

New Mexico National Bank, a bank with growth in mind (A)

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Introduction

New Mexico National Bank is a bank with growth in mind. Bobby Lowden, the CEO of the bank has grown the bank rapidly in the past and would like you to analyze the bank as well as offer suggestions about how he can grow the bank in the future. New Mexico National Bank is particularly amazing because it is a bank on the move even in these turbulent times of 2010. New Mexico National Bank is headquartered in Albuquerque, New Mexico and the bank has rewarded its shareholders handsomely. New Mexico National's assets had grown from \$166 million in 1981 to over \$24 billion in 2010. As shown in Chart 1, the market capitalization for New Mexico National shareholders has grown from \$40 million in 1994 to nearly \$4 billion at FYE 2010.

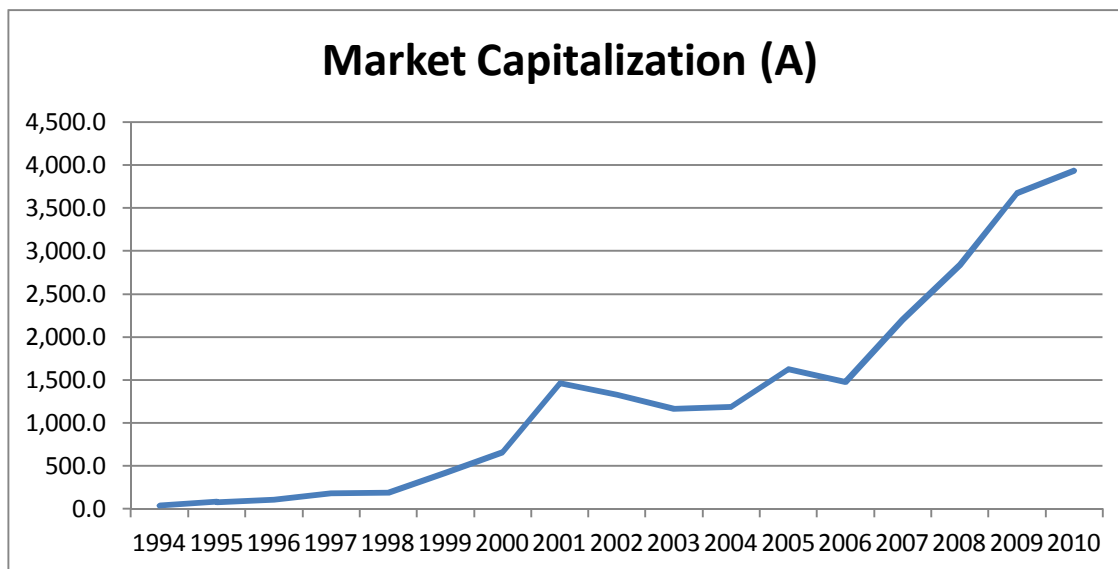


Chart 1: Market Capitalization from 1994 to 2010

The company is lead by the long-standing dynamic CEO Bobby Lowden who has had a fabulous record of growth in assets, revenues and profitability. This growth can be attributed to New Mexico National's focus on establishing a strong presence in diverse and growing markets. New Mexico National expanded from its base of New Mexico to fast growing regional markets such as Arizona, Colorado, Texas, and Nevada. New Mexico National Bank is the fifth largest commercial bank in Arizona and 27th largest commercial bank in the USA. New Mexico National Bank is frequently the target of rumors that it would be acquired by a larger bank.

Mr. Lowden Is Seeking Advice from Consulting Services, Inc

As a financial advisor to the bank, you are tasked with analyzing the bank and offering advice to the senior management team about how the bank is doing and what they should be doing to grow the bank. How is the bank doing financially? What areas of success would you identify? What problem areas do you see?

Description of the company

History of New Mexico National Bank

New Mexico National Bank, a subsidiary of New Mexico National Bancgroup, Inc, was established in 1981 as a bank-holding company with \$166 million in assets. Headquartered in Albuquerque, New Mexico, New Mexico National Bank was a major player in the Southwest and Texas commercial banking market with over \$24 billion in assets. Over its 27-year history,

New Mexico National's expansion was attributed to its long-term, sustained growth plan and its strong presence in diverse and growing markets. In 2005, the *Wall Street Journal* ranked New Mexico National No. 1 among Southwestern banks for the best one, three, and five-year average shareholder returns. New Mexico National is the 2nd largest bank in New Mexico with 7.7% market share, and the 5th largest bank in Arizona with 3.8% market share.

Customers

New Mexico National's customer base spans across over 340 branches in 5 states. Its customers are comprised of individuals, small businesses, and commercial clients. Since the inception of the bank in 1981, New Mexico National's customer base has grown along with its geographic footprint. By targeting areas where population was rising rapidly, management was able to effectively increase the size of the bank's customer base by acquiring dozens of small banks in states like Arizona and Nevada. After establishing presence in these areas, the bank then accelerated its growth by increasing its lending limits to builders. In such ways, New Mexico National Bank took advantage of the housing boom and greatly increased the size of its customer base. As of 2010, New Mexico National's customers are dispersed around its 197 branches locations in Arizona, 90 in Colorado, 21 in Texas, 20 in Nevada, and 19 in New Mexico.

Products

New Mexico National Bank conducts general commercial banking businesses in its respective service areas and offers a variety of demand, savings, and time deposit products as well as extension of credit through personal, commercial, and mortgage loans. The bank also markets other services such as wealth management, electronic banking, and credit cards. In addition, New Mexico National Investment Services, New Mexico National Bank's wholly owned subsidiary provides various insurance products and annuities for sale to the public. In fact, loans represented over 67% of New Mexico National's total sales in 2010. The bank's loan portfolio has over 85% of real estate related loans. Hence New Mexico National's business is heavily risk-weighted towards the success of the real estate market, especially considering the bank's heavy presence in Arizona. The recent past has proven challenging, but the bank has come through relatively unaffected by the housing downturn.

New Mexico National Bank has a great deal of segmentation in its products and services. There are two main revenue driving segments - interest bearing products and non-interest bearing products. Within interest bearing products loans are the primary source of revenue accounting for 63% of total revenue. It is important to look at the segmentation, which is broken down into five components: 1) Residential real estate, 2) Real estate construction, 3) Commercial real estate, 4) Consumer and other, and 5) Commercial, Financial, and Agricultural. The other primary segments of interest bearing products are securities and loans held for sale. The non-interest bearing group is broken into five primary segments: 1) Retail banking fees, 2) Wealth management services, 3) Mortgage warehouse fees, 4) Bank owned life insurance plans, and 5) Mortgage banking, origination, and sales. These products are heavily regulated by the New Mexico State Banking Department and the Federal Deposit Insurance Corporation (FDIC), as a way to protect the depositors of New Mexico National Bank.

Management

New Mexico National's top executives signed change-in-control agreements in 2007 with the bank valued around \$9.1 million collectively. Among the executives that signed these agreements, New Mexico National CEO Bobby Lowden and Patti Hill, New Mexico National's Chief Operating Officer. Sarah Moore and Sandra Jansky are New Mexico National's chief financial officer and chief credit officer, respectively. Due to the condition of financial markets

in 2008, New Mexico National Bank as well as other banks are operating under heightened regulatory scrutiny and have been and will be taking steps which are expected to improve their asset quality and capital.

Customer Relationships

New Mexico National Bank puts a major focus on maintaining strong customer relationships. In order for this to happen New Mexico National Banks views it to be very important to make sure that local personnel's time is put towards customers, not towards other aspects of the business. In order to ensure that this is the case New Mexico National Bank has created a centralized operations support system so that the local personnel do not need to be worried with day-to-day operational issue.

Besides customers who deposit money into New Mexico National Banks, the bank has other customers who use other services provided for by the bank. A large chunk of these revenue producing customers are real estate construction companies, and other commercial real estate providers. Other examples are commercial, financial and agricultural companies in need of loans, and residences in need of home and other consumer loans.

Competition

Competition in the financial services sector is intense, and the intensity is continuing to increase. The national banks that have greater access to capital and personnel have started to increase their market share through the acquisition of smaller banks that have found trouble during the financial crisis. Examples include Wells Fargo which now owns Wachovia, and Bank of America who owns Meryl Lynch. Commercial banks are not the only groups that New Mexico National competes with- other significant competitors are issuers of securities and other interest bearing financial instruments. Furthermore, niche financial services companies such as saving and loans associations, credit unions, mortgage companies, and insurances companies also are a source of competition.

There is a very low concentration in the Commercial Banking in the US industry (52211). Based on IBIS World industry data, the largest commercial banks have only a 12.7%, 12.2%, 8.3%, and 5.2% market share, which if extrapolated and analyzed according to the Herfindahl index provides a value less than 0.1, thus a low market concentration. Neither New Mexico National Bank had a market share greater than 3.3%

Bank Overview

Web Site: <http://www.NewMexicoNationalBank.com>

Incorporation: Delaware, 1974

Employees: 4,627

Exchange: NASDAQ

FYE: December

Ticker: NMNB

Chairman: Robert E. Lowden

CEO Robert E. Lowden

CFO Sarah H. Moore

How would you assess the company's financial performance and prospects for the future?

In this case, you are asked to analyze the firm's financial performance as of 2010

What do you see with respect to **Capital adequacy**?

What do you see with respect to **Asset quality**?

What do you see with respect to **Management quality and decision making**?

What do you see with respect to **Earnings and earnings quality**?

What do you see with respect to **Sensitivity to changes in interest rates**?

Do you think that company is well poised for future growth?

Balance Sheet (2005 to 2010)

	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	All Commercial Banks
Dollar figures in thousands	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-10
Total employees (full-time equivalent)	3,737	3,939	4,300	4,605	4,717	4,643	1,368,137
Total assets	15,804,784	16,249,551	18,884,741	21,394,976	22,730,585	25,937,048	8,837,744,666
Cash and due from depository institutions	410,954	362,813	379,111	448,033	428,596	477,975	398,484,067
Interest-bearing balances	2,983	6,674	23,242	8,629	1,375	3,127	171,894,777
Securities	2,507,842	2,979,657	3,485,798	2,701,592	2,932,179	3,440,861	1,154,133,053
Federal funds sold & reverse repo agrmts	25,000	0	246,491	649,527	621,271	2,120,831	584,807,965
Net loans & leases	11,905,017	11,833,119	13,393,641	15,830,601	16,790,079	17,235,875	4,936,346,628
Loan loss allowance	135,265	138,549	148,802	171,051	174,850	238,845	67,215,879
Bank premises and fixed assets	227,033	240,571	263,023	328,127	393,998	483,672	64,392,848
Other real estate owned	20,467	20,004	14,645	11,031	6,319	15,760	5,562,180
Goodwill and other intangibles	247,451	272,541	394,141	695,012	674,333	1,071,605	384,645,530
All other assets	461,020	540,846	707,891	731,053	883,810	1,090,469	446,111,370
Total liabilities	14,603,429	14,884,885	17,291,862	19,240,341	20,573,506	23,647,723	7,954,313,637
Total deposits	9,393,909	9,867,261	11,966,340	15,545,282	16,249,435	18,610,966	5,528,372,752
Interest-bearing deposits	7,126,690	7,924,845	9,396,649	14,226,423	15,075,088	17,669,250	4,589,325,011
Deposits held in domestic offices	9,391,785	9,865,861	11,754,731	15,268,323	15,752,852	18,119,563	4,037,283,759
Federal funds purchased & repo agreements	2,650,985	2,211,440	2,283,934	1,292,796	1,605,672	568,721	656,407,926
Other borrowed funds	2,208,307	2,463,534	2,673,690	1,893,029	2,199,357	3,529,146	957,647,486
Subordinated debt	250,000	250,000	250,000	375,118	376,114	378,710	171,070,650
All other liabilities	100,228	92,650	117,898	134,116	142,928	560,180	298,565,109
Total equity capital	1,201,355	1,364,666	1,592,879	2,154,635	2,157,079	2,289,325	883,431,030
Total bank equity capital	1,201,355	1,364,666	1,592,879	2,154,635	2,157,079	2,289,325	883,431,030
Perpetual preferred stock	0	0	0	0	0	0	4,599,991
Common stock	21	22	22	22	22	22	15,466,083
Surplus	646,171	737,745	868,656	1,455,957	1,451,147	1,975,642	609,983,434
Undivided profits	555,163	626,899	724,201	698,656	705,910	313,661	253,381,521

Income Statement (2005 to 2010)

In \$ Thousands	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	All Commercial Banks
	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-10
Number of institutions reporting	1	1	1	1	1	1	86
Total interest income	783,413	781,119	848,529	1,162,440	1,455,852	1,556,279	463,136,917
Total interest expense	314,030	266,392	271,243	428,280	676,261	783,272	241,211,094
Net interest income	469,383	514,727	577,286	734,160	779,591	773,007	221,925,823
Provision for loan and lease losses	35,980	37,378	26,994	26,838	22,142	106,450	48,539,891
Total noninterest income	94,371	111,860	139,459	193,649	177,985	207,817	180,629,706
Fiduciary activities	1,082	2,188	1,425	1,528	1,074	621	24,428,837
Service charges on deposit accounts	44,375	53,061	65,221	66,866	74,142	75,746	30,474,961
Trading account gains & fees	0	4,320	0	0	0	0	4,942,732
Additional noninterest income	48,914	52,291	72,813	125,255	102,769	131,450	120,783,176
Total noninterest expense	309,405	356,554	420,642	508,052	511,115	555,344	244,502,967
Salaries and employee benefits	163,156	195,030	217,049	262,850	274,264	277,124	106,384,278
Premises and equipment expense	70,474	82,462	90,992	106,692	115,976	130,730	29,110,896
Additional noninterest expense	75,775	79,062	112,601	138,510	120,875	147,490	109,007,793
Pre-tax net operating income	218,369	232,655	269,109	392,919	424,319	319,030	109,512,671
Securities gains (losses)	5,701	4,812	7,544	-24,654	2,274	-31,959	-328,615
Applicable income taxes	77,080	80,740	94,668	124,327	146,476	94,935	33,515,308
Income before extraordinary items	146,990	156,727	181,985	243,938	280,117	192,136	75,668,748
Extraordinary gains - net	-846	0	0	0	0	0	-963,201
Net income attributable to bank	146,144	156,727	181,985	243,938	280,117	192,136	74,705,547
Net charge-offs	30,752	35,471	23,598	19,211	18,343	56,369	32,363,013
Cash dividends	66,032	67,044	75,535	224,421	281,727	624,573	62,732,319

Ratio Analysis (2005 to 2010)

	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	All Commercial Banks
	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Assets more than \$10B
Performance Ratios	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-10
Yield on earning assets	5.94%	5.36%	5.35%	6.31%	7.27%	7.17%	6.61%
Cost of funding earning assets	2.38%	1.83%	1.71%	2.33%	3.38%	3.61%	3.44%
Net interest margin	3.56%	3.53%	3.64%	3.99%	3.89%	3.56%	3.17%
Noninterest income to earning assets	0.72%	0.77%	0.88%	1.05%	0.89%	0.96%	2.58%
Noninterest expense to earning assets	2.35%	2.45%	2.65%	2.76%	2.55%	2.56%	3.49%
Net operating income to assets	1.00%	0.96%	1.01%	1.27%	1.25%	0.88%	0.92%
Return on assets (ROA)	1.02%	0.98%	1.04%	1.19%	1.26%	0.79%	0.91%
Pretax return on assets	1.55%	1.49%	1.59%	1.80%	1.92%	1.18%	1.31%
Return on equity (ROE)	13.40%	12.38%	12.30%	12.38%	13.01%	8.57%	9.08%
Retained earnings to average equity (YTD only)	7.34%	7.09%	7.19%	0.99%	-0.07%	-19.28%	1.45%
Net charge-offs to loans	0.28%	0.30%	0.19%	0.13%	0.11%	0.33%	0.69%
Credit loss provision to net charge-offs	117.00%	105.38%	114.39%	139.70%	120.71%	188.84%	149.99%
Earnings coverage of net loan charge-offs (x)	8.27	7.61	12.55	21.85	24.34	7.55	4.88
Efficiency ratio	54.40%	56.21%	57.80%	53.51%	52.10%	55.26%	58.69%
Assets per employee (\$ millions)	4.23	4.13	4.39	4.65	4.82	5.59	6.46
Cash dividends to net income	45.18%	42.78%	41.51%	92.00%	100.57%	325.07%	83.97%

	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	All Commercial Banks
	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Albuquerque, NM	Assets more than \$10B
Performance Ratios	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-10
Condition Ratios (%)							
Loss allowance to loans	1.12%	1.16%	1.10%	1.07%	1.03%	1.37%	1.34%
Loss allowance to noncurrent loans	147.07%	203.32%	424.19%	475.79%	788.89%	163.90%	100.65%
Noncurrent assets plus other real estate owned to assets	0.71%	0.54%	0.26%	0.22%	0.13%	0.62%	0.82%
Noncurrent loans to loans	0.76%	0.57%	0.26%	0.22%	0.13%	0.83%	1.33%
Net loans and leases to deposits	126.73%	119.92%	111.93%	101.84%	103.33%	92.61%	89.29%
Net loans and leases to core deposits	155.23%	143.88%	135.79%	125.92%	133.79%	119.21%	147.32%
Equity capital to assets	7.60%	8.40%	8.43%	10.07%	9.49%	8.83%	10.00%
Core capital (leverage) ratio	6.25%	7.01%	6.64%	7.42%	6.97%	6.32%	7.03%
Tier 1 risk-based capital ratio	7.48%	8.73%	8.16%	8.72%	8.08%	7.77%	8.66%
Total risk-based capital ratio	10.56%	11.83%	10.72%	11.73%	10.75%	10.56%	11.85%
Memoranda:							
Average assets	14,393,257	15,953,539	17,444,648	20,463,791	22,272,840	24,403,368	8,233,524,272
Average earning assets	13,178,091	14,562,151	15,870,653	18,411,640	20,026,043	21,711,605	7,008,583,764
Average equity	1,090,820	1,265,780	1,479,833	1,971,166	2,153,377	2,242,546	823,105,601
Average loans	11,063,128	11,971,167	12,706,939	14,897,893	16,751,119	17,131,822	4,656,763,895

New Mexico National Bank, a bank with growth in mind (B)

Not the real timing

The real date for the financial statements for the bank:

In fact, the financial statements presented in the (A) part of the case are not as of 2010, but rather are for 2009. So take the financial statements as presented in part (B) (See below table) that are really 2010 and re-evaluate the bank's financial statements to identify problem areas.

What do you see with respect to **Capital adequacy**?

What do you see with respect to **Asset quality**?

What do you see with respect to **Management quality and decision making**?

What do you see with respect to **Earnings and earnings quality**?

What do you see with respect to **Sensitivity to changes in interest rates**?

Do you think that company is well poised for future growth?

Part B	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	New Mexico National Bank	All Commercial Banks
	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10	31-Dec-10
Performance and Condition Ratios								
Yield on earning assets	5.94%	5.36%	5.35%	6.31%	7.27%	7.17%	6.05%	5.09%
Cost of funding earning assets	2.38%	1.83%	1.71%	2.33%	3.38%	3.61%	3.07%	2.02%
Net interest margin	3.56%	3.53%	3.64%	3.99%	3.89%	3.56%	2.99%	3.07%
Noninterest income to earning assets	0.72%	0.77%	0.88%	1.05%	0.89%	0.96%	0.78%	2.13%
Noninterest expense to earning assets	2.35%	2.45%	2.65%	2.76%	2.55%	2.56%	5.34%	3.25%
Net operating income to assets	1.00%	0.96%	1.01%	1.27%	1.25%	0.88%	-3.26%	0.16%
Return on assets (ROA)	1.02%	0.98%	1.04%	1.19%	1.26%	0.79%	-3.24%	0.15%
Pretax return on assets	1.55%	1.49%	1.59%	1.80%	1.92%	1.18%	-4.11%	0.20%
Return on equity (ROE)	13.40%	12.38%	12.30%	12.38%	13.01%	8.57%	-38.72%	1.57%
Retained earnings to average equity (YTD)	7.34%	7.09%	7.19%	0.99%	-0.07%	-19.28%	-41.37%	-1.82%
Net charge-offs to loans	0.28%	0.30%	0.19%	0.13%	0.11%	0.33%	3.66%	1.44%
Credit loss provision to net charge-offs	117.00%	105.38%	114.39%	139.70%	120.71%	188.84%	112.63%	175.55%
Earnings coverage of net loan charge-offs (x)	8.27	7.61	12.55	21.85	24.34	7.55	-0.56	2.07
Efficiency ratio	54.40%	56.21%	57.80%	53.51%	52.10%	55.26%	73.18%	56.49%
Assets per employee (\$ millions)	4.23	4.13	4.39	4.65	4.82	5.59	5.34	7.17
Cash dividends to net income (YTD only)	45.18%	42.78%	41.51%	92.00%	100.57%	325.07%	-6.83%	216.47%
Condition Ratios (%)								
Loss allowance to loans	1.12%	1.16%	1.10%	1.07%	1.03%	1.37%	1.94%	2.48%
Loss allowance to noncurrent loans	147.07%	203.32%	424.19%	475.79%	788.89%	163.90%	51.88%	82.53%
Noncurrent assets plus OREO to assets	0.71%	0.54%	0.26%	0.22%	0.13%	0.62%	2.90%	1.71%
Noncurrent loans to loans	0.76%	0.57%	0.26%	0.22%	0.13%	0.83%	3.74%	3.00%
Net loans and leases to deposits	126.73%	119.92%	111.93%	101.84%	103.33%	92.61%	86.16%	80.68%
Net loans and leases to core deposits	155.23%	143.88%	135.79%	125.92%	133.79%	119.21%	112.49%	125.83%
Equity capital to assets	7.60%	8.40%	8.43%	10.07%	9.49%	8.83%	5.62%	9.11%
Core capital (leverage) ratio	6.25%	7.01%	6.64%	7.42%	6.97%	6.32%	6.03%	6.89%
Tier 1 risk-based capital ratio	7.48%	8.73%	8.16%	8.72%	8.08%	7.77%	8.54%	9.13%
Total risk-based capital ratio	10.56%	11.83%	10.72%	11.73%	10.75%	10.56%	11.37%	12.55%

Colonial Bank, a bank with growth in mind (C)

Not the real dates and not the real bank

Epilogue

On August 14, 2009, Colonial Bank was turned over to the FDIC. In situations such as these, the FDIC is able to use government funds in reserve to cover the losses of the defaulted loans and insure the deposits of the Colonial Bank customers. The losses resulting from Colonial Bank's failure do not disappear but are instead assumed by the U.S. government. Since the purpose of the government is not to hold onto the assets and deposits, the FDIC formulates a deal that is of value to a potential buyer and lessens the loan loss risk created by the failed bank. The FDIC and BB&T formulated a transaction which would result in BB&T acquiring \$22 billion of Colonial Bank's assets and assuming \$20 billion in deposits. This offer was a loss sharing agreement to decrease BB&T's risk of substantial future losses on the acquired assets

Conclusion

With increased market share, increased cash flow from the acquired assets, and limited risk associated with the acquired assets, BB&T has an opportunity to create value from this transaction. If the government was not guaranteeing limited loan loss risk in the transaction, BB&T would benefit from not acquiring any additional loan loss risk since their own loan losses could potentially continue to increase in such a volatile economic environment.

Considering Colonial Bank's loan and mortgage investments were situated in the hardest hit markets, their failure was almost inevitable. Given the involvement of the government in restructuring a package deal for the transaction to occur, BB&T has a great opportunity to take a low risk investment with the potential for a large return. Losses on Colonial Bank's portfolio will mostly likely continue, but the safety net provided by the U.S. government eliminates the risk of any negative impact it might have on BB&T's overall market and shareholder value.

¹**Colonial BancGroup Inc.** was a \$26 billion bank holding company headquartered in Montgomery, Alabama, USA. Colonial BancGroup, Inc. (BancGroup) was a financial services company that, through its subsidiaries, provided diversified services, including retail and commercial banking, wealth management services, mortgage banking and insurance.

¹ Source: http://en.wikipedia.org/wiki/Colonial_Bancgroup

The company ran into problems after it was revealed that it had bought \$1 billion in mortgages from Taylor, Bean & Whitaker that Taylor Bean had forged, in one of the biggest fraud cases in history.^[1]

Bankgroup's former subsidiary, Colonial Bank, operated 346 branches in the states of Alabama, Georgia, Florida, Nevada and Texas. At the end of the fourth quarter of 2008, Colonial Bancgroup had a Texas ratio of 53.4%, up from a figure of 25% in the first quarter of 2008.^[2]

Colonial disclosed its legal problems on August 4, 2009, stating that federal agents had executed a search warrant at its mortgage warehouse lending offices in Orlando, Fla. and that it had been forced to sign a cease and desist order with the Federal Reserve and regulators at the end of last month in relation to its accounting practices and its recognition of losses.^{[3][4]} On August 14 it was announced that BB&T would buy Colonial's branches and deposits in a deal with the FDIC.^[5] This was the biggest bank failure of 2009.^[6] On August 25 Colonial BancGroup filed for Chapter 11 bankruptcy. The bankruptcy case's name is "In re Colonial BancGroup Inc, U.S. Bankruptcy Court, Middle District of Alabama (Montgomery), No. 09-32303".^[7]

1. http://news.yahoo.com/s/ap/20110420/ap_on_bi_ge/us_tarp_case_trial
2. "One in eight lenders may fail, RBC says". *Reuters*. February 9, 2009.
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	Colonial Bank	Colonial Bank	Colonial Bank	Colonial Bank	Colonial Bank	Colonial Bank	Colonial Bank	Colonial Bank	Colonial Bank	Colonial Bank	All Commercial Banks
	3/31/07	6/30/07	9/30/07	12/31/07	3/31/08	6/30/08	9/30/08	12/31/08	3/31/09	6/30/09	6/30/09
Colonial Bank											
Yield on earning assets	7.36%	7.13%	7.19%	7.17%	6.53%	6.29%	6.20%	6.05%	4.96%	4.91%	4.60%
Cost of funding earning assets	3.76%	3.59%	3.61%	3.61%	3.39%	3.17%	3.08%	3.07%	2.80%	2.74%	1.16%
Net interest margin	3.60%	3.54%	3.58%	3.56%	3.14%	3.12%	3.11%	2.99%	2.17%	2.18%	3.44%
Noninterest income to earning assets	0.94%	0.96%	0.95%	0.96%	0.80%	0.87%	0.87%	0.78%	0.80%	0.52%	2.80%
Noninterest expense to earning assets	2.57%	2.53%	2.54%	2.56%	2.77%	2.81%	2.84%	5.34%	2.96%	3.72%	3.42%
Net operating income to assets	1.14%	1.12%	1.13%	0.88%	0.35%	0.14%	-0.21%	-3.26%	-2.46%	-5.63%	0.19%
Return on assets (ROA)	0.73%	0.93%	1.01%	0.79%	0.42%	0.18%	-0.19%	-3.24%	-2.55%	-5.70%	0.14%
Pretax return on assets	1.11%	1.41%	1.52%	1.18%	0.59%	0.22%	-0.36%	-4.11%	-4.03%	-4.97%	0.22%
Return on equity (ROE)	7.68%	9.94%	10.86%	8.57%	4.84%	1.99%	-2.13%	-38.72%	-45.55%	-115.1%	1.39%
Retained earnings to average equity (YTD)	2.08%	-22.26%	-17.30%	-19.28%	4.84%	-1.24%	-5.38%	-41.37%	-45.55%	-115.1%	-0.33%
<u>Net charge-offs to loans</u>	0.11%	0.14%	0.18%	0.33%	0.74%	1.18%	1.71%	3.66%	3.15%	4.08%	2.61%
Credit loss provision to net charge-offs	50.02%	69.18%	58.53%	188.84%	105.80%	107.67%	120.26%	112.63%	195.17%	151.39%	151.18%
Earnings coverage of net loan charge-offs X	22.39	17.45	14.29	7.55	2.04	1.29	0.87	-0.56	0	-0.34	1.71
Efficiency ratio	55.35%	54.86%	54.59%	55.26%	68.54%	68.68%	69.38%	73.18%	80.45%	101.69%	51.48%
Assets per employee (\$ millions)	5.02	5.18	5.44	5.59	5.91	5.62	5.58	5.34	5.49	5.38	7.04
Cash dividends to net income (YTD only)	72.91%	323.86%	259.23%	325.07%	0	162.27%	-152.2%	-6.83%	0	0	123.52%
Condition Ratios (%)											
Loss allowance to loans	1.08%	1.02%	1.05%	1.37%	1.26%	1.41%	1.65%	1.94%	2.64%	2.96%	3.23%
Loss allowance to noncurrent loans	493.60%	306.38%	210.03%	163.90%	75.93%	75.73%	48.70%	51.88%	48.55%	32.75%	71.03%
Noncurrent assets plus OREO to assets	0.20%	0.27%	0.37%	0.62%	1.23%	1.69%	2.75%	2.90%	4.17%	6.61%	2.59%
<u>Noncurrent loans to loans</u>	0.22%	0.33%	0.50%	0.83%	1.66%	1.87%	3.40%	3.74%	5.43%	9.03%	4.55%
Net loans and leases to deposits	96.47%	100.93%	95.96%	92.61%	96.62%	92.53%	90.48%	86.16%	80.75%	80.87%	79.07%
Net loans and leases to core deposits	125.19%	131.77%	124.33%	119.21%	127.53%	122.42%	120.33%	112.49%	102.04%	102.33%	118.75%
Equity capital to assets	9.57%	9.32%	8.96%	8.83%	8.37%	9.53%	9.42%	5.62%	5.60%	3.59%	10.61%
Core capital (leverage) ratio	6.92%	7.43%	7.01%	6.32%	6.15%	7.20%	7.20%	6.03%	5.54%	4.18%	7.84%
Tier 1 risk-based capital ratio	8.30%	8.55%	8.52%	7.77%	8.12%	9.88%	9.88%	8.54%	8.02%	6.46%	10.34%
Total risk-based capital ratio	10.95%	11.09%	11.09%	10.56%	10.81%	12.65%	12.70%	11.37%	10.78%	9.21%	13.59%