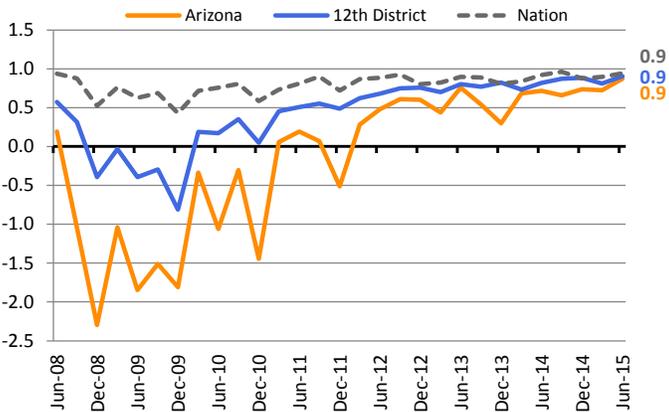


## Overview:

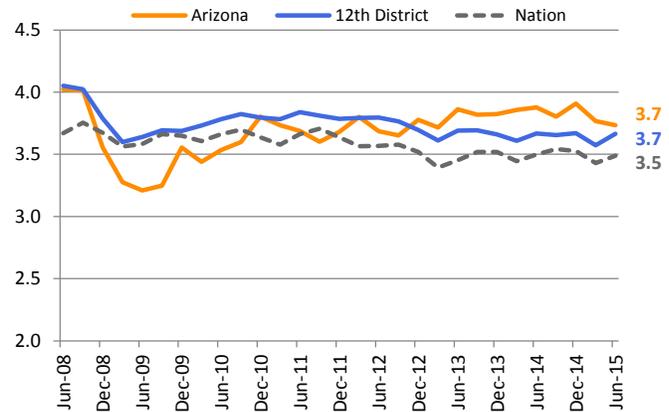
- Arizona banks' average year-to-date annualized ROAA increased 12 basis points year-over-year to 0.84%. Lower overhead and higher noninterest revenue ratios helped offset slightly higher provision expense ratios and weaker, albeit above-average, net interest margins.
- Average annual loan growth was strong at 9.3%, led by commercial real estate (CRE) loans. Asset quality slipped as the average noncurrent rate ticked up year-over-year, driven by weakening in CRE and commercial & industrial loan portfolios.
- The average total risk-based capital ratio slipped 69 basis points from a year ago and remained below District and national averages, primarily because of a heavier mix of higher-risk-weighted assets and reduced holdings of short-term investments.

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



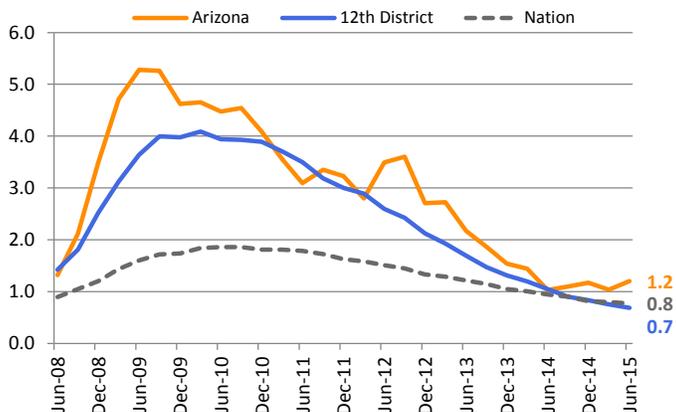
Quarterly net income / average assets, annualized

### Avg. Net Interest Income (TE) / Avg. Assets (%)



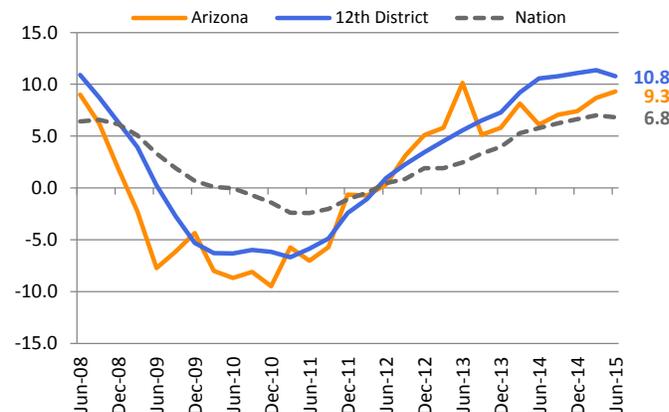
Quarterly, annualized, TE: tax equivalency basis

### Avg. Nonperforming Assets / Total Assets (%)

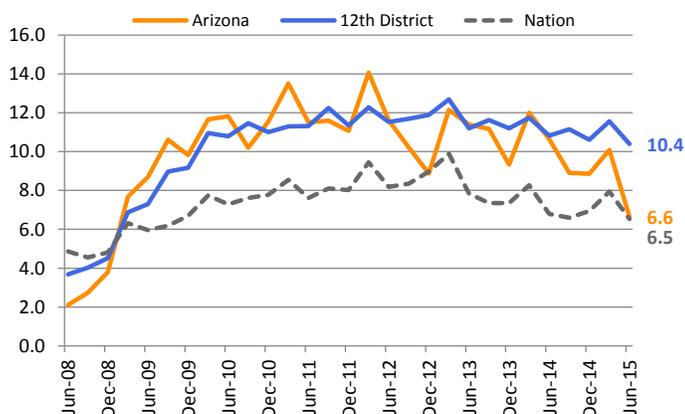


Nonperforming: 90 + days past due + nonaccrual + other real estate owned

### Avg. Net Loan Growth Rate, Year-Over-Year (%)

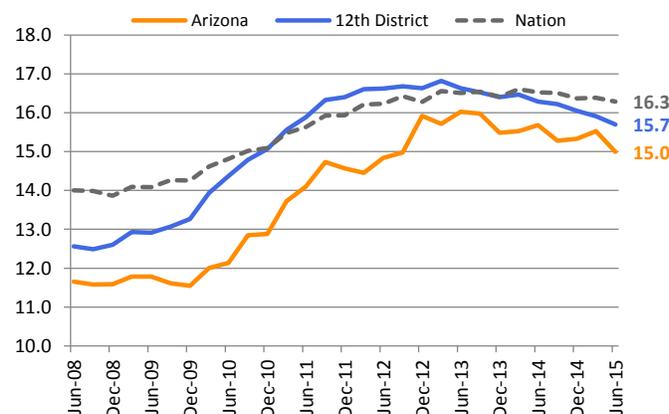


### Avg. Short-Term Investments / Total Assets (%)



Short-term investments: <= 1 year

### Average Total Risk-Based Capital Ratio (%)



Total capital / risk-based assets

Note: Ratios represent 25% trimmed means (highest and lowest 25% of ratios are trimmed before averaging), ROAA is return on average assets.

I. Summary Items	Arizona			United States		
	Jun-15	Mar-15	Jun-14	Jun-15	Mar-15	Jun-14
median bank asset size (millions)	\$170	\$167	\$164	\$177	\$176	\$167
number of banks	19	21	22	5,441	5,502	5,694
-state member	1	1	0	818	814	827
-national	7	9	9	1,025	1,048	1,108
-nonmember	11	11	13	3,598	3,640	3,759
memo: number < 5 yrs. old	0	0	0	10	11	17

II. Balance Sheet Highlights	Average Arizona Bank (trimmed 25%)			Average U.S. Bank (trimmed 25%)		
	Jun-15	Mar-15	Jun-14	Jun-15	Mar-15	Jun-14
<b>Selected Loan Concentrations (% Total Risk-Based Capital)</b>	%	%	%	%	%	%
total CRE (excl. owner-occupied nonfarm-nonresidential)	201.8	190.0	186.9	110.1	109.5	108.4
-construction & land development	45.3	45.5	42.9	24.2	24.0	23.1
-nonfarm nonresidential (excl. owner-occupied)	127.5	117.9	111.1	60.7	60.5	60.7
-multi-family	16.9	15.4	13.9	9.5	9.4	9.3
nonfarm nonresidential owner-occupied	170.9	172.0	168.0	67.1	67.2	68.8
1-4 family residential (includes home equity)	96.4	96.7	100.3	134.4	133.7	133.3
agricultural & farmland secured	1.9	1.0	0.6	47.3	44.8	43.8
commercial & industrial	76.1	80.6	76.0	72.8	71.8	72.7
consumer	3.0	3.8	3.8	19.5	19.2	20.1
<b>Liquidity, Funding, and Capital</b>	%	%	%	%	%	%
net loan growth rate (year-over-year)	9.3	8.7	6.1	6.8	7.0	5.8
net loans / assets	70.2	68.7	67.0	63.4	61.8	61.2
core deposits / total assets (w/CDs <= \$250K)	80.5	81.3	79.2	79.4	80.0	80.0
net noncore funding dependence (w/CDs > \$250K)	0.5	-4.8	-4.7	2.3	0.0	1.4
securities / assets	12.6	12.4	12.2	21.0	21.2	22.3
tier 1 leverage ratio	10.4	10.9	10.8	10.3	10.2	10.1
total risk-based capital ratio	15.0	15.5	15.7	16.3	16.4	16.5

III. Performance Measures	Jun-15	Mar-15	Jun-14	Jun-15	Mar-15	Jun-14
<b>Earnings (year-to-date annualized)</b>	%	%	%	%	%	%
return on average assets	0.84	0.72	0.72	0.92	0.90	0.88
net interest income (tax equivalent) / average assets	3.73	3.77	3.87	3.46	3.43	3.47
noninterest revenues / average assets	0.69	0.73	0.62	0.56	0.54	0.56
overhead expenses / average assets	3.91	3.98	4.06	2.81	2.81	2.86
loan loss provisions / average assets	0.07	0.09	0.05	0.05	0.04	0.05
efficiency ratio	76.57	78.53	79.70	68.48	69.12	69.42
<b>Asset Quality</b>	%	%	%	%	%	%
noncurrent loans / total loans	0.90	0.77	0.82	0.80	0.84	0.98
loans past due 30-89 days / total loans	0.24	0.25	0.56	0.51	0.64	0.59
loans past due 30+ days or nonaccrual / total loans	1.36	1.26	1.50	1.51	1.70	1.81
allowance for losses / loans & leases not held for sale	1.49	1.49	1.62	1.38	1.41	1.48
net charge-offs / average loans (YTD annualized)	-0.01	0.00	0.29	0.04	0.02	0.07

Population of banks includes commercial banks only. De Novo banks (<5 years old) are omitted. CRE = Commercial Real Estate.

Averages are trimmed (upper/lower 25% of observations are removed before averaging).

Sources: Regulatory Condition & Income Reports and Federal Reserve financial & databases.

For this and other publications, see: <http://www.frbsf.org/banking/publications>

#### 12th Federal Reserve District



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