

# 12th District Banking Profile

Federal Reserve Bank of San Francisco  
Banking Supervision & Regulation

July 2009  
Data as of March 31, 2009

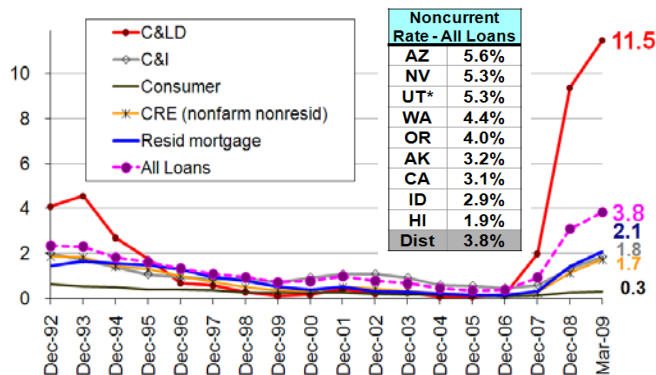
Key indicators of banking conditions in the 12th Federal Reserve District

## Overview

Western banks are struggling with sharp deterioration in credit quality, driven by problems in residential construction & development portfolios. Other loans also are weakening, and all eyes now are on income property loans to see how these perform over the next year or two. Credit problems have caused banks to take hefty loan loss provisions to fund charge-offs and build reserves; so on average, District banks have lost money now for three consecutive quarters. Banks are responding to conditions by conserving capital via dividend reductions and slow growth strategies. Unfortunately, the percentage of banks with adverse safety and soundness ratings continues to climb, most recently reaching 35% of all District banks.

### District Loan Quality is Worse than Early '90s

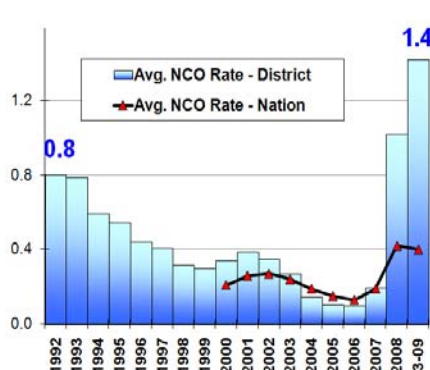
12th District Bank Noncurrent Loan Rates (%)



\*Excluding industrial banks UT avg. noncurrent rate was 6.9%  
Trimmed averages for commercial & industrial banks > 3 years old

### 1Q NCO Rates Surpassed Prior Highs in Most States

Avg. Net Charge-Off Rates (%)



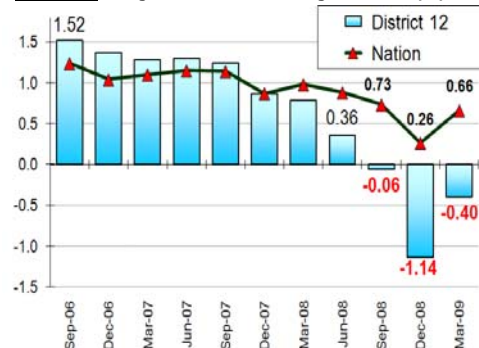
State	Avg. NCO rates (%)	
	Prior peak	3-09
UT	1.72 ('02)	2.41
AZ	0.92 ('92)	2.30
NV	1.59 ('99)	2.01
WA	0.30 ('02)	1.36
CA	1.14 ('93)	1.23
OR	0.26 ('02)	1.07
HI	0.91 ('98)	0.71
ID	0.43 ('92)	0.71
AK	0.47 ('96)	0.34
Dist	0.80 ('92)	1.42
Nat		0.40

Red: > 1%; Yellow: 0.5%-1%

March 2009 net charge off rates are annualized  
Trimmed averages for commercial & industrial banks > 3 years old

### Average ROA - Three Consecutive Quarters of Losses for District Banks

1-Quarter Avg. Return on Average Assets (%)



Rank	State	Lowest 1Q ROA by State
1	AZ	-1.62%
2	UT*	-0.40%
3	WA	-0.39%
4	NV	-0.38%
5	CA	-0.33%
6	FL	-0.31%
7	GA	-0.07%
8	OR	-0.02%
12	ID	0.15%
23	HI	0.59%
44	AK	1.01%

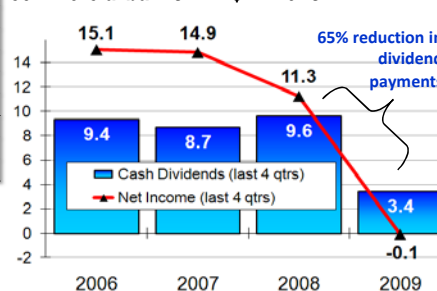
Red: losses; Yellow: < 1%

\*Excluding industrial banks UT 1Q avg. ROA = -1.24%  
Trimmed averages for commercial & industrial banks > 3 years old

### District Banks Cut Dividend Payments by Two-Thirds in Aggregate, Benefiting Capital

However, 16% of banks paid dividends from losses

Net income and cash dividends: 12th District commercial banks -- in \$ Billions



Category	Percentage of banks that paid dividends -- last 4 quarters	
	3/08	3/09
All banks	46%	42%
Paid dividends from losses	2%	16%
Paid dividends from losses or had > 75% payout rate	16%	27%

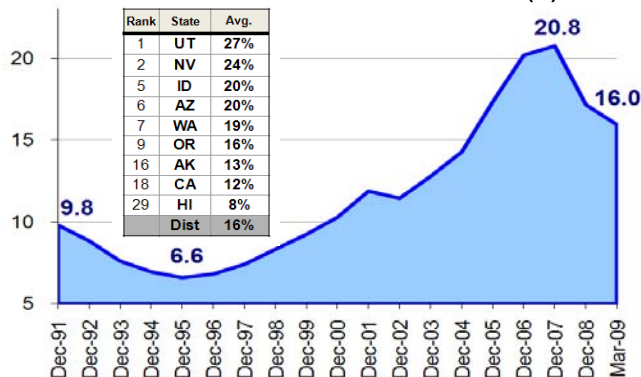
Trailing 4 quarter data

Category	Percentage of banks that paid dividends in the first quarter	
	1Q08	1Q09
All banks	32%	22%

Trailing 4-qr data as of March 31 of each year  
Aggregate data for District commercial banks

### C&LD Loan Concentrations are High, but Receding

Construction & Land Development Loans / Total Loans (%)



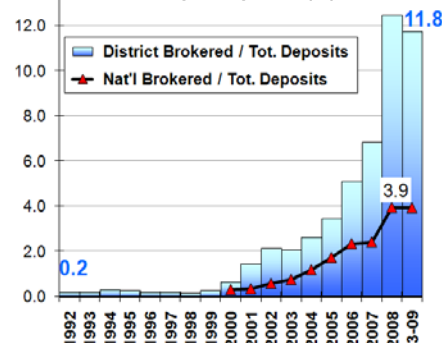
Trimmed averages for all 12th District commercial banks

### Liquidity: Brokered Deposits Usage Surged in 2008

Slightly down in 1Q09

Brokered Dep. / Deposits (%)

St	Brokered Dep / Tot. Deposits
UT*	40%
AZ	18%
NV	15%
OR	13%
WA	11%
CA	9%
ID	8%
HI	2%
AK	0%



\*Excluding industrial banks UT ratio: 20%

Trimmed averages for commercial & industrial banks > 3 years old

I. Summary Items	12th District			United States		
	Mar-09	Dec-08	Mar-08	Mar-09	Dec-08	Mar-08
average bank asset size* (millions)	\$ 706	\$ 701	\$ 707	\$ 243	\$ 239	\$ 230
number of commercial banks	582	588	593	7,026	7,074	7,233
state member	45	45	45	851	853	871
national	103	103	107	1,517	1,535	1,610
nonmember	434	440	441	4,658	4,686	4,752
memo: portion < 3yrs old	17.0%	17.3%	21.2%	5.6%	6.0%	7.0%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Mar-09	Dec-08	Mar-08	Mar-09	Dec-08	Mar-08
<b>selected loan concentrations (as % of total capital)</b>	%	%	%	%	%	%
construction & land development	110.6	122.3	135.9	61.7	65.4	68.8
multifam., nonfarm-nonresid., & other CRE purp.	285.1	287.9	253.7	173.7	173.8	160.7
total commercial real estate (CRE)	408.8	422.5	410.1	243.4	247.8	239.6
total CRE (excl. owner-occupied nonfarm-nonresid)	280.1	293.3	291.5	157.4	161.8	159.4
1-4 family RE (includes home equity)	79.1	78.4	62.6	159.1	159.2	148.9
commercial & industrial	116.0	121.3	110.7	94.6	97.4	96.2
agricultural lines & farmland	10.5	11.1	10.4	69.4	72.2	68.1
consumer	15.0	16.4	16.4	35.9	37.5	38.9
<b>liquidity and funding</b>	%	%	%	%	%	%
net loan growth rate (year over year)	6.5	9.2	14.8	6.3	7.6	7.9
net loans / assets	74.0	75.8	75.4	65.5	66.7	65.3
core deposits / assets	61.3	61.4	60.9	66.1	65.9	66.4
net noncore funds dependence	30.8	33.4	27.8	20.4	22.2	17.6
securities / assets	9.1	9.3	9.8	19.1	19.2	19.4
tier 1 leverage ratio	10.6	10.5	11.0	9.8	9.8	10.0
total risk-based capital ratio	14.0	13.9	14.2	15.1	14.9	15.3

III. Performance Measures	Mar-09	Dec-08	Mar-08	Mar-09	Dec-08	Mar-08
<b>earnings (year-to-date annualized)</b>	%	%	%	%	%	%
return on average assets	(0.40)	(0.25)	0.75	0.66	0.64	0.98
net interest income (tax equiv.) / avg assets	3.56	3.97	4.14	3.52	3.67	3.67
noninterest revenues / avg assets	0.61	0.66	0.77	0.65	0.68	0.70
overhead expenses / avg assets	3.39	3.60	3.45	2.97	3.06	2.99
loan loss provisions / avg assets	1.47	1.29	0.50	0.40	0.44	0.17
efficiency ratio (overhead / revenue)	80.8	74.7	67.6	71.2	69.5	67.4
<b>asset quality</b>	%	%	%	%	%	%
noncurrent loans / total loans	3.81	3.09	1.41	2.10	1.78	1.21
loans past due 30-89 days / total loans	1.79	1.59	1.22	1.69	1.53	1.47
loans past due 30+ days + noncurrent / total loans	5.75	4.82	2.76	3.92	3.43	2.80
allowance for losses / loans & leases not held for sale	2.04	1.89	1.42	1.48	1.42	1.31
net charge-offs / avg loans (ytd annualized)	1.42	1.02	0.31	0.40	0.42	0.15

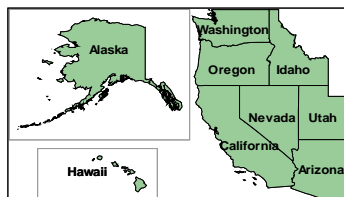
IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States	
		Mar-09	Mar-08	Mar-09	Mar-08
<p><b>Safety &amp; soundness ratings deterioration continues</b></p> <p>share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)</p> <p>Includes 12th District commercial banks; examinations as of 3/31 each year</p>	overall safety & soundness	35.3	11.2	17.6	7.7
	capital	27.2	6.9	11.9	4.1
	asset quality	44.7	11.0	25.3	10.7
	management	33.6	14.4	18.2	9.9
	earnings	61.9	33.9	32.8	20.6
	liquidity	28.1	8.5	11.7	3.6
	sensitivity to market risk	17.0	4.9	8.7	4.1
	community reinvestment	2.2	1.1	0.8	0.6
	consumer compliance	6.6	6.2	4.0	3.8

\* averages are trimmed means (upper and lower 5% of observations are removed prior to averaging) and exclude de novos (banks < 3 yrs old)  
 \*\* includes all commercial bank charters; safety and soundness and consumer compliance have a 5-point rating scale; community reinvestment has a 4-point rating scale. For each, only the top two ratings are considered satisfactory or better.

Sources: Federal Reserve financial & exam databases.

For this and other publications, see: [www.frbsf.org/publications/banking/index.html](http://www.frbsf.org/publications/banking/index.html) and [www.frbsf.org/banking/data/regional](http://www.frbsf.org/banking/data/regional).

12th Federal Reserve District



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