



12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation
October 5, 2012

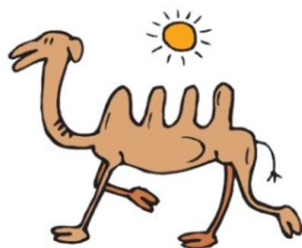
Overview

This Profile takes a focused look at key metrics related to CAMELS "Asset Quality" ratings assigned by bank supervisors. Despite the recent industry credit quality improvement, high percentages of commercial banks still have less-than-satisfactory asset quality: 39% nationally and 59% in the 12th District. Examiners consider many factors when assigning Asset Quality "A" component ratings, such as underwriting standards, credit administration practices, and management of problem assets. These factors that can't easily be quantified. The severity and trend of problem assets and appropriateness of ALLL levels also are key factors, and these are more easily quantified. The bottom four charts on this page show selected metrics for commercial banks nationwide (all charters) by bank asset quality rating over a ten year period. The overlapping ranges of results between ratings is normal, as other factors are being considered by examiners than just these metrics.

Selected Performance Metrics and CAMELS Ratings: ASSET QUALITY focus

CAMELS Assessment Areas

- Capital Adequacy
- **Asset Quality**
- Management
- Earnings
- Liquidity
- Sensitivity to Market Risk



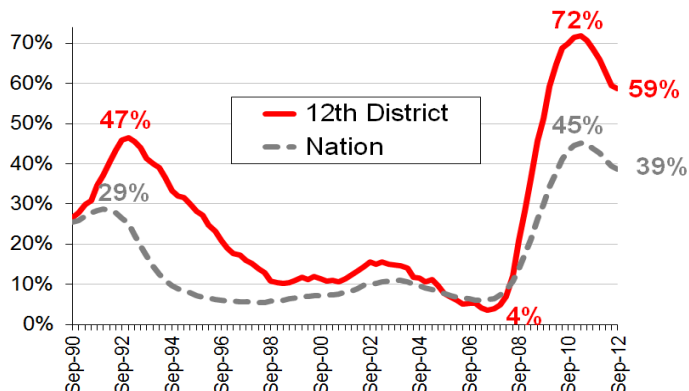
Scale of 1 (strong) to 5 (poor)

Charts that follow focus on financial metrics for banks by CAMELS Asset Quality "A" Ratings; based on examinations that started within 4 months of year-end financial data; financial metric slides exclude De Novo banks < 5 years old

Sources: Federal Reserve Examination Data, Regulatory Call & Income Reports

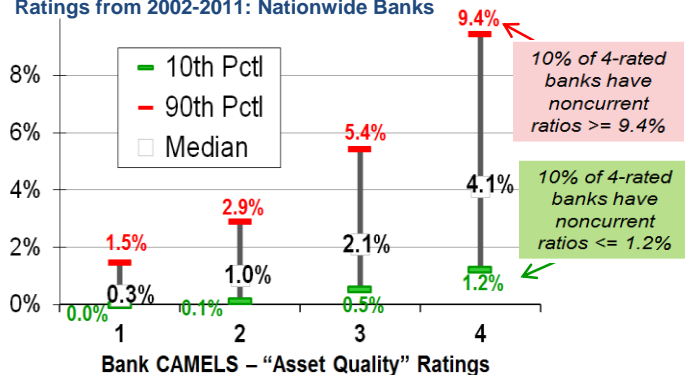
Percentage of Bank with Less than Satisfactory CAMELS Asset Quality Ratings

Pct of Banks Rated "3", "4" or "5" in Asset Quality "A" Rating



Noncurrent Loan Ratio by CAMELS Asset Quality Rating

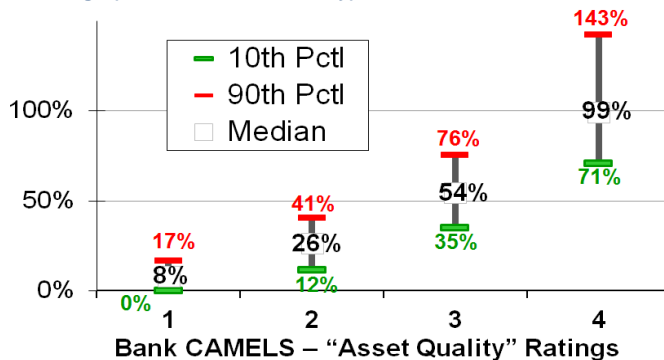
Noncurrent Loans / Total Loans Statistics by CAMELS "A" Ratings from 2002-2011: Nationwide Banks



10-year averages; "5" rated observations omitted as there were too few in some periods; noncurrent = loans past due 90+ days or on nonaccrual

Total Classifications / Tier 1 Capital + ALLL by CAMELS Asset Quality Rating

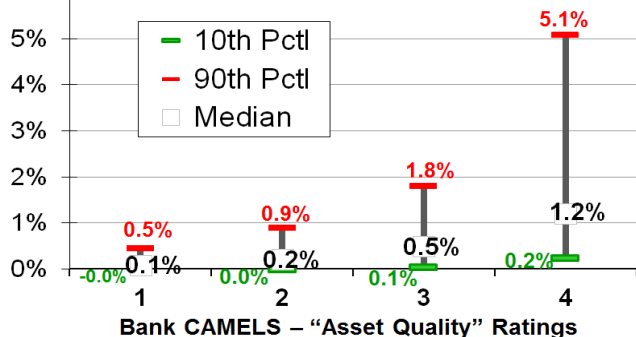
Classifications / Tier 1 Cap + ALLL Statistics by CAMELS "A" Ratings (2012 examinations only): Nationwide Banks



Based on recent data only; ALLL = Allowance for Loan and Lease Losses

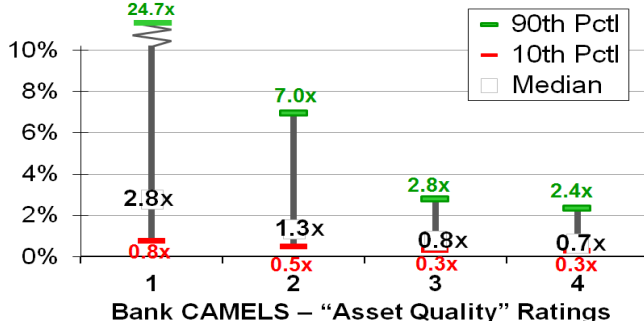
Net Charge-offs/ Average Loans by CAMELS Asset Quality Rating

Net Charge-Offs / Avg. Loans Statistics by CAMELS "A" Ratings from 2002-2011: Nationwide banks



ALLL / Noncurrent Loans by CAMELS Asset Quality Rating

ALLL / Noncurrent Loans Statistics by CAMELS "A" Ratings from 2002-2011: Nationwide banks



ALLL = Allowance for Loan and Lease Losses

I. Summary Items	12th District			United States		
	Jun-12	Mar-12	Jun-11	Jun-12	Mar-12	Jun-11
median bank asset size (millions)	\$ 232	\$ 236	\$ 252	\$ 153	\$ 152	\$ 148
number of banks ***	418	421	443	6,238	6,297	6,478
state member	36	36	36	811	809	817
national	81	82	86	1,311	1,332	1,382
nonmember	301	303	321	4,116	4,156	4,279
memo: portion < 5 years old	7.9%	10.2%	17.6%	4.2%	4.7%	6.5%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Jun-12	Mar-12	Jun-11	Jun-12	Mar-12	Jun-11
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
total CRE (excl. owner-occupied nonfarm-nonresid)	194.3	195.1	205.9	116.1	116.7	124.8
construction & land development	29.3	31.5	39.4	28.8	29.9	35.0
nonfarm nonresidential (excl. owner-occ)	127.3	126.6	128.1	66.9	66.5	68.5
multi-family	20.5	20.0	19.9	10.5	10.3	10.3
nonfarm nonresidential owner-occupied	120.1	122.1	127.3	75.9	75.7	78.0
1-4 family RE (includes home equity)	78.7	79.7	82.9	147.7	147.9	155.5
commercial & industrial	96.0	97.1	98.4	78.6	78.2	83.1
agricultural lines & farmland	8.6	8.7	9.9	63.2	63.9	66.8
consumer	7.9	8.2	9.5	27.2	27.8	30.9
liquidity and funding	%	%	%	%	%	%
net loan growth rate (year over year)	1.4	(0.6)	(6.2)	(1.0)	(1.9)	(1.3)
net loans / assets	63.9	63.0	64.7	59.6	60.1	62.1
core deposits / assets	77.4	77.4	76.0	79.1	78.7	78.3
net noncore funds dependence	9.6	9.0	12.5	12.9	13.4	15.4
securities / assets	13.6	13.6	13.0	22.1	21.6	20.3
tier 1 leverage ratio	11.2	11.1	10.7	9.8	9.9	9.6
total risk-based capital ratio	17.0	17.0	16.3	16.4	16.4	15.6

III. Performance Measures	Jun-12	Mar-12	Jun-11	Jun-12	Mar-12	Jun-11
	earnings (year-to-date annualized)	%	%	%	%	%
return on average assets	0.63	0.60	0.33	0.75	0.79	0.61
net interest income (tax equiv.) / avg assets	3.79	3.78	3.80	3.65	3.65	3.65
noninterest revenues / avg assets	0.62	0.59	0.61	0.60	0.60	0.63
overhead expenses / avg assets	3.50	3.48	3.55	3.02	3.00	3.06
loan loss provisions / avg assets	0.23	0.21	0.49	0.33	0.30	0.51
efficiency ratio (overhead / revenue)	77.0	77.0	78.3	70.3	69.6	70.5
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	2.80	3.27	4.10	2.04	2.18	2.29
loans past due 30-89 days / total loans	0.49	0.60	0.85	1.03	1.02	1.20
loans past due 30+ days + noncurrent / total loans	3.52	4.06	5.17	3.29	3.42	3.70
allowance for losses / loans & leases not held for sale	2.41	2.48	2.70	1.76	1.78	1.75
net charge-offs / avg loans (ytd annualized)	0.55	0.50	1.01	0.54	0.46	0.67

IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States	
		Sep-12 [†]	Sep-11	Sep-12 [†]	Sep-11
<p>District Bank CAMELS and Consumer Ratings Improving</p> <p>share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)</p>	overall safety & soundness	45.3	55.0	26.2	30.3
	capital	37.2	45.7	21.5	24.7
	asset quality	58.7	68.6	38.7	43.8
	management	44.6	55.7	26.8	31.0
	earnings	62.3	71.6	37.1	41.8
	liquidity	23.4	29.3	12.2	15.4
	sensitivity to market risk	25.1	29.1	15.2	16.9
	consumer compliance	9.9	13.3	6.7	6.9
	community reinvestment	1.9	2.6	0.8	1.1
	bank/thrift failures (YTD [†])	2	10	42	74

* Averages are trimmed means (upper and lower 10% of observations are removed prior to averaging) and exclude De Novos (banks < 5 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 banks only.

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



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