



12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

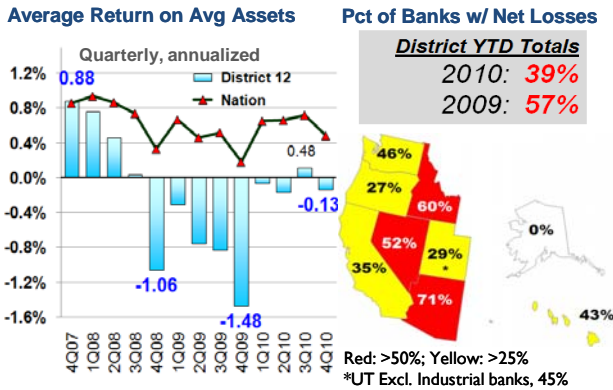
March 2011
Data as of December 31, 2010

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

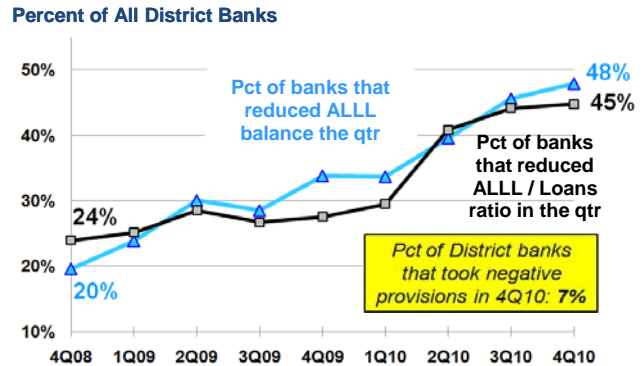
Overview

12th District banks lost money on average in the 4Q10, the eighth time in nine quarters. However, trends from 2009 remained positive, and this momentum, along with a recovering economy, suggest that earnings may return to the black in 2011. Reduced provisions for losses drove the improvement with more banks allowing their ALLL levels to decline. C&LD loans remained a major problem area for many banks; those with C&LD concentrations generally were unprofitable in 2010, while those with low exposures did much better. For District community banks, the portion of net charge-offs attributable to C&LD loans receded from 54% in 2008 to a still high 23% in 2010. Loan quality trends generally were positive; however, CRE income property loan losses rose further, a trend that could continue into 2011, causing some banks with concentrations to suffer setbacks. Bank capital trends remained positive, although a record high portion of banks have been assigned less-than satisfactory CAMELS ratings (60%). This percentage should start to decline in 2011.

Fewer Banks Lost Money in 2010 Fourth quarter ROAA stronger than anticipated

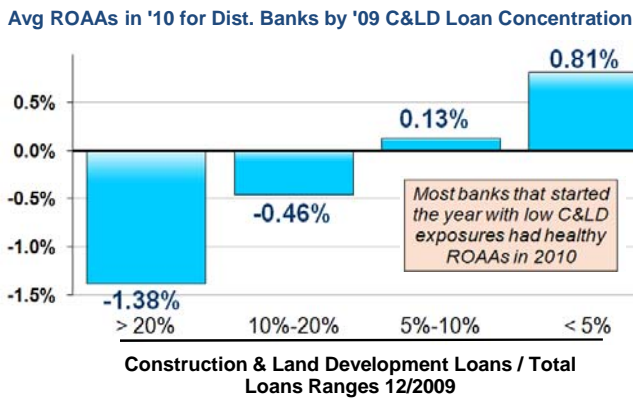


More Banks Lowered Provisions and Drew Down ALLL Issue: Possible Further Deterioration in CRE Income Property Loan Portfolios May Necessitate Boosting Reserves for Some Institutions



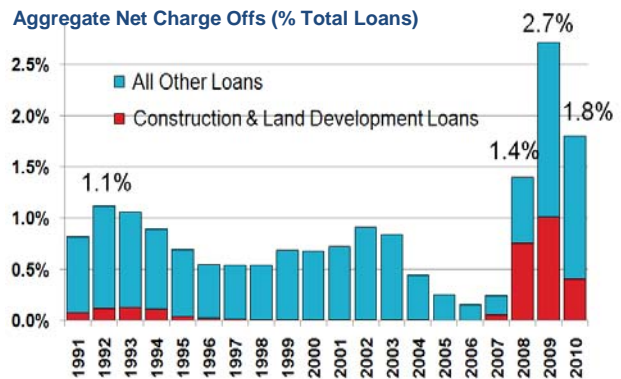
Trimmed means for District banks excluding De Novo banks

Banks with the Highest Construction & Land Development Concentrations Struggled Most



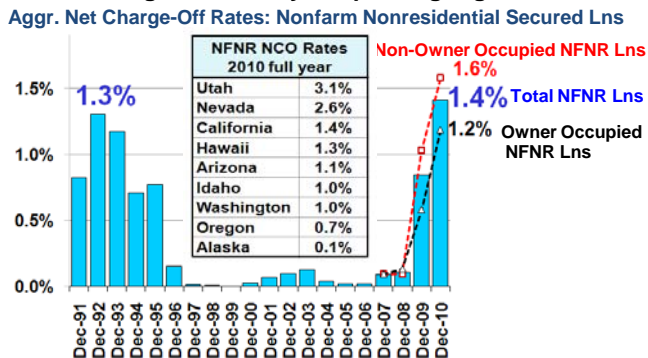
Trimmed means for District banks excluding De Novo banks

C&LD Contributed Heavily to Total Charge-Offs in Recent Years (banks < \$1B) Overtaken by C&I NCOs in 2010



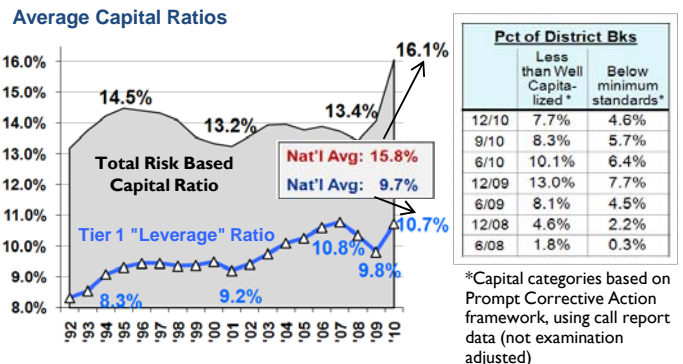
District banks < \$1B

CRE Income Property NCO Rates Exceed Early '90s Highs: Will They Keep Going Higher?



District banks; NFNR: Nonfarm nonresidential secured loans

Loan Reductions & New Capital Boosted Capital Ratios Pct of Banks in Adverse PCA Capital Categories Continued to Drop



Trimmed means for District banks excluding De Novo banks

12th District Banking Profile

Data as of December 31, 2010

I. Summary Items	12th District			United States		
	Dec-10	Sep-10	Dec-09	Dec-10	Sep-10	Dec-09
median bank asset size (millions)	\$ 223	\$ 221	\$ 249	\$ 153	\$ 153	\$ 153
number of banks ***	500	512	555	6,924	7,017	7,244
state member	37	37	42	829	826	845
national	88	89	92	1,382	1,414	1,460
nonmember	375	386	421	4,713	4,777	4,939
memo: portion < 3yrs old	4.0%	5.7%	10.3%	1.7%	2.3%	3.8%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Dec-10	Sep-10	Dec-09	Dec-10	Sep-10	Dec-09
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
total CRE (excl. owner-occupied nonfarm-nonresid)	216.5	223.8	267.1	127.2	129.8	142.1
construction & land development	44.9	51.1	79.5	34.9	37.1	46.1
nonfarm nonresidential (excl. owner-occ)	130.5	130.3	140.6	69.6	69.7	71.9
multi-family	19.9	19.9	21.1	11.0	10.9	10.7
nonfarm nonresidential owner-occupied	118.5	119.0	127.9	77.6	77.1	78.8
1-4 family RE (includes home equity)	80.1	82.1	90.1	162.3	164.2	169.4
commercial & industrial	98.6	100.5	116.1	80.3	80.3	85.8
agricultural lines & farmland	7.6	7.8	8.4	57.0	57.7	57.9
consumer	10.1	10.0	12.6	28.6	29.2	32.0
liquidity and funding	%	%	%	%	%	%
net loan growth rate (year over year)	(4.2)	(4.5)	(3.3)	(0.9)	(0.4)	1.0
net loans / assets	67.1	67.3	70.4	62.7	63.5	65.0
core deposits / assets	64.2	63.6	63.3	67.7	66.8	66.7
net noncore funds dependence	16.4	17.7	24.1	16.1	16.9	19.3
securities / assets	11.4	10.6	9.6	19.8	19.1	18.5
tier 1 leverage ratio	10.7	10.6	9.8	9.7	9.7	9.5
total risk-based capital ratio	16.1	15.7	14.1	15.8	15.7	14.9

III. Performance Measures	Dec-10	Sep-10	Dec-09	Dec-10	Sep-10	Dec-09
	earnings (year-to-date annualized)	%	%	%	%	%
return on average assets	(0.17)	(0.14)	(1.12)	0.58	0.65	0.36
net interest income (tax equiv.) / avg assets	3.80	3.79	3.64	3.61	3.62	3.55
noninterest revenues / avg assets	0.53	0.51	0.53	0.60	0.60	0.62
overhead expenses / avg assets	3.61	3.52	3.59	3.05	3.00	3.09
loan loss provisions / avg assets	1.06	1.06	2.08	0.50	0.46	0.67
efficiency ratio (overhead / revenue)	80.6	79.7	84.7	71.3	70.3	73.2
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	4.06	4.21	4.45	2.28	2.36	2.26
loans past due 30-89 days / total loans	0.88	0.92	1.37	1.19	1.19	1.43
loans past due 30+ days + noncurrent / total loans	5.20	5.45	6.03	3.69	3.75	3.91
allowance for losses / loans & leases not held for sale	2.60	2.62	2.54	1.71	1.69	1.61
net charge-offs / avg loans (ytd annualized)	1.54	1.51	2.09	0.65	0.57	0.72

IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States		
		Mar-11	Mar-10	Mar-11	Mar-10	
<p>CAMELS Ratings Deterioration Continues / Consumer Ratings Also Worsening</p> <p>share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)</p> <p>90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11</p> <p>12th District commercial banks; examinations as of 1Q each year **</p>	overall safety & soundness	60.1	53.3	31.6	26.8	
	capital	50.1	46.3	25.7	21.0	
	asset quality	71.5	64.8	45.0	37.8	
	management	58.0	51.0	32.1	26.8	
	earnings	76.7	75.4	45.3	43.1	
	liquidity	35.5	38.7	17.9	16.9	
	sensitivity to market risk	31.8	28.3	17.3	13.6	
	consumer compliance	12.1	10.7	6.0	4.8	
	**** Prelim data for 1Q11 exams	****		****		
	bank/thrift failures (YTD)		4	12	26	41

* 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 scales; 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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