Most banks still getting weaker, analysis shows

First-quarter reports show bad loans increasing at 60% of banks

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Bad loans on real estate continue to push harder on the nation's banks.

At the end of the first quarter, six out of every 10 banks in the U.S. were less well prepared to withstand their potential loan losses than they had been at the end of 2008, according to a new analysis by msnbc.com and the Investigative Reporting Workshop at American University in Washington. Overall, bad loans rose another 22 percent in the quarter as the recession continued.

Msnbc.com is publishing information on the nation's400 largest banks as well as all banks with high ratios of troubled loans to assets. Information on the financial health of more than 8,000 banks nationwide is available at the updated BankTracker site published by the American University group.

The analysis relies on information reported through March 31 to the Federal Deposit Insurance Corp., calculating each bank's troubled asset ratio, which compares troubled loans against the bank's capital and loan loss reserves. A similar ratio, known as a Texas Ratio, is commonly used by bank analysts as a snapshot of a bank's financial health, though it can't capture all the nuances of a bank's condition.

Although much attention has been focused on surprising profits at U.S. banks in the first quarter of 2009, under the surface lurks an industry still suffering from the recession. If you set aside the 10 largest banks, the rest of the industry lost money in the quarter, primarily because of very large losses at a few banks.

While the 10 largest banks reported $10.2 billion in earnings for the quarter, the remaining 8,245 banks together lost $2.6 billion, according to the analysis.

One in five banks lost money in the quarter, and several lost big, weighing down the rest.

Four large banks account for more than $5 billion in losses. Huntington National Bank of Columbus, Ohio, lost $2.46 billion. FIA Card Services of Wilmington, Del., lost $1.47 billion. SunTrust Bank of Atlanta lost $783 million. Sovereign Bank of Wyomissing, Pa., lost $764 million.

What's the trend in bad loans?
Continuing the trend from 2008, there was a significant deterioration in the first quarter in the ability of banks to withstand potential losses from troubled loans.

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anks suffer from troubled loans

banks with higher "troubled asset ratios" shows a
capital to cover possible loan losses. The higher the ratio,
elative to capital and loan loss reserves.

	Banks 12/07	Banks 12/08	Banks 03/09
	962	644	593
	3,135	2,092	1,868
	1,649	1,426	1,287
	1,458	1,796	1,803
	506	892	966
	210	467	569
	92	301	359
	41	178	197
	34	109	136
	11	96	97
	13	52	74
	11	32	57
	10	144	237
	123	26	12
	8,255	8,255	8,255

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If a troubled asset ratio of 100 is a sign of severe stress, then an additional 93 banks moved past that level in the quarter, for a total of 237. Still, that's only 3 percent of the nation's banks.

Some analysts have said that any ratio over 20 percent is an early warning sign. An additional 421 banks moved past that level, for a total of 2,692. That's 33 percent of the nation's banks.

While the troubled asset ratio is not a predictor of bank failure, 29 of the 37 banks that have failed so far this year had ratios of greater than 100 percent, reported Wendell Cochran, senior editor of the reporting project at American University.