



12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

September 2011
Data as of June 30, 2011

Key indicators of banking conditions in the 12th Federal Reserve

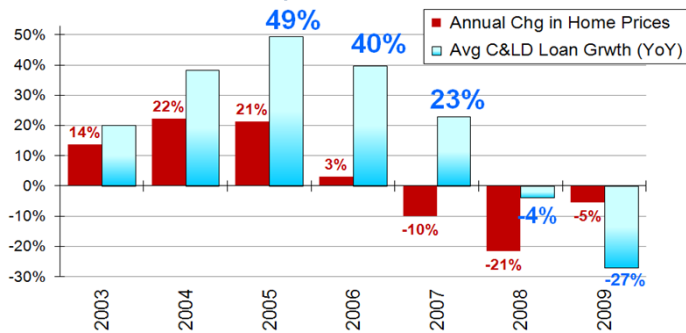
(rev. 10/04/11)

Overview

This Banking Profile takes a look at the housing and banking downturn. Since 2008, 14% of 12th District-headquartered banks and thrifts failed (90 institutions), surpassing the 12.5% failure rate experienced in the four-year period 1989-1992. The housing meltdown starting in 2006 was far more severe than the decline in the early 1990s, and banks this time were far more exposed to construction and development loans and other risky mortgage credits. Banks also were slow to react to changing conditions after home prices started to fall in 2H2006. Fast-forward to the present...most District banks that survived are in early stages of recovery with credit loss rates easing and more reporting profits. These are welcome developments; but with the economy and real estate markets remaining extremely weak, it likely will take several years for the banking industry to return to "normal".

As Home Prices Soared, the Average District Bank Grew its C&LD Loans Some 40% Per Year (2004-2006)

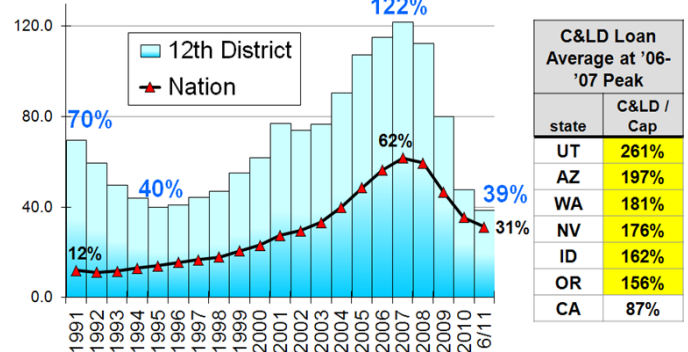
District Home Price Appreciation Rates vs. District Bank Construction & Land Development Loan Growth Rates



12th District home price index based on weighted avg. of CoreLogic HPI state indices; avg. C&LD loan growth rates are trimmed means of individual bank growth rates for all District commercial banks, excluding De Novos

As a Result, C&LD Concentrations Were Extremely High when Many C&LD Projects Started to Default (in 2008)

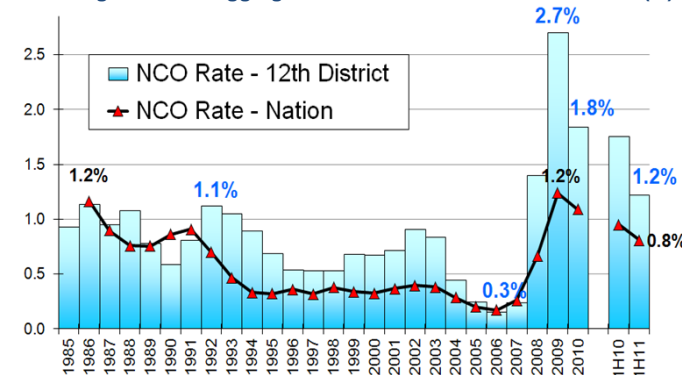
Construction & Development Loans / Total Capital - commercial banks only (% - Adjusted Averages)



Based on all commercial banks excluding De Novos; IH ratios are annualized; trimmed means

And, Credit Loss Rates Ballooned to Levels Likely Not Seen Since the Great Depression

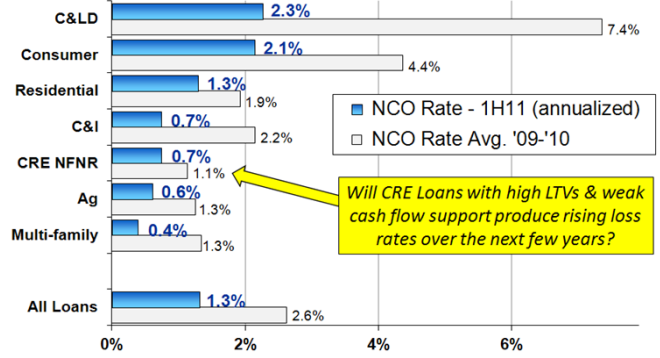
Net Charge-Off Rate Aggregates: District Banks w/Assets < \$1B (%)



Aggregate data for all commercial & industrial banks with assets under \$1B; IH ratios are annualized

Credit Loss Rates Now are Easing Across all Key Categories

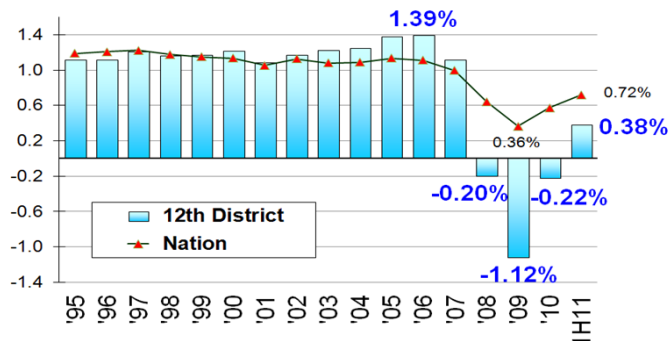
12th District aggregate net charge off rates 1H11 compared to the 2009-2010 avg.



C&LD = Construction & Land Development; C&I = Commercial & Industrial; NFNR = Nonfarm Nonresidential Secured

District Bank Profitability is Improving from Three Years of Red Ink (for Banks on Average)

Average Return on Average Assets (%)

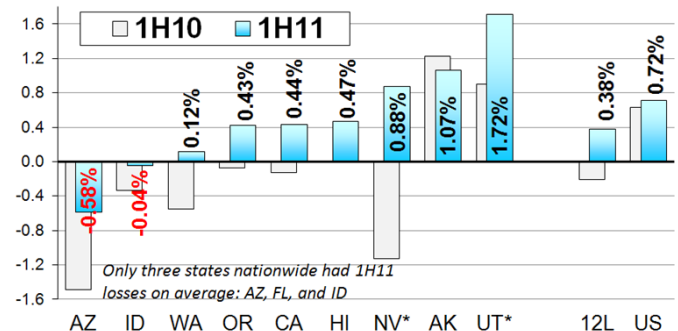


Based on all banks excluding De Novos; trimmed mean ROAs, 1H11 ROAs are annualized

ROA Improvement is Broad-Based Across Most States

Utah*, Alaska & Nevada* Had Avg. ROAs Exceeding the Nat'l Avg

Avg. Return on Average Assets - First Half 2010 vs. 2011



Annualized ratios for all banks, excluding De Novos; trimmed means; *Excl. industrial banks, avg. 1H11 ROAs were -0.38% in NV, and 0.54% in UT

| I. Summary Items | 12th District | | | United States | | |
|-----------------------------------|---------------|--------|--------|---------------|--------|--------|
| | Jun-11 | Mar-11 | Jun-10 | Jun-11 | Mar-11 | Jun-10 |
| median bank asset size (millions) | \$ 225 | \$ 223 | \$ 230 | \$ 153 | \$ 154 | \$ 153 |
| number of banks *** | 485 | 492 | 522 | 6,803 | 6,848 | 7,074 |
| state member | 36 | 37 | 39 | 824 | 821 | 836 |
| national | 86 | 86 | 90 | 1,348 | 1,365 | 1,426 |
| nonmember | 363 | 369 | 393 | 4,631 | 4,662 | 4,812 |
| memo: portion < 3yrs old | 2.1% | 2.6% | 7.3% | 0.9% | 1.2% | 2.7% |

| II. Balance Sheet Highlights | Average 12th District Bank* | | | Average U.S. Bank* | | |
|---|-----------------------------|--------|--------|--------------------|--------|--------|
| | Jun-11 | Mar-11 | Jun-10 | Jun-11 | Mar-11 | Jun-10 |
| selected loan concentrations (as % of total capital) | % | % | % | % | % | % |
| total CRE (excl. owner-occupied nonfarm-nonresid) | 197.5 | 208.0 | 237.4 | 121.0 | 123.9 | 133.6 |
| construction & land development | 36.1 | 40.6 | 58.6 | 30.9 | 32.7 | 39.6 |
| nonfarm nonresidential (excl. owner-occ) | 122.7 | 126.8 | 135.3 | 68.2 | 69.1 | 70.7 |
| multi-family | 19.1 | 19.9 | 20.3 | 11.0 | 11.0 | 10.9 |
| nonfarm nonresidential owner-occupied | 115.2 | 117.5 | 122.9 | 76.8 | 77.5 | 77.9 |
| 1-4 family RE (includes home equity) | 73.5 | 76.3 | 85.7 | 156.1 | 157.7 | 166.2 |
| commercial & industrial | 92.7 | 95.3 | 105.7 | 77.8 | 78.8 | 82.2 |
| agricultural lines & farmland | 7.6 | 7.3 | 7.9 | 55.3 | 54.0 | 57.8 |
| consumer | 8.9 | 9.1 | 10.8 | 26.6 | 27.1 | 30.0 |
| liquidity and funding | % | % | % | % | % | % |
| net loan growth rate (year over year) | (4.3) | (4.4) | (4.8) | (2.0) | (1.9) | 0.2 |
| net loans / assets | 65.3 | 65.6 | 68.2 | 61.2 | 60.8 | 64.0 |
| core deposits / assets | 74.6 | 74.1 | 72.0 | 78.3 | 78.5 | 76.8 |
| net noncore funds dependence | 13.7 | 14.8 | 19.9 | 15.0 | 14.4 | 17.8 |
| securities / assets | 12.1 | 12.1 | 10.4 | 21.3 | 20.9 | 19.0 |
| tier 1 leverage ratio | 11.3 | 11.0 | 10.4 | 9.9 | 9.8 | 9.6 |
| total risk-based capital ratio | 17.0 | 16.6 | 15.3 | 16.4 | 16.2 | 15.5 |

| III. Performance Measures | Jun-11 | Mar-11 | Jun-10 | Jun-11 | Mar-11 | Jun-10 |
|---|---|--------|--------|--------|--------|--------|
| | earnings (year-to-date annualized) | % | % | % | % | % |
| return on average assets | 0.38 | 0.41 | (0.21) | 0.72 | 0.70 | 0.63 |
| net interest income (tax equiv.) / avg assets | 3.86 | 3.82 | 3.77 | 3.59 | 3.55 | 3.59 |
| noninterest revenues / avg assets | 0.63 | 0.63 | 0.51 | 0.57 | 0.57 | 0.58 |
| overhead expenses / avg assets | 3.68 | 3.65 | 3.51 | 3.01 | 3.00 | 2.99 |
| loan loss provisions / avg assets | 0.51 | 0.43 | 1.10 | 0.29 | 0.25 | 0.43 |
| efficiency ratio (overhead / revenue) | 78.1 | 78.3 | 80.4 | 71.1 | 71.6 | 70.6 |
| asset quality | % | % | % | % | % | % |
| noncurrent loans / total loans | 3.70 | 3.84 | 4.24 | 2.24 | 2.31 | 2.36 |
| loans past due 30-89 days / total loans | 0.83 | 1.04 | 0.94 | 1.06 | 1.28 | 1.22 |
| loans past due 30+ days + noncurrent / total loans | 4.82 | 5.16 | 5.40 | 3.51 | 3.80 | 3.79 |
| allowance for losses / loans & leases not held for sale | 2.66 | 2.66 | 2.64 | 1.76 | 1.77 | 1.67 |
| net charge-offs / avg loans (ytd annualized) | 0.94 | 0.83 | 1.46 | 0.42 | 0.32 | 0.51 |

| IV. Examination Data | % rated 3, 4, 5, "needs to improve" or worse** | 12th District | | United States | |
|--|--|---------------|--------|---------------|--------|
| | | Sep-11 | Sep-10 | Sep-11 | Sep-10 |
| <p>District Bank CAMELS Ratings Improving / Consumer Ratings Worsening</p> <p>share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)</p> | overall safety & soundness | 56.1 | 59.6 | 31.1 | 30.4 |
| | capital | 46.8 | 51.4 | 25.4 | 24.5 |
| | asset quality | 70.7 | 70.0 | 44.6 | 43.3 |
| | management | 56.1 | 57.6 | 31.9 | 30.9 |
| | earnings | 73.0 | 78.7 | 43.3 | 45.6 |
| | liquidity | 32.0 | 38.2 | 16.2 | 18.0 |
| | sensitivity to market risk | 29.7 | 32.8 | 17.4 | 16.1 |
| | consumer compliance | 13.2 | 11.0 | 6.8 | 5.4 |
| | community reinvestment | 2.5 | 2.0 | 1.1 | 0.8 |
| | **** Prelim data for 3Q11 exams | **** | | **** | |
| bank/thrift failures (YTD) | 10 | 31 | 73 | 127 | |

* Averages are trimmed means (upper and lower 10% 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.
 *** Population of banks includes commercial, industrial, savings and cooperative banks
 Sources: Regulatory Call & Income Reports; Federal Reserve financial & exam databases.
 For this and other publications, see: www.frbsf.org/publications/banking/index.html and www.frbsf.org/banking/data/regional.

12th Federal Reserve District



contact:

Gary Palmer - Mgr, Risk Analytics & Monitoring
 Colin Perez - Analyst
 Banking Supervision & Regulation
 Federal Reserve Bank of San Francisco

gary.palmer@sf.frb.org
colin.perez@sf.frb.org

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