

# Oklahoma Economic Outlook Conference 2010

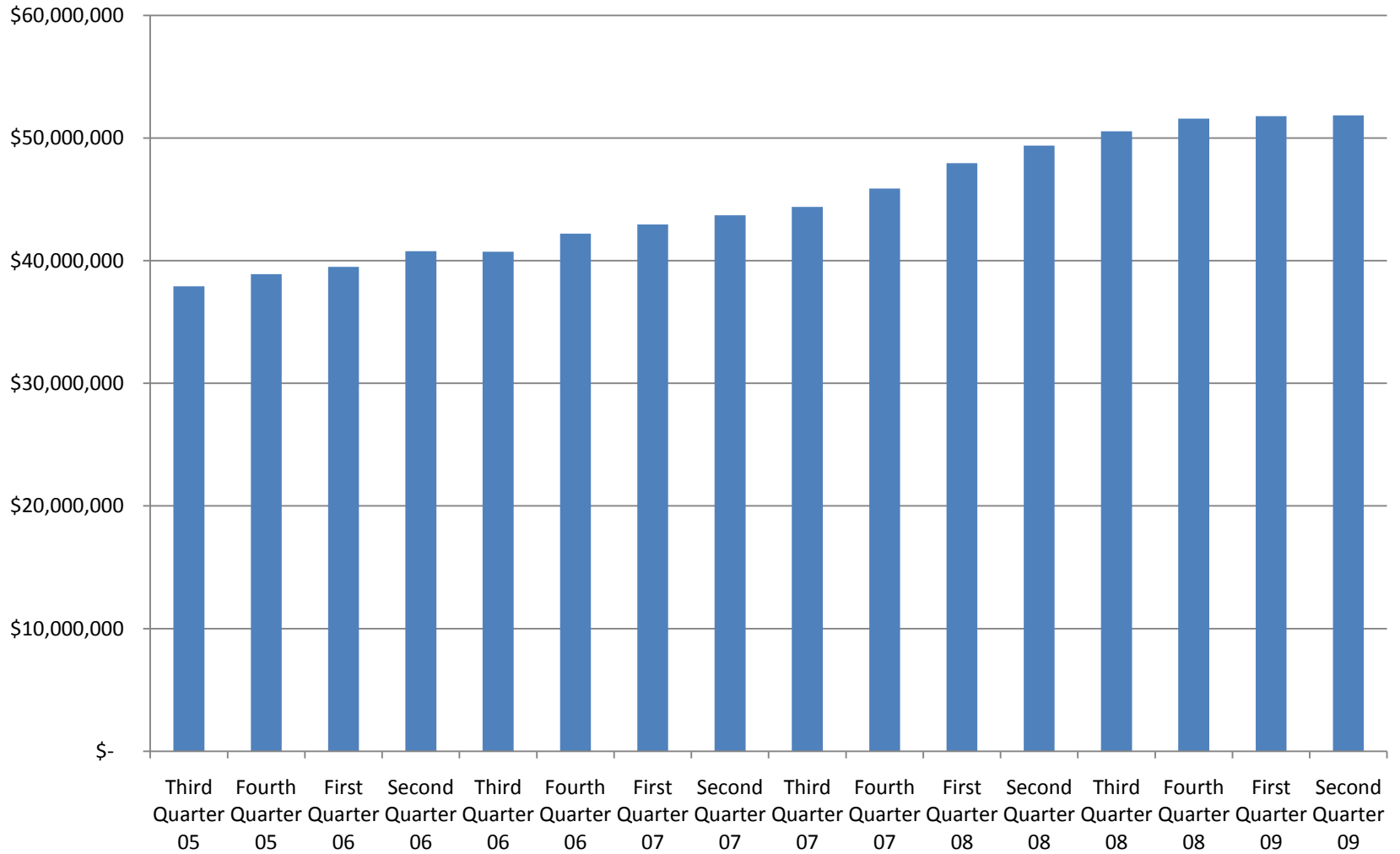
Conditions in the  
Oklahoma Banking Sector

# Bank Lending in Oklahoma

- Federally insured commercial and savings banks headquartered in Oklahoma held total loans of \$51.8 billion at the end of the second quarter 2009. (Source: Federal Deposit Insurance Corporation)
- Federally insured commercial and savings banks headquartered outside of Oklahoma with branches in Oklahoma held estimated total loans in Oklahoma of \$11 billion at the end of the second quarter 2009. (Source: Estimated by the author from Federal Deposit Insurance Corporation data.)

The growth rate in total lending by Oklahoma commercial and savings banks slowed to almost zero in the first two quarters of 2009.

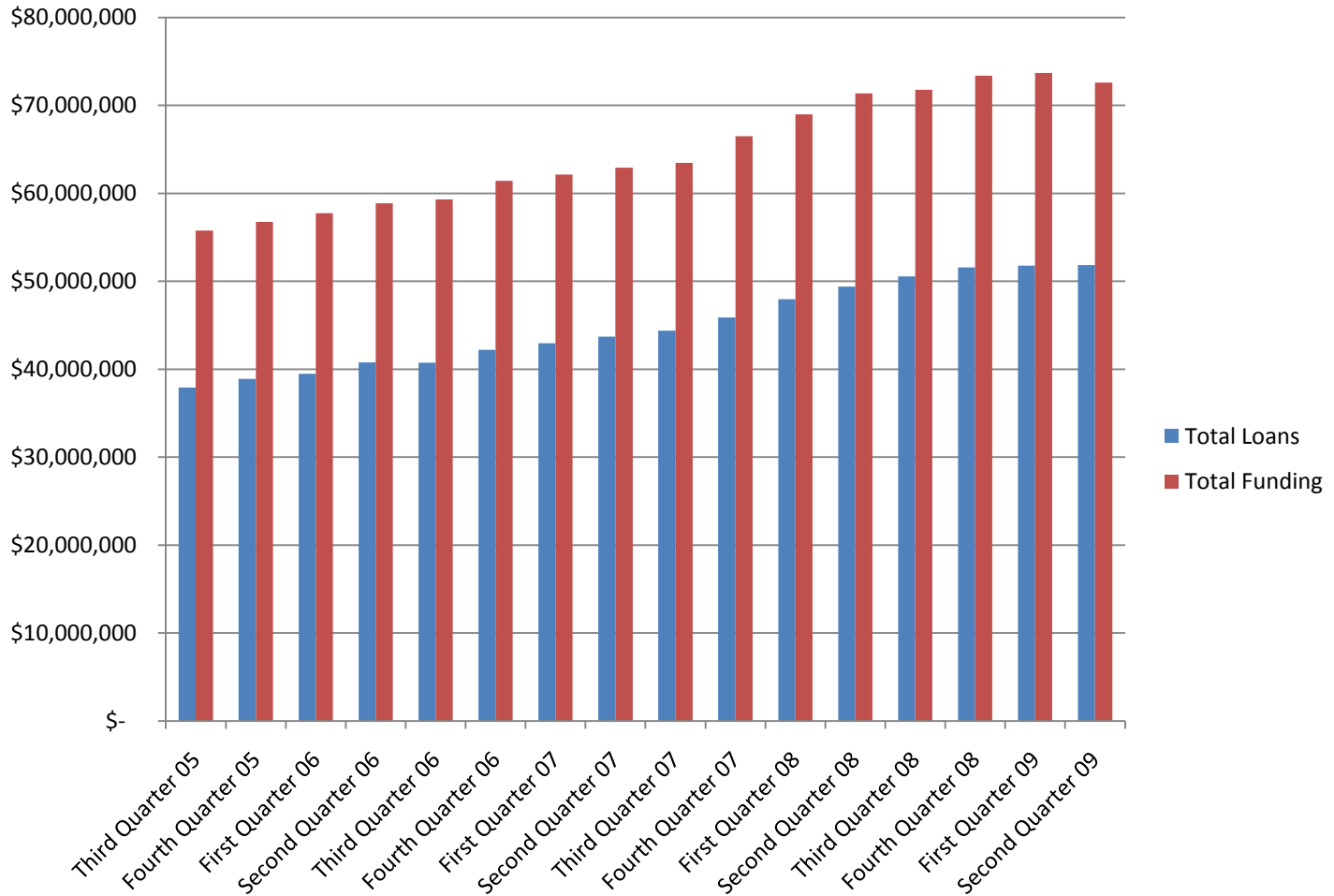
## Total Loans in Oklahoma Commercial and Savings Banks



Dollar values are in 000s and as of the end of the quarter.

Source: Federal Deposit Insurance Corporation

# Total Funding of Oklahoma Commercial and Savings Banks



Dollar amounts are in 000s. Total Funding equals Total Liabilities.  
 Source: Federal Deposit Insurance Corporation

## Growth in Total Loans for Oklahoma Commercial and Savings Banks

Quarter	Total Loans	Simple Growth Rate
Third Quarter 05	\$ 37,905,349	
Fourth Quarter 05	\$ 38,904,282	2.64%
First Quarter 06	\$ 39,484,879	1.49%
Second Quarter 06	\$ 40,766,083	3.24%
Third Quarter 06	\$ 40,727,288	-0.10%
Fourth Quarter 06	\$ 42,200,631	3.62%
First Quarter 07	\$ 42,948,337	1.77%
Second Quarter 07	\$ 43,691,409	1.73%
Third Quarter 07	\$ 44,392,867	1.61%
Fourth Quarter 07	\$ 45,880,021	3.35%
First Quarter 08	\$ 47,957,049	4.53%
Second Quarter 08	\$ 49,381,839	2.97%
Third Quarter 08	\$ 50,543,865	2.35%
Fourth Quarter 08	\$ 51,576,454	2.04%
First Quarter 09	\$ 51,773,880	0.38%
Second Quarter 09	\$ 51,836,635	0.12%

Dollar amounts are in 000s.

Source: Federal Deposit Insurance Corporation

## Commercial and Savings Banks in Oklahoma

Quarter	Total Loans	Loans to Deposits	Total Funding	Number of Banks	Total Employees
Third Quarter 05	\$ 37,905,349	92.3%	\$ 55,766,165	274	18,072
Fourth Quarter 05	\$ 38,904,282	91.1%	\$ 56,740,755	273	18,343
First Quarter 06	\$ 39,484,879	90.0%	\$ 57,738,435	271	18,427
Second Quarter 06	\$ 40,766,083	92.5%	\$ 58,848,386	271	18,953
Third Quarter 06	\$ 40,727,288	90.8%	\$ 59,304,920	269	18,740
Fourth Quarter 06	\$ 42,200,631	91.1%	\$ 61,404,200	264	19,359
First Quarter 07	\$ 42,948,337	90.1%	\$ 62,138,829	261	19,557
Second Quarter 07	\$ 43,691,409	90.3%	\$ 62,908,152	260	19,841
Third Quarter 07	\$ 44,392,867	91.6%	\$ 63,453,987	260	19,900
Fourth Quarter 07	\$ 45,880,021	90.4%	\$ 66,482,241	259	19,978
First Quarter 08	\$ 47,957,049	92.3%	\$ 68,980,339	259	20,063
Second Quarter 08	\$ 49,381,839	91.5%	\$ 71,380,896	257	20,490
Third Quarter 08	\$ 50,543,865	91.4%	\$ 71,771,114	255	20,475
Fourth Quarter 08	\$ 51,576,454	91.5%	\$ 73,375,874	253	20,471
First Quarter 09	\$ 51,773,880	90.0%	\$ 73,682,540	253	20,655
Second Quarter 09	\$ 51,836,635	91.4%	\$ 72,588,815	252	20,594

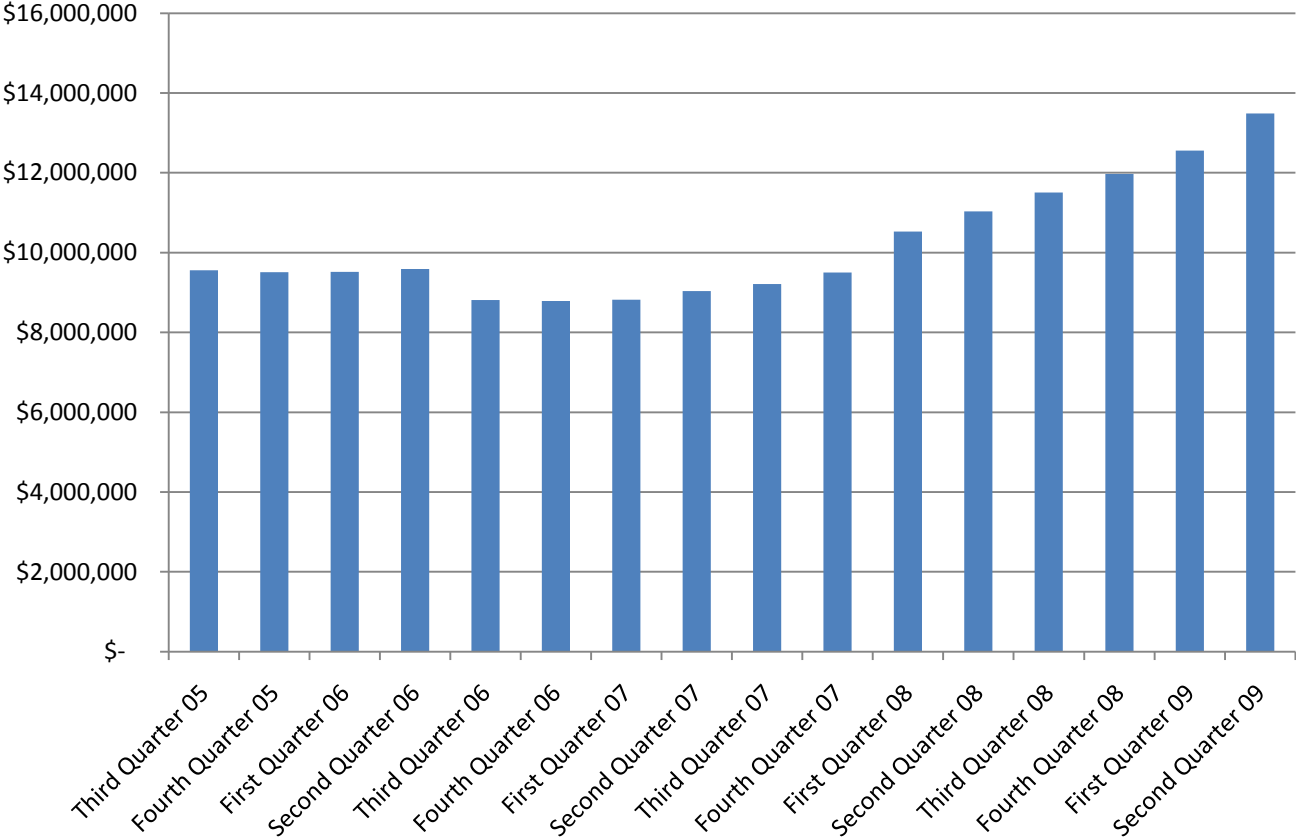
Dollar amounts are in 000s.

Source: Federal Deposit Insurance Corporation

The growth rate in 1-4 family residential loans held by Oklahoma commercial and savings banks has been higher than the growth in total loans over the last six quarters and increased significantly in the second quarter of 2009.



# 1-4 Family Residential Loans in Oklahoma Banks



Dollar values are in 000s and as of the end of the quarter.  
Source: Federal Deposit Insurance Corporation

Quarter	Total Loans	Simple Growth Rate	1-4 Residential Loans	Simple Growth Rate	Mortgage Loans to Total Loans
Third Quarter 05	\$ 37,905,349		\$ 9,556,868		25.21%
Fourth Quarter 05	\$ 38,904,282	2.64%	\$ 9,506,826	-0.52%	24.44%
First Quarter 06	\$ 39,484,879	1.49%	\$ 9,518,502	0.12%	24.11%
Second Quarter 06	\$ 40,766,083	3.24%	\$ 9,585,664	0.71%	23.51%
Third Quarter 06	\$ 40,727,288	-0.10%	\$ 8,810,513	-8.09%	21.63%
Fourth Quarter 06	\$ 42,200,631	3.62%	\$ 8,788,994	-0.24%	20.83%
First Quarter 07	\$ 42,948,337	1.77%	\$ 8,819,535	0.35%	20.54%
Second Quarter 07	\$ 43,691,409	1.73%	\$ 9,033,832	2.43%	20.68%
Third Quarter 07	\$ 44,392,867	1.61%	\$ 9,212,182	1.97%	20.75%
Fourth Quarter 07	\$ 45,880,021	3.35%	\$ 9,504,214	3.17%	20.72%
First Quarter 08	\$ 47,957,049	4.53%	\$ 10,529,419	10.79%	21.96%
Second Quarter 08	\$ 49,381,839	2.97%	\$ 11,034,516	4.80%	22.35%
Third Quarter 08	\$ 50,543,865	2.35%	\$ 11,506,822	4.28%	22.77%
Fourth Quarter 08	\$ 51,576,454	2.04%	\$ 11,968,477	4.01%	23.21%
First Quarter 09	\$ 51,773,880	0.38%	\$ 12,557,248	4.92%	24.25%
Second Quarter 09	\$ 51,836,635	0.12%	\$ 13,486,351	7.40%	26.02%

# The Oklahoma Banking Industry is Fundamentally Sound

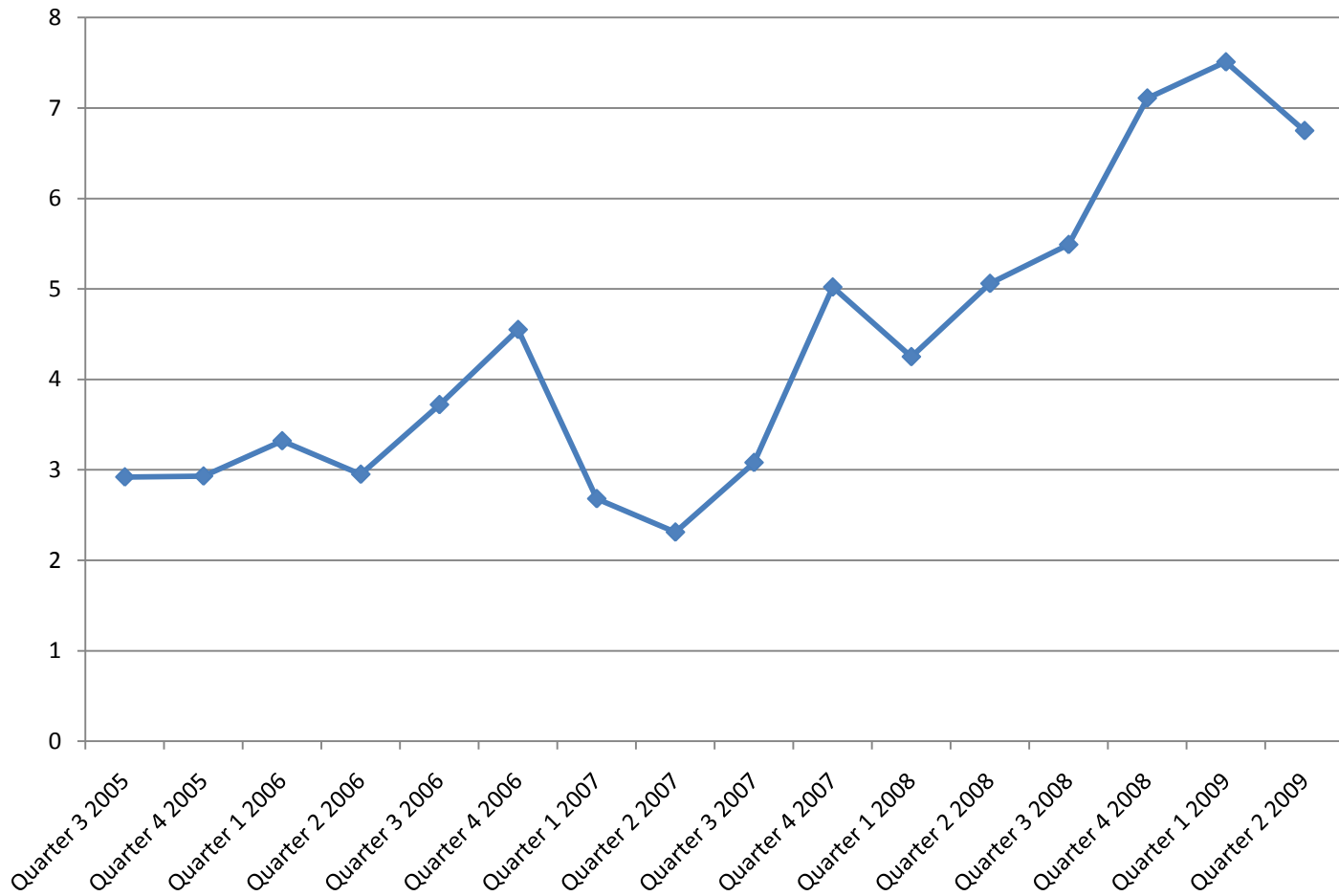
- Most banks are well capitalized.
- Most banks are profitable.
- Most banks have acceptable levels of default risk.
- Some Oklahoma banks are experiencing credit quality deterioration.

Quarter	% Unprofitable Banks	ROA	Leverage Ratio	NC+OREO/ TA	ALL/NC Loans
Quarter 3 2005	2.92	1.72	8.59	200	41.91
Quarter 4 2005	2.93	1.65	8.63	2.06	40.71
Quarter 1 2006	3.32	1.6	8.65	1.88	44.64
Quarter 2 2006	2.95	1.6	8.65	1.59	52.76
Quarter 3 2006	3.72	1.59	8.77	1.5	55.91
Quarter 4 2006	4.55	1.51	8.66	1.44	55.97
Quarter 1 2007	2.68	1.44	8.74	1.38	59.01
Quarter 2 2007	2.31	1.45	8.56	1.29	63.54
Quarter 3 2007	3.08	1.47	8.65	1.34	61.55
Quarter 4 2007	5.02	1.39	8.53	1.49	54.03
Quarter 1 2008	4.25	1.44	8.47	1.78	45.10
Quarter 2 2008	5.06	1.28	8.29	2.08	39.55
Quarter 3 2008	5.49	1.31	8.42	2.64	31.18
Quarter 4 2008	7.11	1.2	8.36	3.12	28.70
Quarter 1 2009	7.51	1.18	8.34	3.47	27.33
Quarter 2 2009	6.75	1.08	8.43	4.21	24.54

Source: Federal Deposit Insurance Corporation

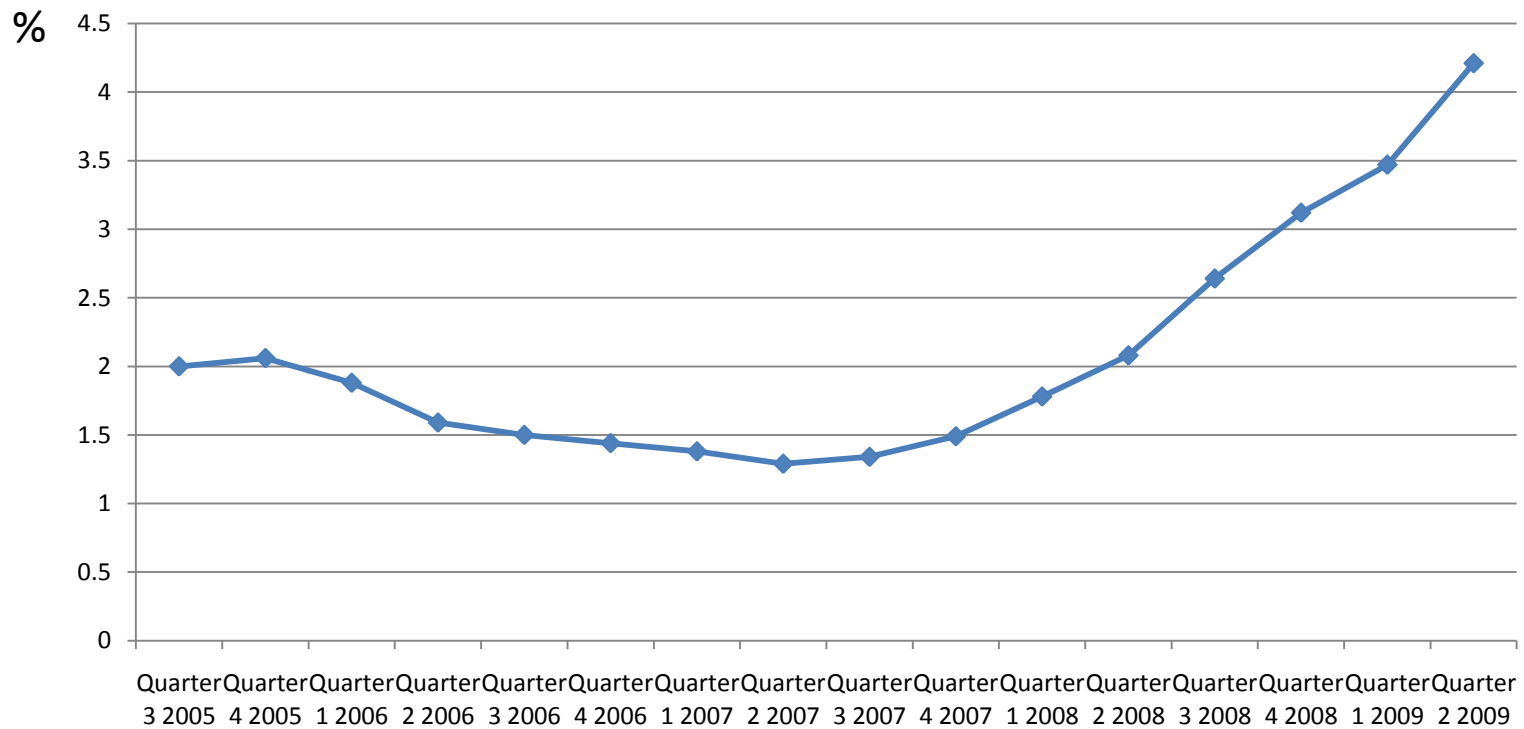
Oklahoma Banks have not escaped the impact of the recession.

## % Unprofitable Oklahoma Banks



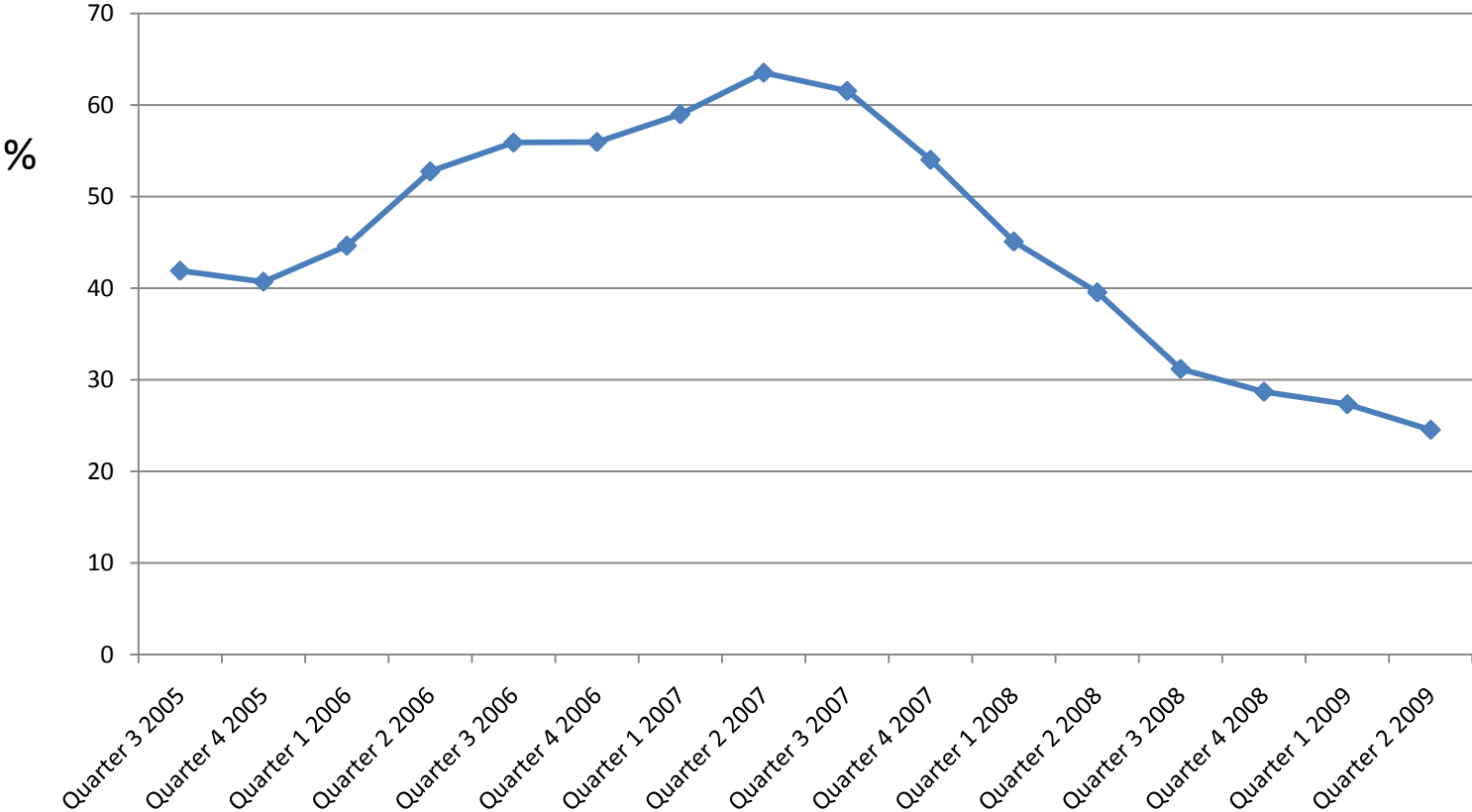
Source: Federal Deposit Insurance Corporation

## Noncurrent Loans + Repossessed Real Estate/Total Assets Ratio



Source: Federal Deposit Insurance Corporation

# Allowance for Possible Loan Losses/Noncurrent Loans Ratio



Source: Federal Deposit Insurance Corporation



# Potential Bank Regulation

- The huge omnibus re-regulation bill proposed by Senator Dodd is seriously flawed and would have many negative consequences for consumers and banks.
- What should be done about financial regulation?
  - Concentrate on increasing the capital requirements for the largest financial conglomerates that pose significant systemic risk.
  - Large financial conglomerates with large trading books should have their capital requirements significantly increased.
  - Do not get side-tracked on consumer protection, derivatives, or executive compensation.
  - Leave the management of systemic risk to the Fed and keep the Fed as independent as possible.
  - Reduce regulation of most depository financial institutions in the U. S., especially those institutions under \$1 billion in assets.