



Comptroller of the Currency  
Administrator of National Banks

# **Bank Director Workshop**

## **April 2, 2009**

# **Asset Quality Trends and Board Oversight**

**Presented by: Elizabeth L. Ferradas  
National Bank Examiner/ADC Analyst  
Comptroller of the Currency  
South Florida Field Office**

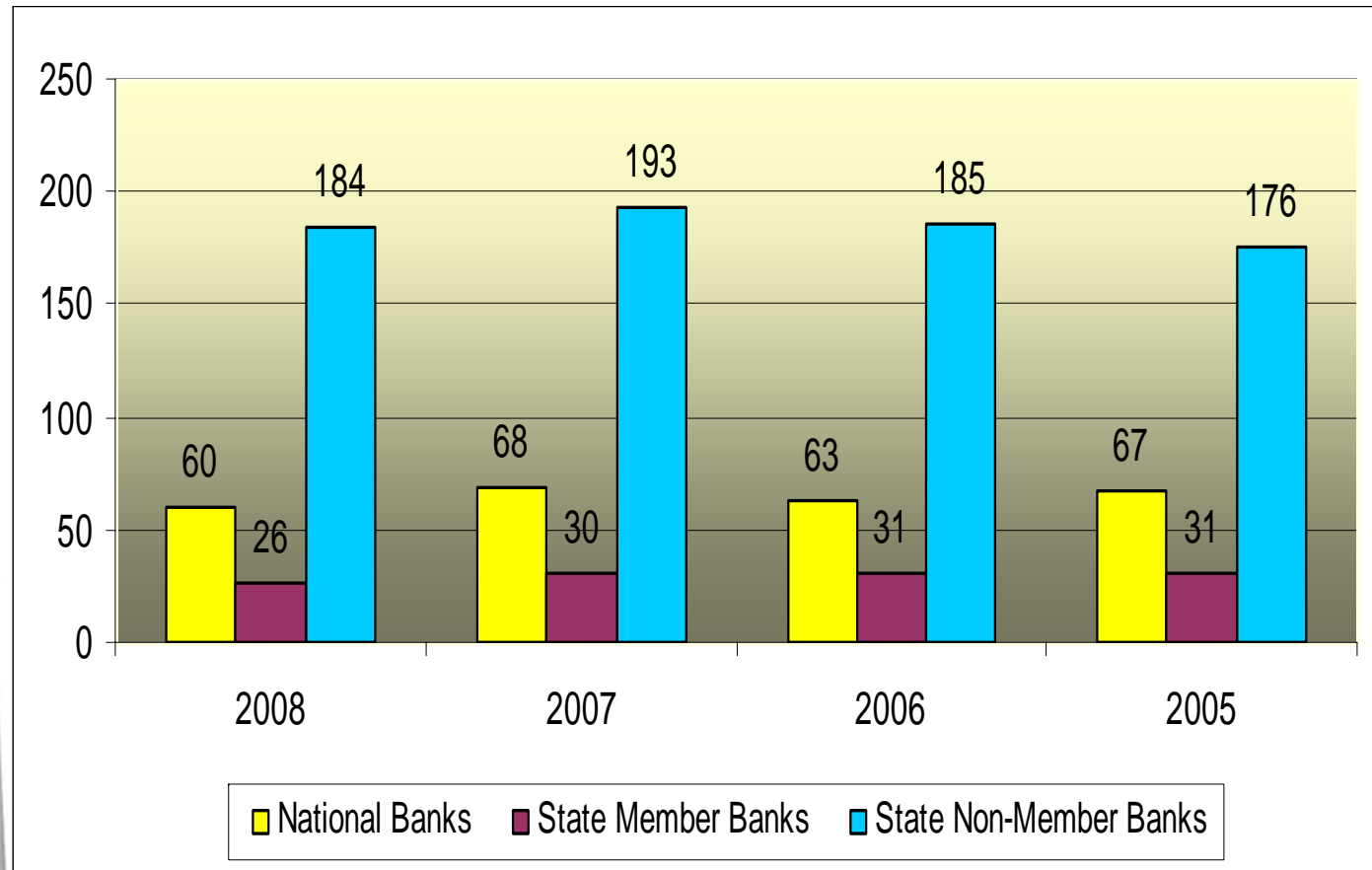


# Asset Quality Trends

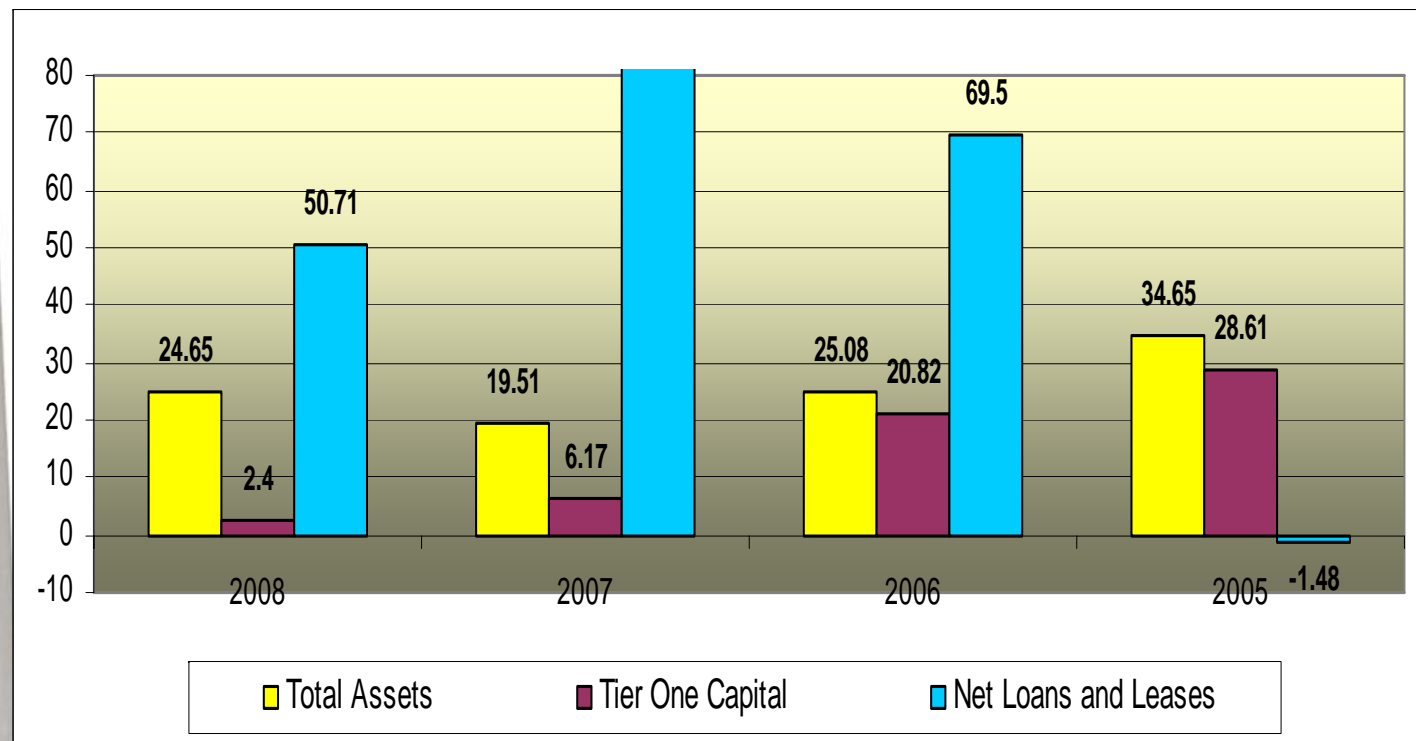
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- **270 commercial banks in Florida as of 12/31/08**
- **60 national banks, 26 state member banks and 184 state non-member banks**

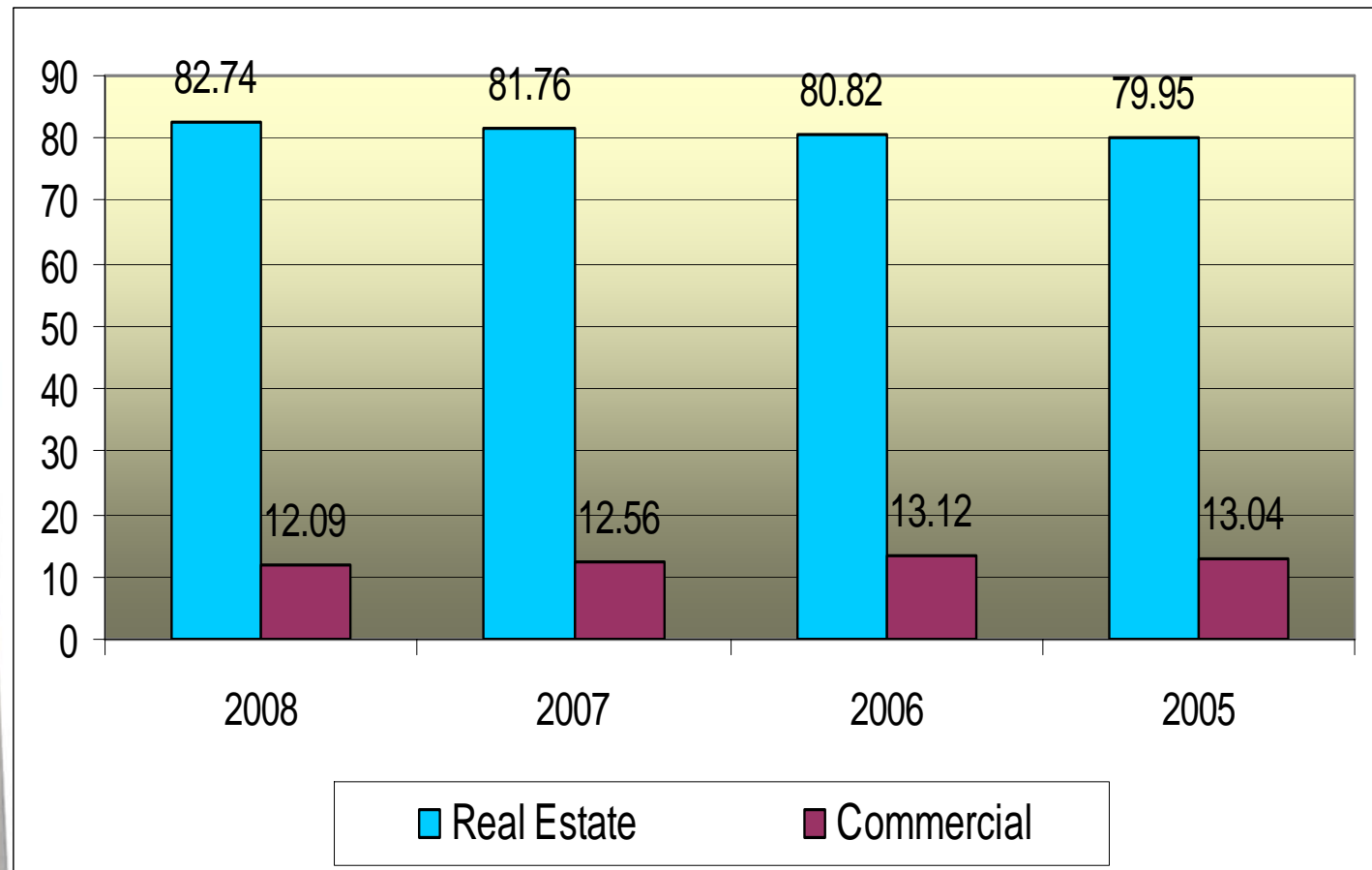
# Number of Commercial Banks 2005 - 2008



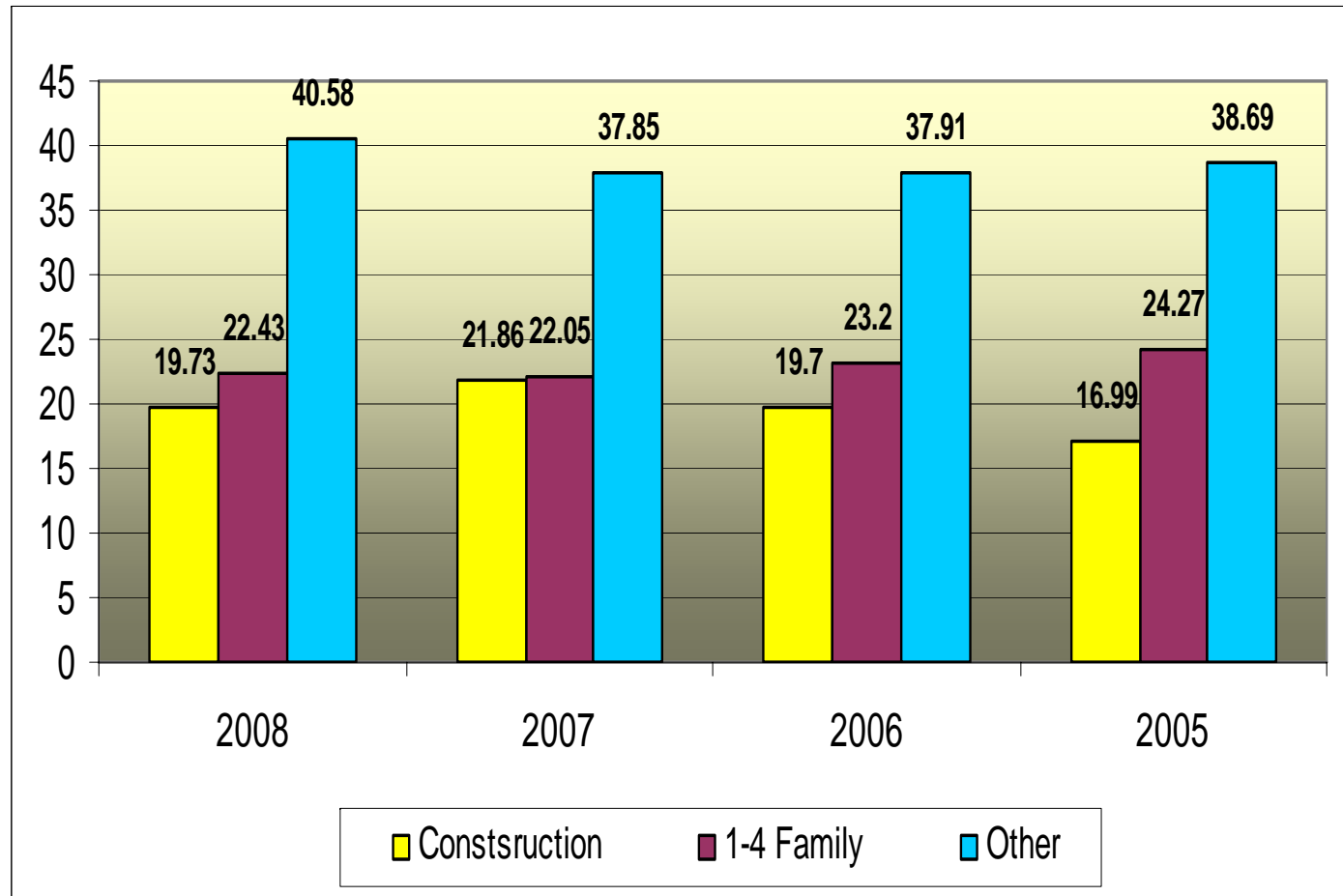
# Growth Rates



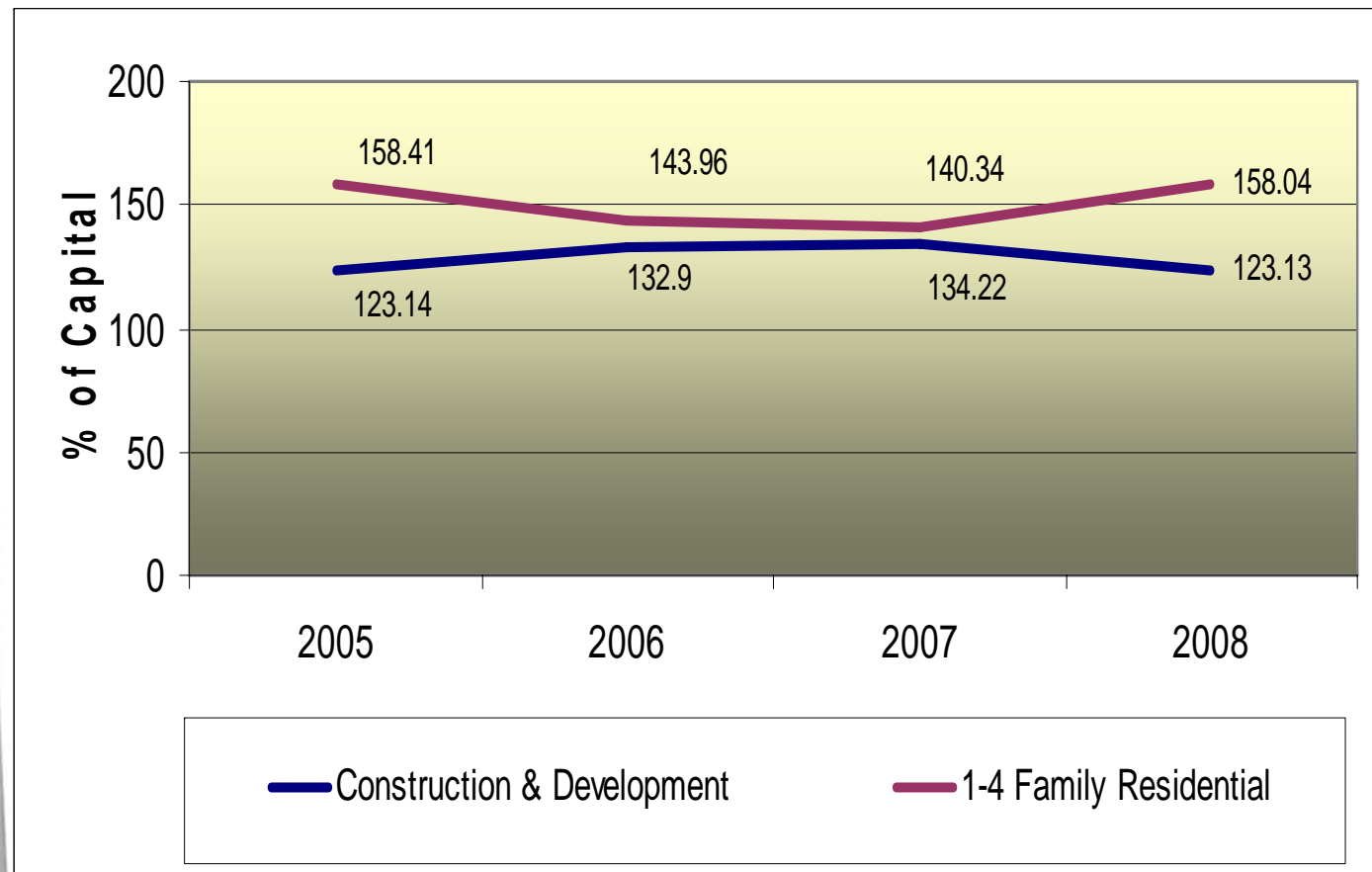
# Loan Portfolio Composition



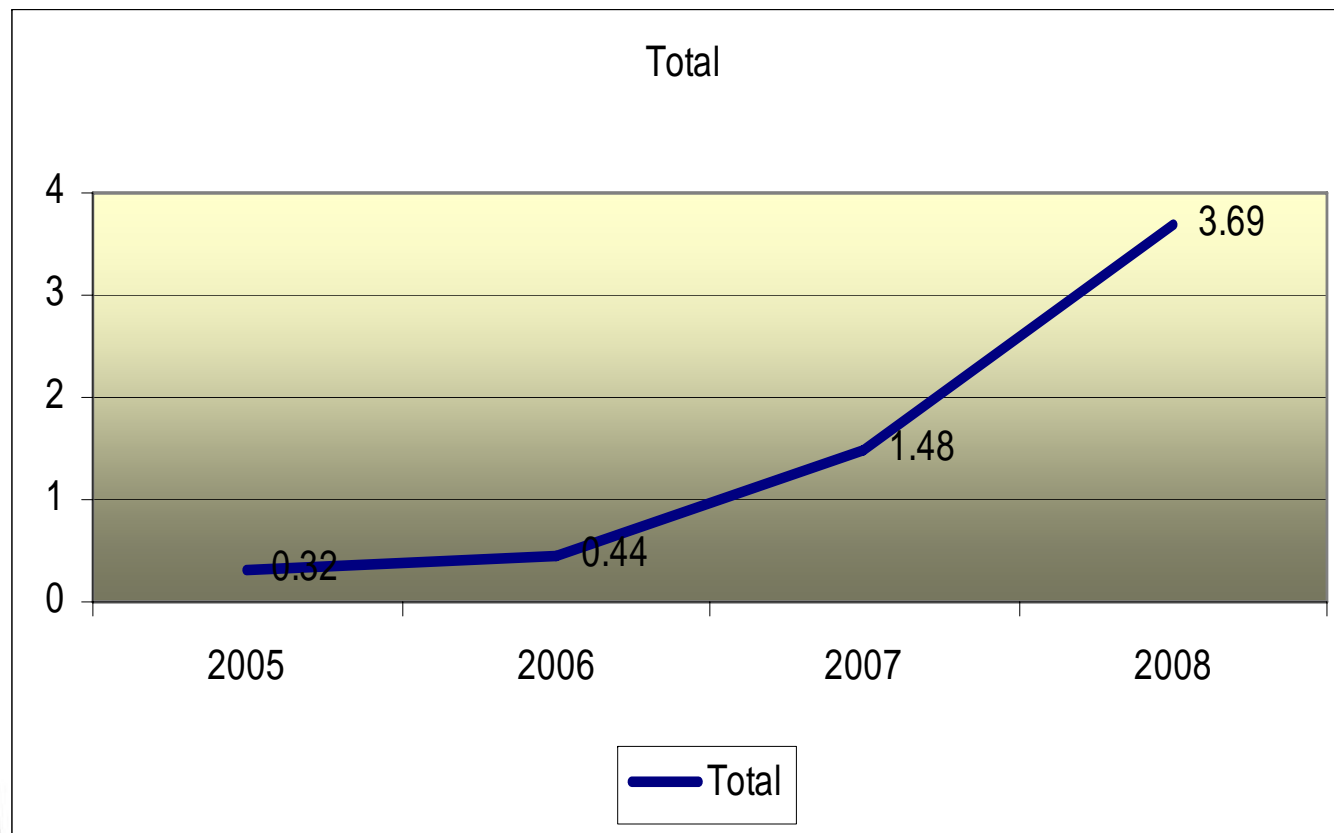
# Real Estate Portfolio Composition



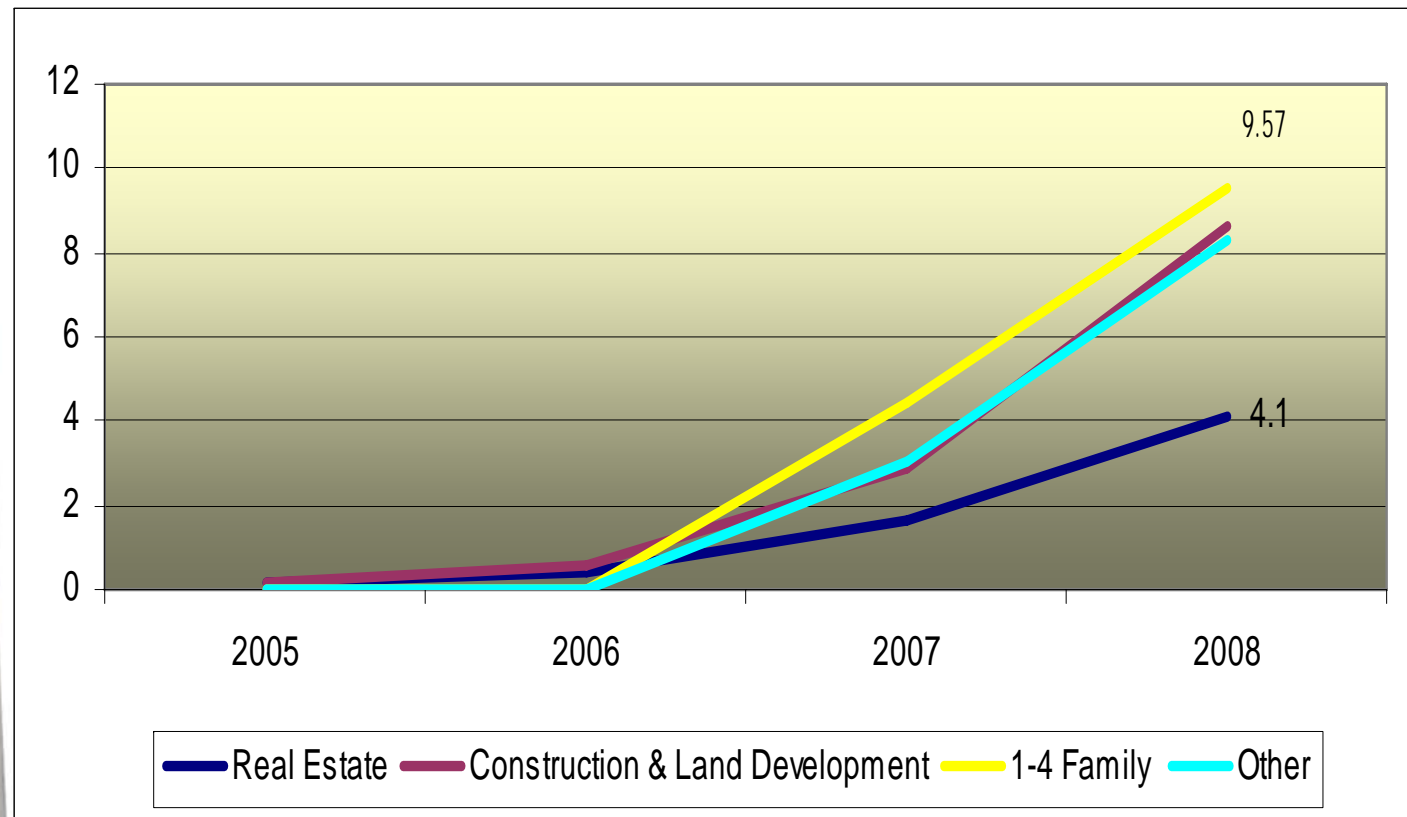
# Concentrations of Credit



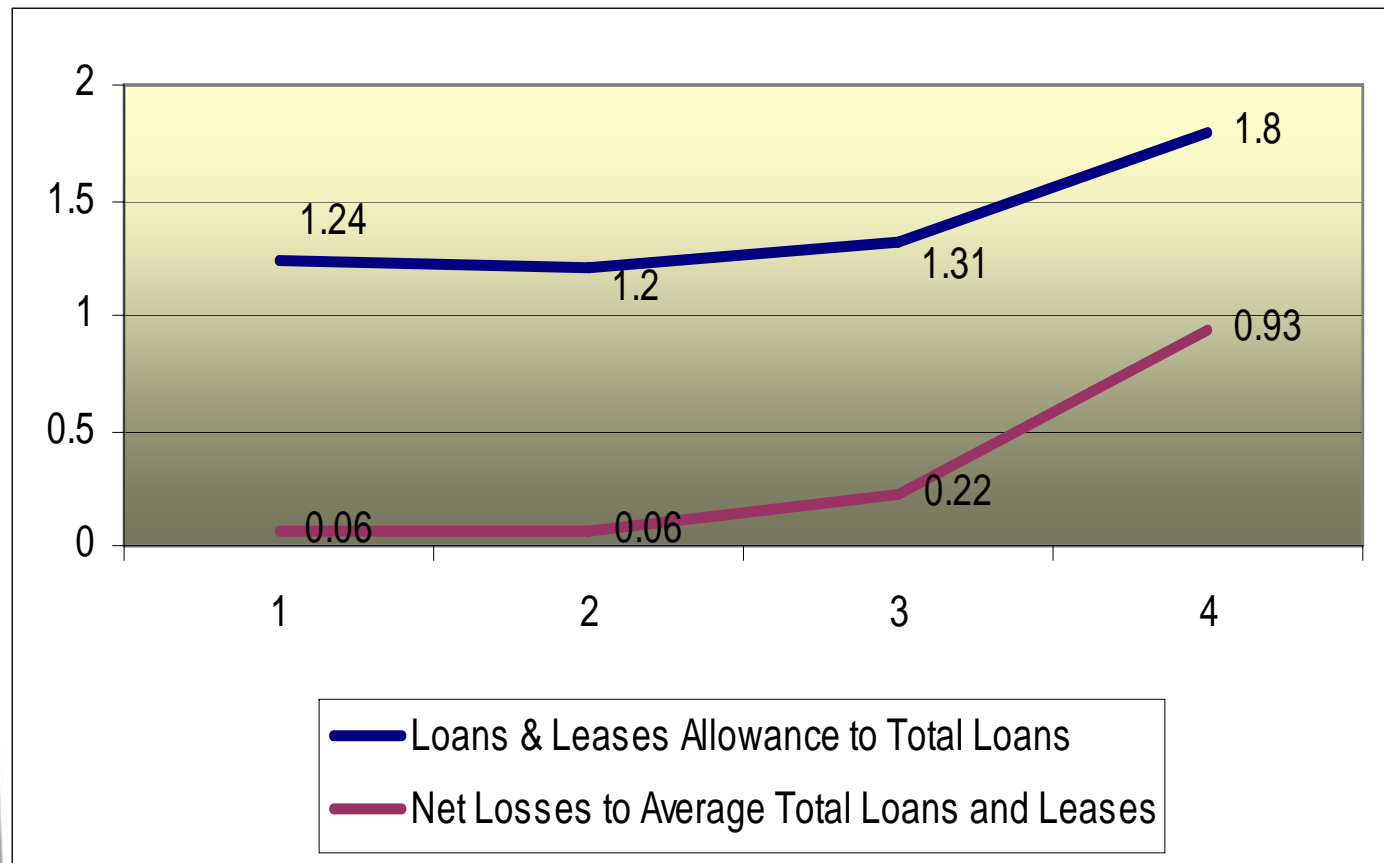
# Non-Performing Loans



# Non-Performing Real Estate Loans By Type



# Allowance for Loan and Leases Losses





# Commercial Real Estate Lending

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.....topics to consider

- **Appraisal Function**
- **Risk Management Practices**
- **Risk Ratings**



# **Real Estate Appraisals/Studies**

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**Effective appraisal program includes:**

- **Independence**
- **Selection criteria**
- **Sufficient information to support conclusion**
- **Appraisal review process**
- **Reappraisal process or evaluation**





# **Risk Management Practices**

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- **Sophistication should be commensurate with size of the portfolio and associated risk.**
- **System should provide for:**
  - **Management Information Systems**
  - **Market Analysis**
  - **Portfolio Stress Testing**





# Loan Review

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## **Standard Classifications:**

**Special Mention > potential weakness**

**Substandard > well-defined weakness**

**Doubtful > full collection is highly  
questionable**

**Loss > uncollectible**





## **Loan Review - continued**

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**Nonaccrual > >90 days PD; or, payment  
in full of P and I is not expected**

**Risk Ratings carried into ALLL Analysis**