this year's first quarter, according to data the **Federal Deposit Insurance Corporation (FDIC)** released on May 20. In its **Quarterly Banking Profile** the FDIC also reported an increase in profits but a rise in non-current loans for the country's banking industry, for this year's first quarter compared with 2009's first quarter.

Key points in the reports include:

- FDIC-insured commercial banks and savings banks based in Florida had a net loss of \$104.2 million for this year's first quarter, compared with a net loss of \$756.9 million for 2009's first quarter. The smaller loss was attributable partly to a decline in provisions to loan loss reserves. Florida-based banks added \$544.8 million to reserves during the recent quarter, compared with \$950.5 million during 2009's first quarter.

Florida-based banks' ratio of non-current loans to total loans increased from 6.59 percent to 7.74 percent over the 12 months. However, the March 31, 2010 number is lower than the 7.82 percent ratio for December 31, 2009.

- Nationally, the industry's net income grew from \$5.6 billion during the first quarter of 2009 to \$18.0 billion during this year's first quarter. The industry's provisions for loan losses declined from \$61.5 billion in last year's first quarter to \$51.3 billion during the recent quarter. The national non-current loan ratio rose from 3.76 percent on March 31, 2009 to 5.45 percent on March 31, 2010.

But the latest national non-current ratio was up just slightly from 5.38 percent on December 31, 2010.

That was the smallest three-month increase in more than two years, and the FDIC said that trend "was understated" because of the first quarter 2010 implementation of two Financial Accounting Standards Board Standards. FAS 166 and FAS 167 eliminate the use of Qualified Special Purpose Entities, and thus require many banks to include some previously unreported loans, securitizations and structured financing transactions on their balance sheets. The result, with precise numbers not determined, was an increase in industry assets accompanied by an increase of a relatively large number of problem loans to balance sheets. **Financial Accounting Statement No. 166 (FAS 166)** *Accounting for Transfers of Financial Assets* is Subtopic 860-10-65 under the FASB's Accounting Standards Codifications. **Financial Accounting Statement No. 167 (FAS 167)** *Amendments to FASB Interpretation No. 46(R)* is Subtopic 810-10-(30-65) under the Accounting Standards Codification.

Losses Down, Problem Loans Remain High at Florida-Based Banks | May 20, 2010

Recent Financial Institutions Services Advisories

FIBA Panel Discusses Best Practices on Credit Administration

May 12, 2010

Guidance on Correspondent Bank's Concentration Risks

May 5, 2010

- The number of banks on the FDIC's "Problem List" increased from 702 on December 31, 2009 to 775 on March 31, 2010. The FDIC does not identify those banks, which have **CAMELs ratings** of 4 or 5--the two lowest under that system.

If you would like additional information on the FDIC's data report for this year's first quarter, do not hesitate to contact us at (305) 373-5500.

Sincerely,



Frank Gonzalez, CPA/CFF
fgonzalez@mbafcpa.com

CELEBRATING **40** YEARS OF EXCELLENCE



MORRISON BROWN ARGIZ & FARRA, LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS | SHARING THE VISION™

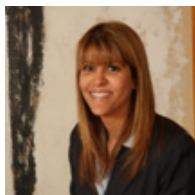
FINANCIAL INSTITUTIONS SERVICES ADVISORY

Our Financial Institutions Team:

Audit/Accounting/Compliance



Frank Gonzalez, CPA/CFF
fgonzalez@mbafcpa.com



Yvette Garcia, CPA
ygarcia@mbafcpa.com

Tax



Emilio Escandon, CPA
eescandon@mbafcpa.com



Raul Incera, CPA
rincera@mbafcpa.com

Computer Assurance



Trevor Foo, CISA, CISM
tfoo@mbafcpa.com