First Glance 12L (1Q12)

Banks Making Steady Progress Towards Full Recovery

A First Look at the Financial Performance of Banks* Headquartered within "12L"
(the 12th Federal Reserve District)

Based on Preliminary 1Q2012 Call & Income Report Data

May 18, 2012

* The main section of this report addresses the performance and condition of 12th District commercial banks. Industrial banks, together with savings institutions are covered separately in Section 2.

This report has been prepared to provide a quick snapshot of banking conditions for use primarily by bank supervisors and bankers. Analysis and opinions are those of the authors and do not necessarily reflect the views of the Federal Reserve Bank of San Francisco.

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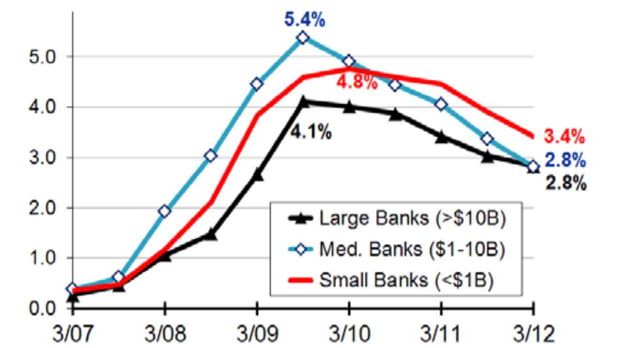
- **Asset Quality – Continuing to Improve:** While small banks lagged somewhat, District banks of all sizes reported declining noncurrent loan rates (at right & Slide 7). The District average noncurrent rate of 3.3% has dropped 150 basis points from the March 2010 peak, although this remained higher than the national average rate of 2.0% (Slide 6). Noncurrent rates continued to edge down across major loan types (Slide 8) and for each of the nine District states (Slide 9). While the average District 1Q12 net charge-off rate of 0.49% (annualized) was more than double the National rate, this rate was down sharply from 1Q11, and on pace for the lowest credit loss rate in five years (Slide 12). Both troubled debt restructuring balances and foreclosed real estate also have edged down, as a percentage of loans and assets respectively (Slides 10-11).

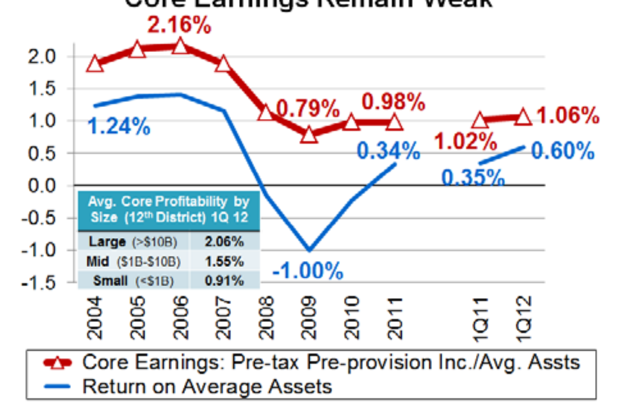
Avg. Noncurrent Loan Rates by Bank Size



Based on preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means; Noncurrent=90 Days past due or on nonaccrual

- **Profits – Much Improved Bottom Lines; but Core Earnings a Challenge:** The average District bank ROA climbed to 0.60% in 1Q12, nearly double the year-ago ratio (Slide 14). Reduced loss provisions caused most of the improvement (Slide 19). Every state in the District had positive quarterly earnings on average, for the first time in nearly four years (Slide 16). A challenging interest rate environment for banks restrained net interest margins (Slide 23), contributing to a nearly flat rate of core earnings (pre-tax pre-provision) at 1.06% of average assets. While core earnings rates remain relatively low at banks of all sizes, they remained strongest at the larger banks (at right & Slide 20).

While the Average Bank ROAA is Up Sharply, Core Earnings Remain Weak



Based on preliminary 1Q12 data for commercial banks, excluding De Novos; trimmed means; 1Q ratios are annualized

- **Loan Growth – Mixed**: On an average basis across District banks, annual loan growth remained negative at -0.6% through 3/2012 (Slide 26). However, because loan growth at large banks was positive, the District's aggregate loan growth was up 4.3% for the year with the strongest growth in C&I and multifamily loans, up 19.0% and 10.2% respectively (Slide 28). Another way to slice the data is by CAMELS: banks rated CAMELS 1 or 2 by regulators continued to report positive loan growth, while banks with worse ratings contracted their loan portfolios (Slide 27).

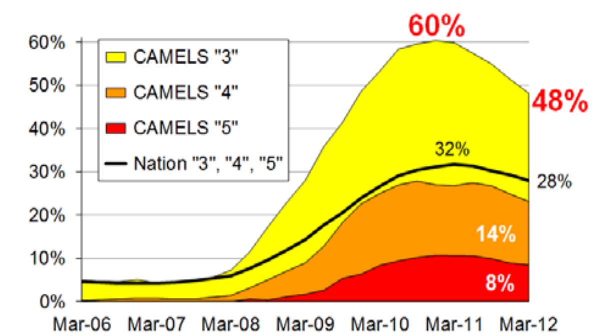
- **Capital – Historic Highs, but…** Bank capital ratios continued to increase on average, and remained comfortably at 50+ year highs (Slide 35). While 94% of District banks were above the "well capitalized" minimums per PCA standards (Slide 36), this does not necessarily translate into "strong" assessments. Many factors are considered in examiners' assessment of capital, and currently, only 9% of District banks have a CAMELS capital rating of "1" (strong) (Slide 37).

"First Glance 12L" – First Quarter 2012

- ❑ CAMELS – Improving: In 1Q12, nearly one in four regulatory examinations of District commercial banks resulted in CAMELS composite rating upgrades. This contributed to reducing the percentage of District banks rated less-than-satisfactory to 48%, from the record-high 60% at year-end 2010 (at right and Slide 38). While the latest percentage remained well higher than the Nation (28%), the trends are positive as banks have been addressing weaknesses.

- ❑ Overall – Steady Progress but with Risks: 12^{th} District banks continued to make progress returning to "normal" conditions or "full recovery". Given the extent of financial stress that remains in the economy and on homeowners, it is likely that the banking industry will take two or more years to fully recover. Challenges for banks include a difficult environment to improve net interest margins and still weak real estate conditions.

Pct of District Banks Rated CAMELS 3, 4, or 5



Trends for all commercial banks based on examination completion dates (mail dates); preliminary 03/12 figures; updated 05/09/12

Bank Supervisors' Hot Topics

- ❑ Hot Topics: The following are some supervisory hot topics – issues on bank supervisors' radar screens that tend to be a focus of attention during on-site examinations and off-site monitoring. These issues, starting on Slide 48, are similar to last quarter's. As in the past, this is not an exhaustive list of Hot Topics, and is not prioritized in any way.

  - Banks Reducing Allowance for Loan and Lease Losses: Examiners expect solid support for such decisions (Slides 48-49).
  - Weak Housing Market and Impact: Housing and related sectors remain depressed. C&LD, residential and consumer loans, as well as the economy in general, will remain held back until housing turns the corner (Slide 50).
  - HELOCs and Other Junior Lien Mortgages: 1^{st} lien mortgage problems of stressed homeowners will continue to trickle down to junior lien loans (Slide 51).
  - CRE Income Property Loan Quality & Vulnerability: Many loans will mature in the next few years, and many will have weakened property cash flows and high loan-to-value ratios. Can continual extensions and only moderate losses continue? (Slide 52).
  - Interest Rate Risk – Lengthening Asset Maturities Seeking Yield: With an extended low-rate environment and low loan demand, it is difficult for banks to find assets with desirable yields; some may be reaching for yield (Slide 53).
  - Expansion into New or Unfamiliar Lending Areas: Some banks are seeking to diversify by expanding into areas such as C&I and multifamily loans; the rapid growth could be a recipe for problems down the line (Slide 54).
  - Capital Planning / Stress Testing Expectations: Large banks increasingly are expected to use more rigorous stress testing to understand risks and their potential impacts; new interagency guidance on stress testing has just been released (Slides 55).
  - Economy / Europe Risks: Two months of slow job growth have increased the risk of another summer "swoon" in the economy; this and the European sovereign debt and banking crisis, poses risks to the U.S. economy. (Slide 56).

Section 1 – Commercial Bank Performance

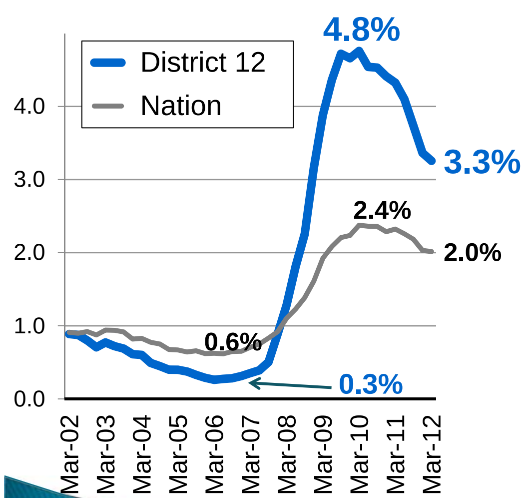
Slides in this section focus on trends among the 422 commercial banks headquartered within the 12^{th} Federal Reserve District.

See Section 2 for coverage of savings institutions and industrial banks.

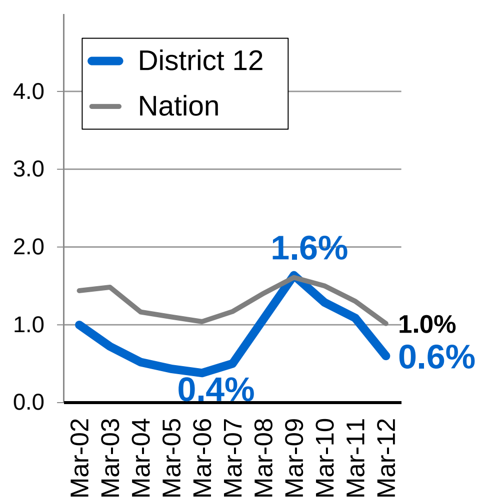
Loan Quality: 12th District Bank Noncurrent Loan Rate Remained High, but Positive Trends Continued

PD 30-89 Day Loan Rate Lower than the Nation

Average Noncurrent Loan Rates



Avg. Past Due 30-89 Day Loan Rates



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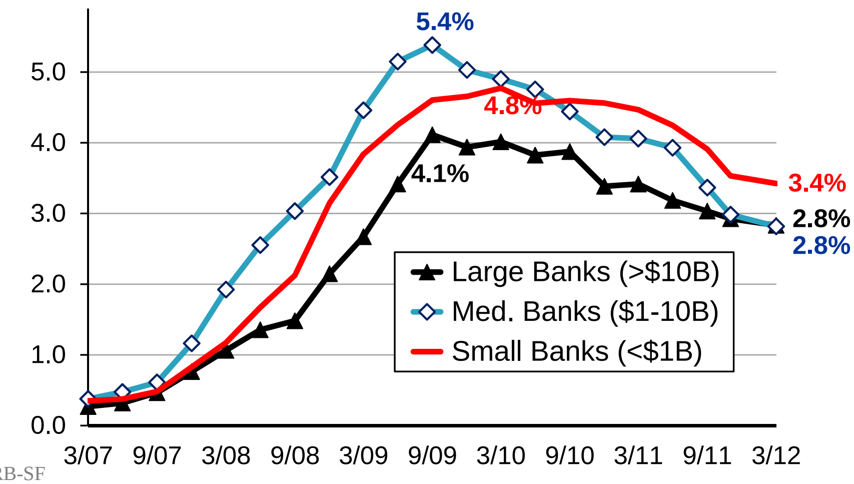
Based on preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means; Noncurrent = 90 Days past due or on nonaccrual

By Bank Size: Noncurrent Loan Ratios Peaked Later and Remain Higher for Smaller Banks

Average District Noncurrent Loan Ratios by Bank Size (%)

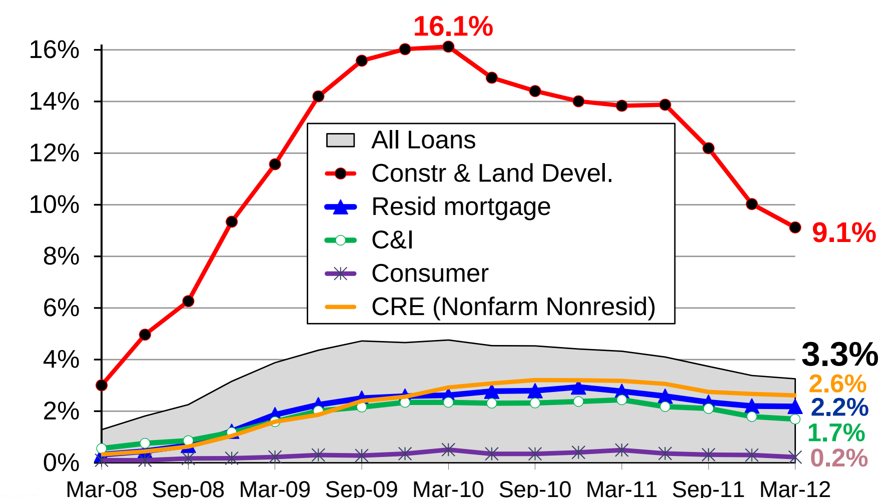


FRB-SF

Based on preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means; Noncurrent = 90 Days past due or on nonaccrual

By Loan Type: Noncurrent Rates Trending Down Across Types, Especially in C&LD

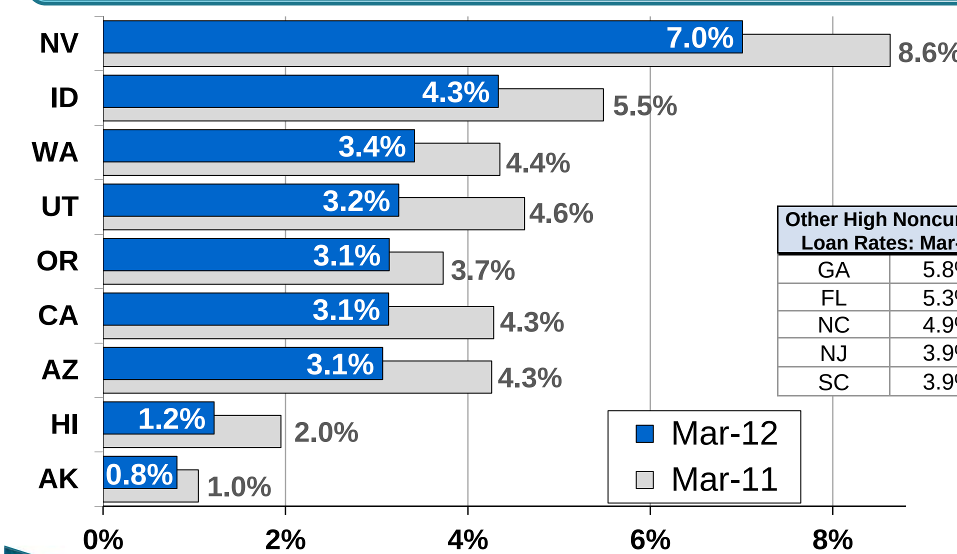
12th District Bank Noncurrent Loan Rates (Pct. of loans 90+ days past due or on nonaccrual)



FRB-SF

Based on commercial banks excluding De Novos; trimmed means, preliminary 03/12 data

By State: Noncurrent Loan Rates Dropped Broadly, especially in AZ, CA, ID, NV and UT



Other High Noncurrent Loan Rates: Mar-12	
GA	5.8%
FL	5.3%
NC	4.9%
NJ	3.9%
SC	3.9%

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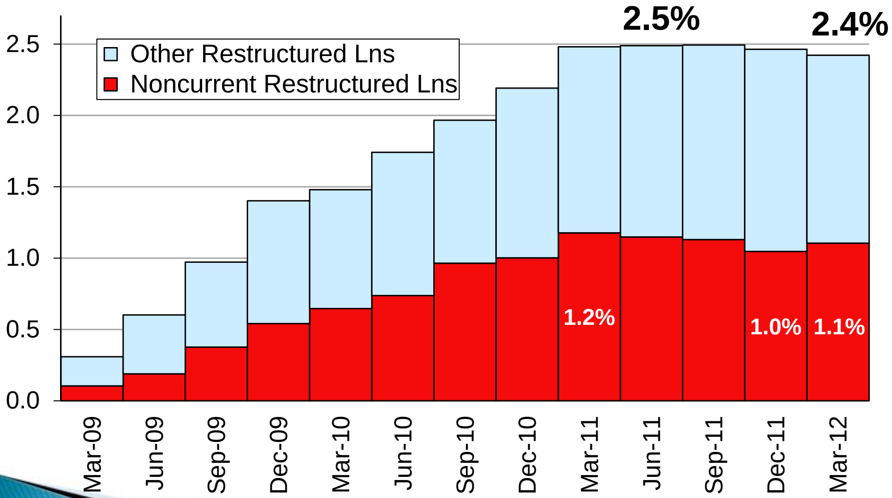
Based on preliminary 03/12 data for commc'l banks, excl. De Novos; trimmed means; Noncurrent = 90+ days past due or on nonaccrual. Industrial bk avg. Mar-12 noncurrent rates were 1.5% in NV, 1.6% in CA and 1.3% in UT

Troubled Debt Restructurings Dropped Slightly

Loans in compliance with modified terms, earning market interest rates, and not 30+ days past due no longer need to be reported as TDRs in calendar years after the year in which the restructuring took place, in accordance with ASC Subtopics 310–10–50–15(a) and 310–10–50–15(c)

12th District Bank Restructured Loans as a Percentage (%) of Total Loans



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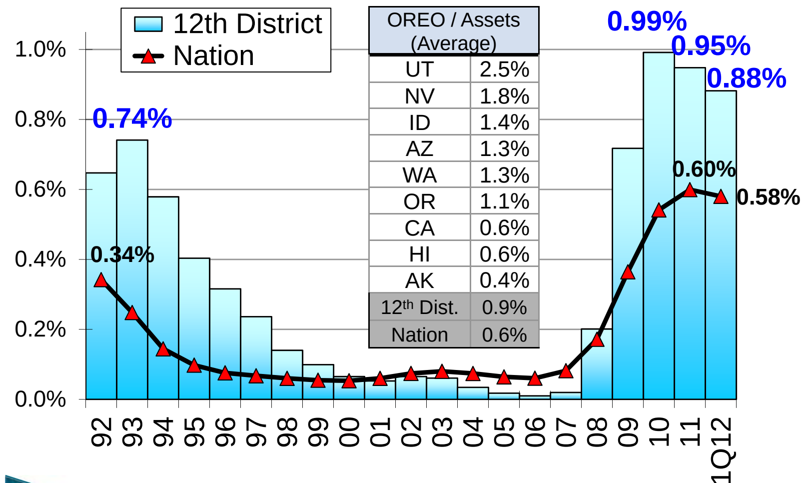
Based on preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means; Noncurrent = 90 Days past due or on nonaccrual

Foreclosed Real Estate Edged Down as a Percentage of Assets

Average District Bank Other Real Estate Owned (% of Assets)



OREO / Assets (Average)	
UT	2.5%
NV	1.8%
ID	1.4%
AZ	1.3%
WA	1.3%
OR	1.1%
CA	0.6%
HI	0.6%
AK	0.4%
12th Dist.	0.9%
Nation	0.6%

OREO Breakdown for District Banks <$100B (in aggregate) - 3/12	
Construction & Land Devel.	46%
CRE: Nonfarm Nonresidential secured	32%
1-4 Family Residential	17%
Multifamily	4%

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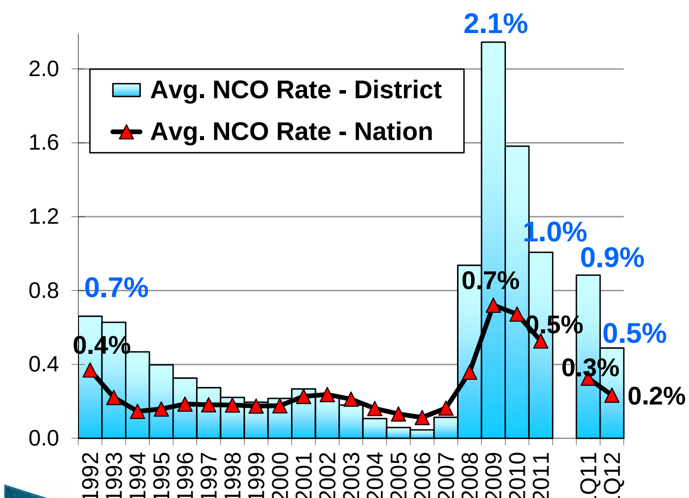
Based on commercial banks excluding De Novos; trimmed means, preliminary 03/12 data

Net Charge-Off Rates are Down Sharply

Average Net Charge-Off Rates (%)



Average NCO rates		
U.S.rank	state	1Q12
2	NV	1.00%
5	WA	0.73%
6	ID	0.71%
11	AZ	0.52%
13	CA	0.47%
19	UT	0.31%
21	OR	0.31%
22	HI	0.30%
44	AK	0.07%
	Dist	0.49%
	Nat	0.23%

Red: >= 1%; Yellow: 0.5% to 1%

See Appendix 1 for Detailed Aggregate District Net Charge-Off Rates

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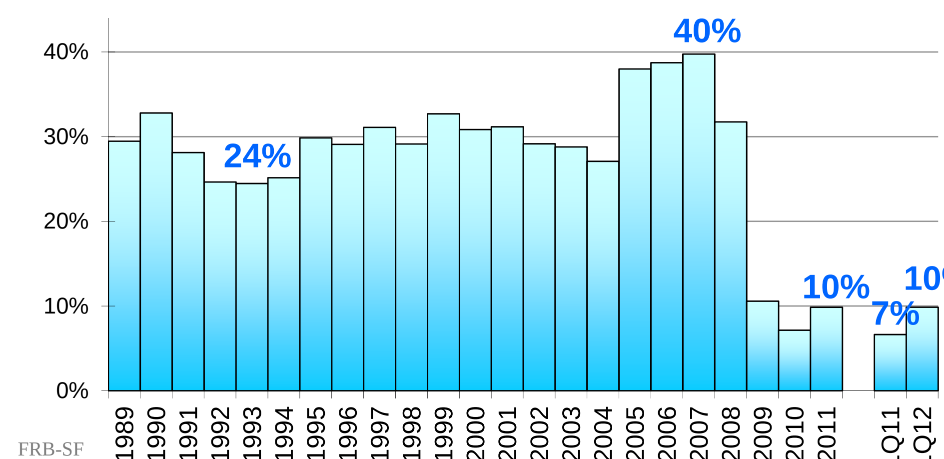
Based on commercial banks excluding De Novos; trimmed means; 03/12 prelim data; 1Q NCO Rates are annualized

Recoveries of Prior Year Loan Losses Rose Year-over-Year but Remained Low

Emergence of A/B split notes with partial write-downs may be reducing recovery rates

Recoveries / Prior Year Gross Charge-Offs



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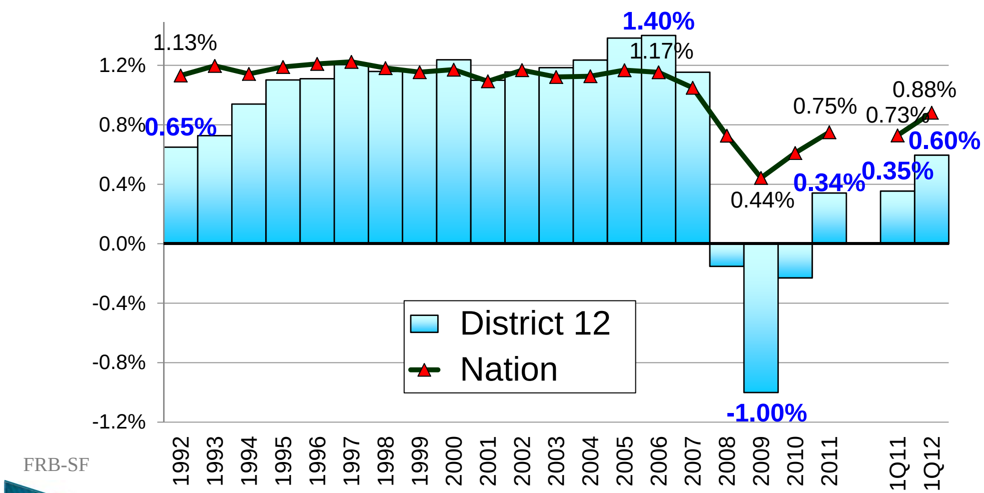
Source: Regulatory Call & Income Reports; all commercial banks excluding De Novos; trimmed means; 1Q12 data is preliminary

Earnings: District Bank ROAA Continued to Recover & Narrow Gap with Nation – *Still Well Off Historical Averages*

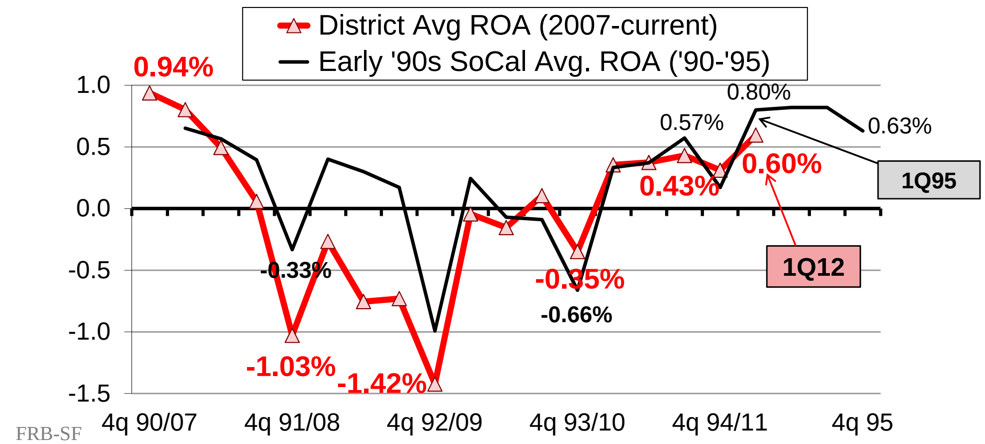
Average Return on Average Assets – annual (%)



Based on preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means; 1Q ratios are annualized

District Average ROAA Continued to Follow the 1990s SoCal Cyclical Trend

1-Qtr Average ROA (Annualized %)



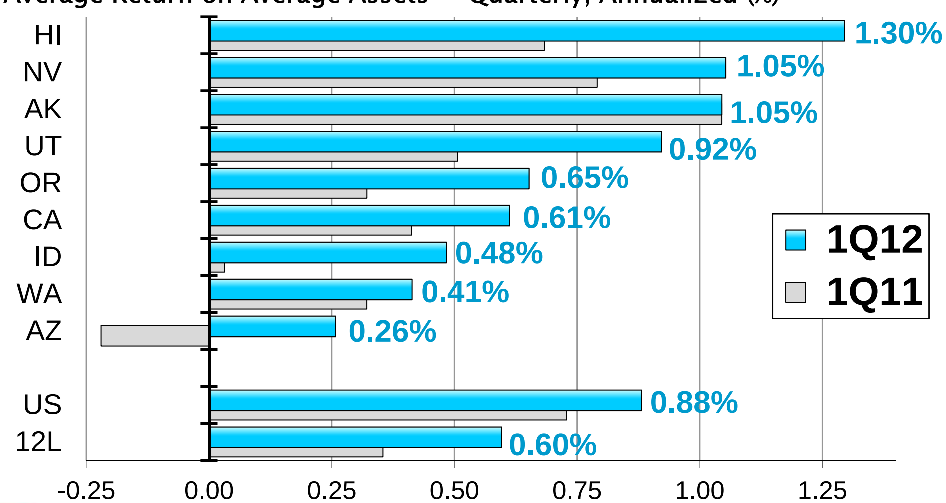
The SoCal bank avg. ROA from 4q1991 is mapped against the District bank avg. ROA of 4Q2008; 1Q1992 is mapped against 1Q2009, etc. During down cycles, ROA tends to be cyclical, with the strongest performance in 1st quarters and weakest in 4th quarters.

Based on preliminary 1Q12 data for commercial banks, excluding De Novos; trimmed means; quarterly ratios are annualized

First Quarter Average ROAAs – Every State in the Black

Banks in HI, ID & AZ were Most Improved vs. Last Year

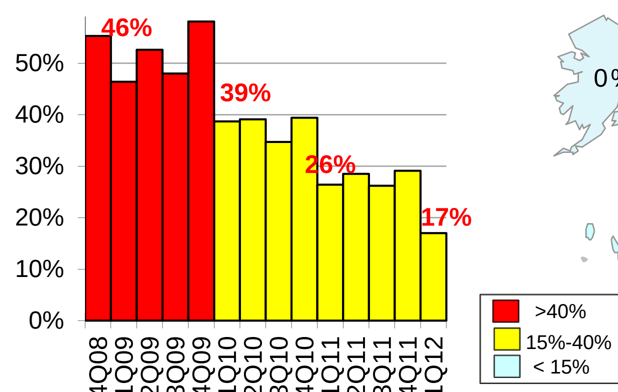
Average Return on Average Assets – Quarterly; Annualized (%)



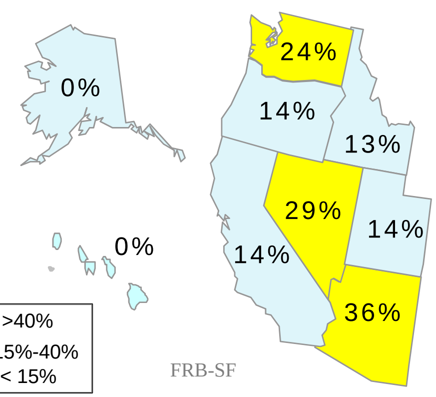
Based on preliminary 1Q12 data for commercial banks, excluding De Novos; trimmed means; 1Q ratios annualized. Note: Industrial bank avg. 1Q12 ROAs were 5.9% in NV, 4.5% in UT and 1.6% in CA.

Percentage of District Banks Losing Money Continued to Fall – 83% Profitable in 1Q12

Percentage of Commercial Banks Reporting Net Losses by Quarter



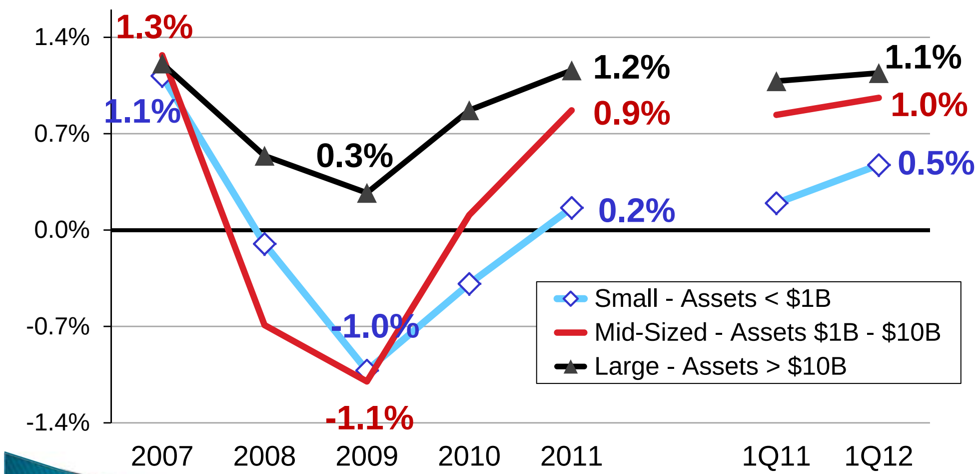
Percentage of Commercial Banks Reporting Net Losses in 1Q12



Preliminary 1Q12 data for all commercial banks, excl. De Novos

Small Banks Remained Less Profitable Than Larger Banks, but the Earnings Gap Narrowed in 1Q12

Average Return on Average Assets – 12th District Commercial Banks (%)

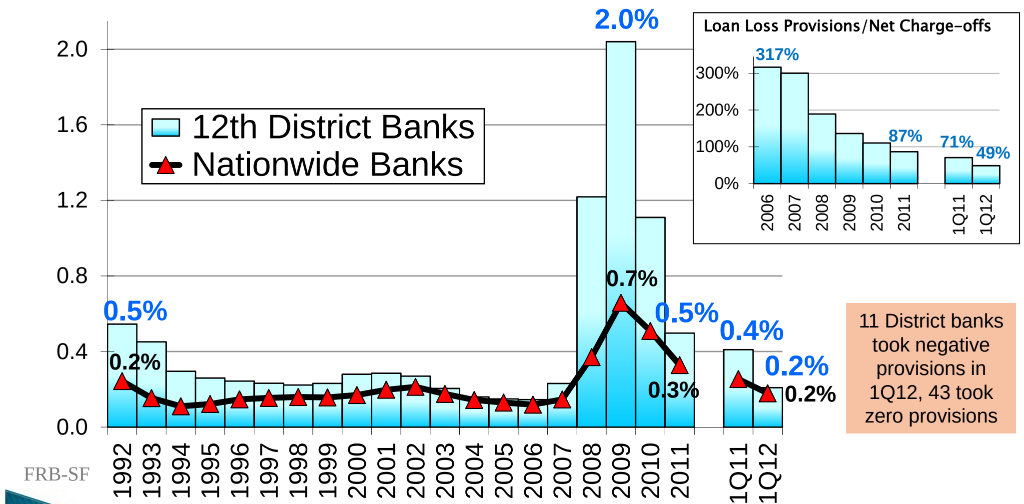


Based on preliminary 1Q12 data for commercial banks, excluding De Novos; trimmed means; 1Q ratios are annualized

Loss Provisions Continued to Fall, Driving ROA Improvement

Banks Confident in Credit Quality Trends as Net Charge-Offs Outpace Provisions

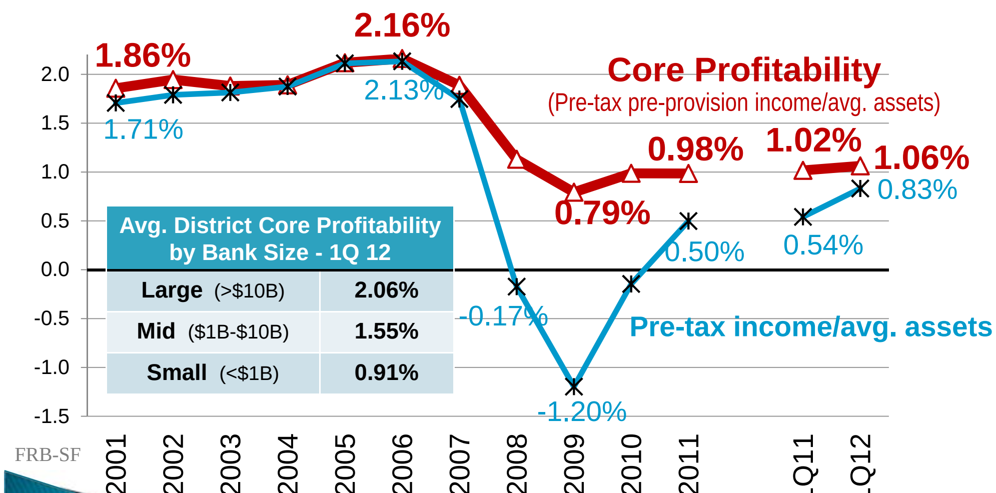
Loan Loss Provisions/Average Assets (% – Adjusted Averages)



Based on preliminary 1Q12 data for commercial banks, excluding De Novos; trimmed means; 1Q ratios are annualized

While Overall Profitability Improved from Reduced Provisions, Core Earnings Rates Improved Just Slightly

12th District Bank Profitability Ratios – (%)



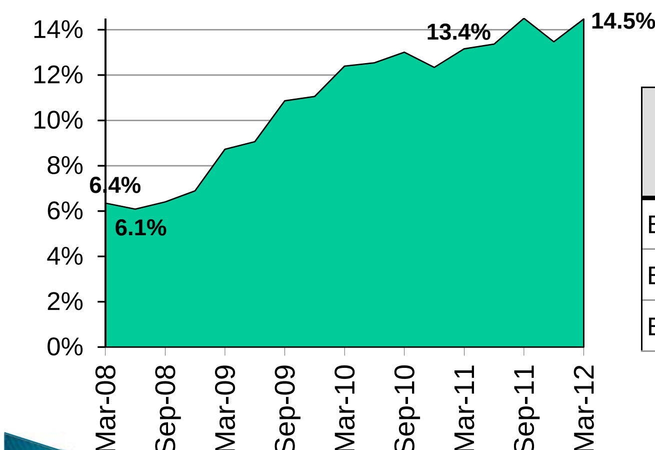
Avg. District Core Profitability by Bank Size - 1Q 12	
Large (>$10B)	**2.06%**
Mid ($1B-$10B)	**1.55%**
Small (<$1B)	**0.91%**

Based on preliminary 1Q12 data for commercial banks, excluding De Novos; trimmed means; 1Q ratios are annualized

Cash & Equivalents Remained at High Levels, Constraining Net Interest Margin Growth Potential

Demand for Loans Improving, but Still Relatively Weak

C&E defined as: Cash and Due from Balances + Fed Fund Sold + Securities Sold Under Repurchase Agreements / Total Assets; District Bank Average



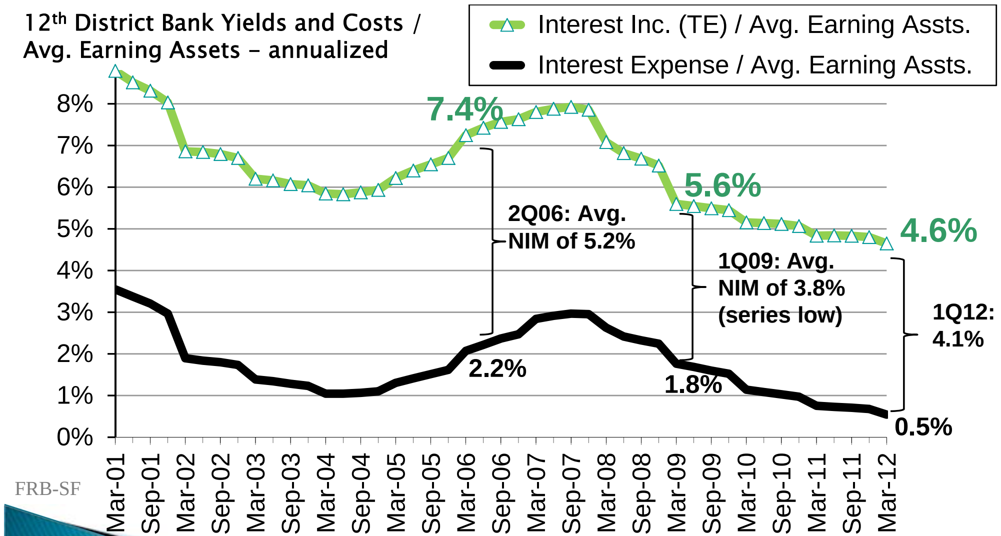
12th District Bank Avg. Cash & Equivalents / Assets		
Bank Group	03/08	03/12
Banks < $1B	7.4%	16.3%
Bks $1B-$10B	3.0%	7.8%
Banks > $10B	3.9%	6.4%

Based on commercial banks excluding De Novos; trimmed means, preliminary 03/12 data

Earning Asset Yields and Interest Costs at Extremely Low Levels

Net Interest Margins Remain Near their 2009 Low

12th District Bank Yields and Costs / Avg. Earning Assets – annualized



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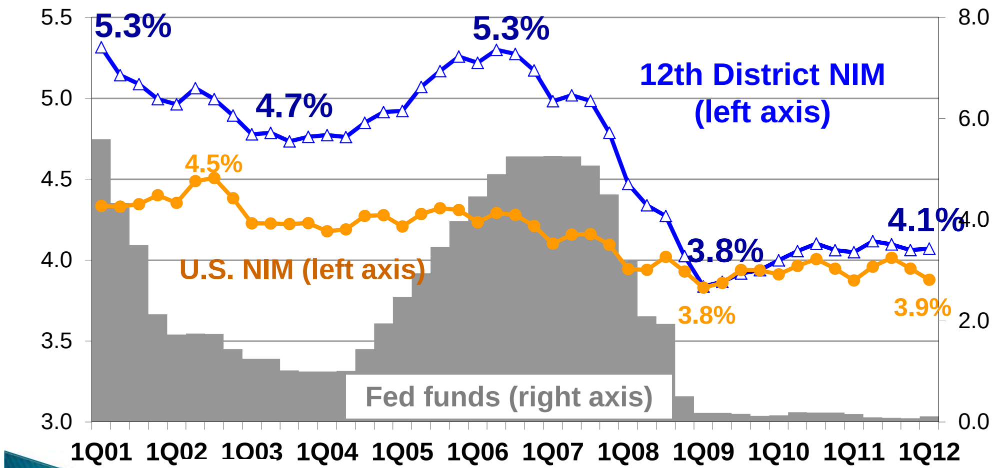
Based on commercial banks excluding De Novos; trimmed means, preliminary 03/12 data

District Bank Net Interest Margins Remained Depressed, but Slightly Higher than the Nation (on average)

Net interest income (tax equiv) / **average earning assets (NIM)** (quarterly NIMs annualized %)

Effective Fed funds rate (quarterly average annualized %)



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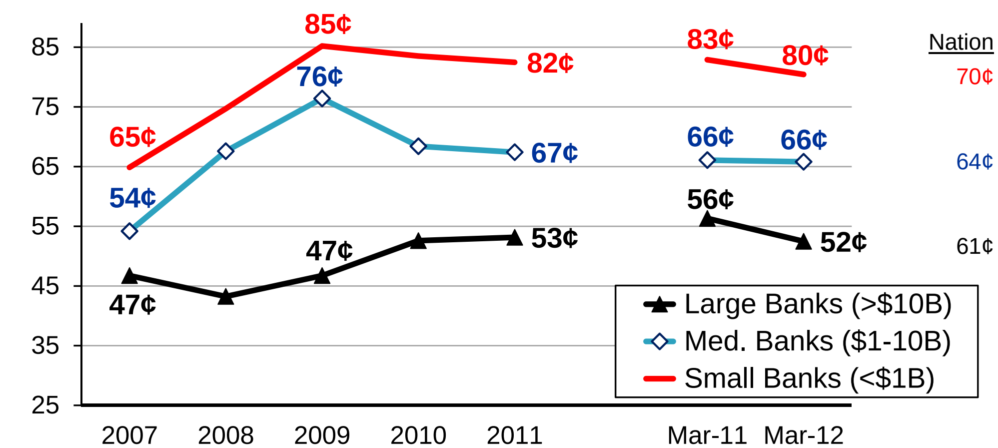
Based on commercial banks excluding De Novos; trimmed means; quarterly ratios are annualized; prelim 1Q12 data. Effective Fed funds rates from FRB-St Louis.

Average Bank Efficiency Measures Improved Further, but Remained Inflated, Especially at Smaller Banks

District Banks' Efficiency Measures – overhead / (net interest income + noninterest income) (this metric measures the cost to produce $1 of revenue)



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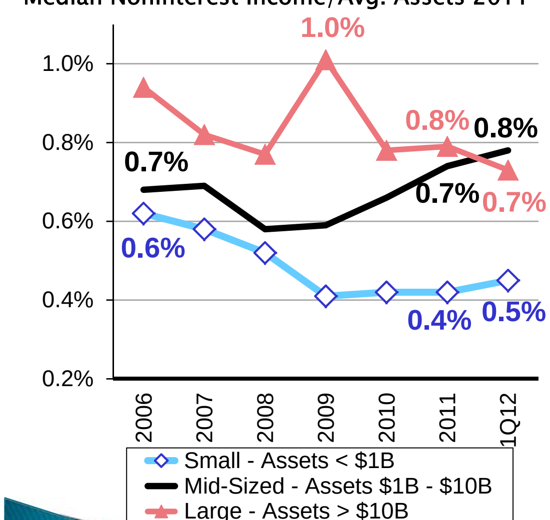
Based on commercial banks excluding De Novos; trimmed means; preliminary 03/12 data

Noninterest Income has been Difficult to Grow

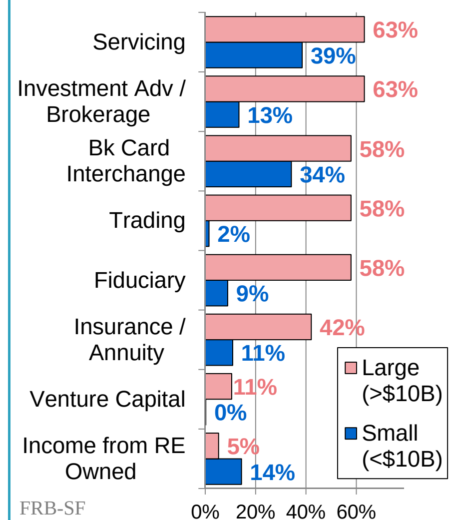
Small Banks Have Fewer Fee-Generating Options than Larger Banks

Median Noninterest Income/Avg. Assets 2011



District commercial banks excluding De Novos; medians; 1Q12 data is preliminary

Pct. of District banks reporting selected types of fee income – 1Q12



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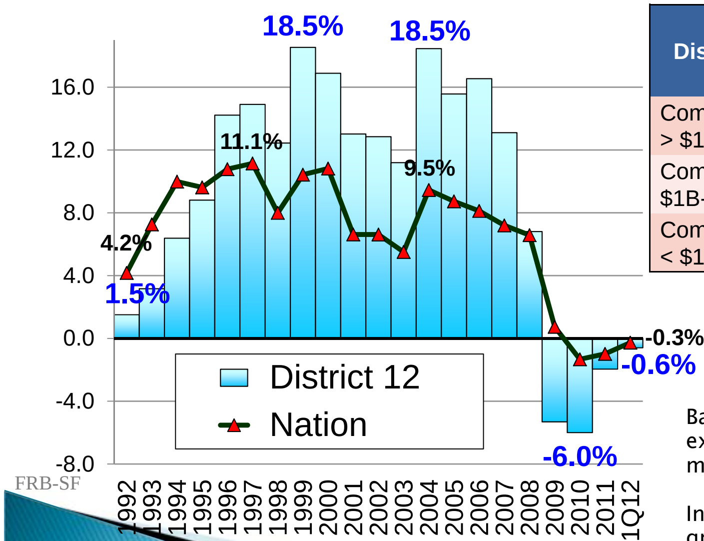
Based on all District commercial banks

Loan Growth: Annual Rate Close to Flat

Large and Mid-Sized Commercial Banks Grew Loans YoY on Average

Average Year-Over-Year Loan Growth Rates (%)



District Bank Group	Avg 1-Yr Ln Growth 03/12
Commrcl Banks > $10B	4.6%
Commrcl Banks $1B-$10B	3.3%
Commrcl Banks < $1B	-1.8%

Based on commercial banks excluding De Novos; trimmed means; prelim 1Q12 data

Industrial bank average loan growth in 1Q12: 12.1%

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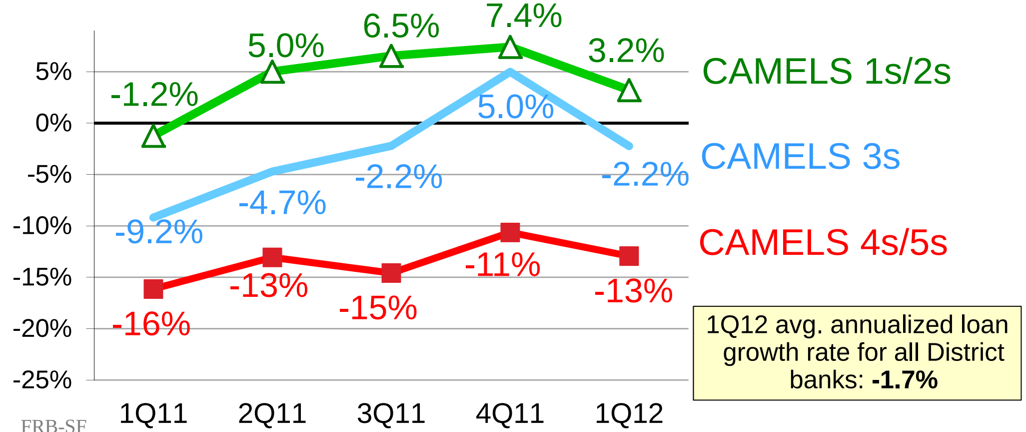
Banks with CAMELS Ratings of 1 or 2 Grew Loans in the 1st Quarter on Average

The 1Q Loan Growth Slowdown Appears Seasonal as Consumers Typically Deleverage Following Holiday Season Shopping

Annualized Quarterly Loan Growth Rates

Averages within CAMELS Rating Groups



1Q12 avg. annualized loan growth rate for all District banks: **-1.7%**

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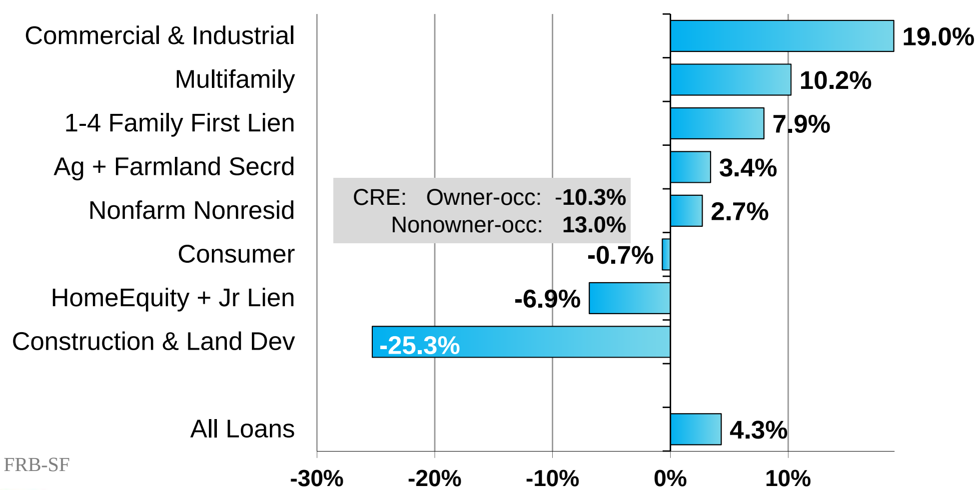
Based on a panel of District commercial banks; excludes banks with significant mergers, loan sales or loan purchases over the period; Averages are trimmed means.

CAMELS: rating system used by banking supervisors

Switching to District Aggregates

Annual Loan Growth Positive; Most Growth in C&I

12th District Bank Aggregate Loan Growth Rates – 12 months ending 03/31/12



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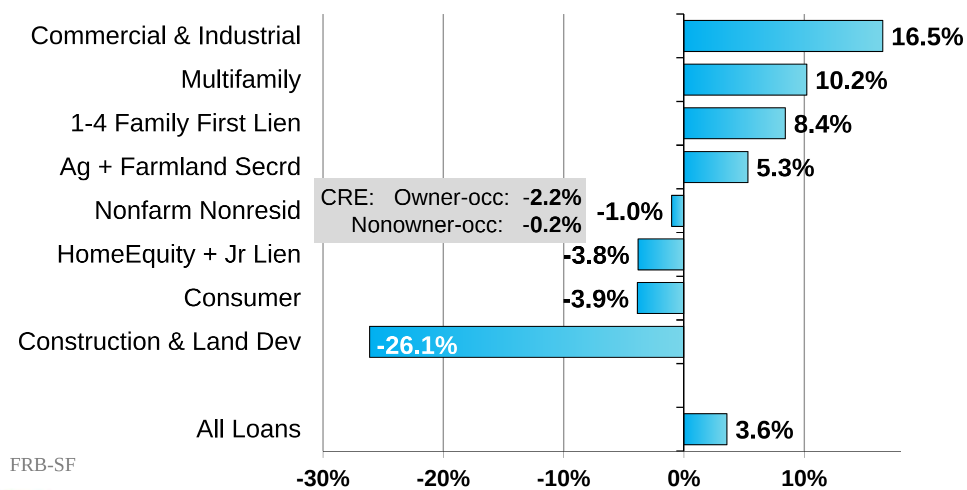
Based on a panel of District commercial banks; excludes banks with significant mergers, loan sales or loan purchases over the period

12th District Annual Loan Rates, version 2

(excluding Wells Fargo Bank NA – very similar to previous slide)

12th District Bank Aggregate Loan Growth Rates – 12 months ending 03/31/12



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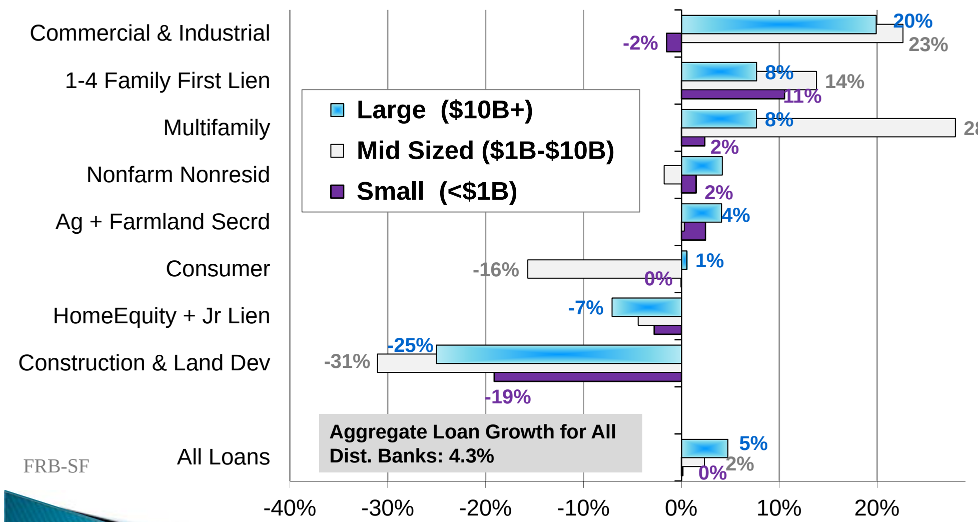
Based on a panel of District commercial banks with assets < $100B; excludes banks with significant mergers, loan sales or loan purchases over the period

Large & Mid-Sized Banks Expanded C&I, Multifamily & Ag; All Bank Sizes Expanded 1-4 Family

12th District Bank Aggregate Loan Growth Rates – 12 months ending 12/31/11

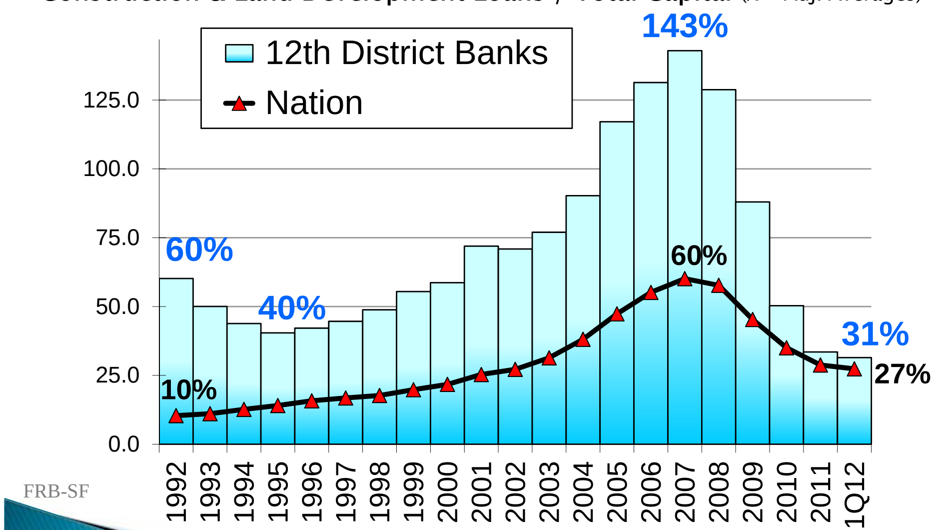


FRB-SF

Based on a panel of District commercial banks; excludes banks with significant mergers, loan sales or loan purchases over the period

Construction & Development Loans at 20+ Year Low Relative to Bank Capital (12th District Banks on Average)

Construction & Land Development Loans / Total Capital (% – Adj. Averages)

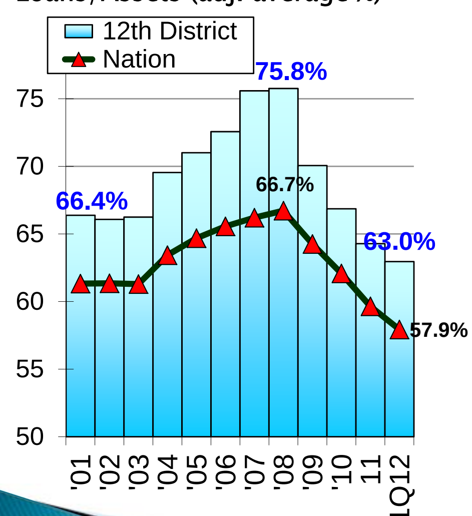


FRB-SF

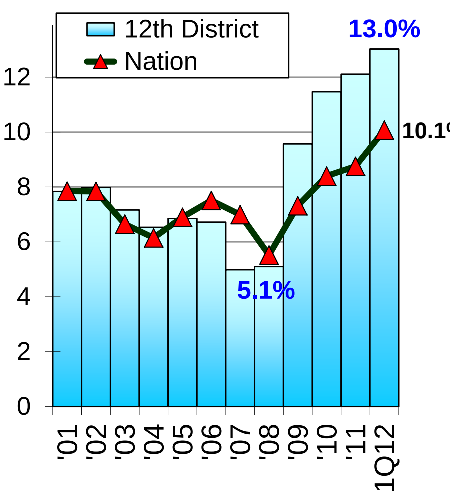
preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means

Liquidity: Balance Sheet Liquidity Ratios Continue to Climb

Loans/Assets (adj. average %)



Short-Term Investments/Assets (average %)

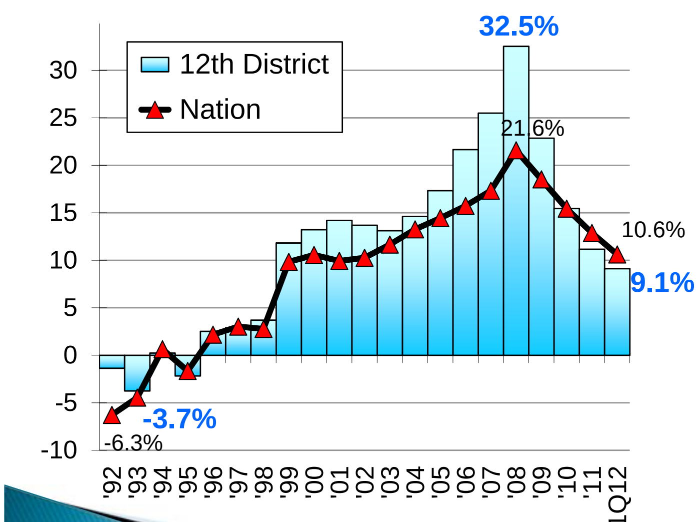


FRB-SF

preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means

Average District Bank Reliance on Noncore Funding Sources Fell to Lower than National Average

Net Noncore Funding Dependence (Adjusted Average %)



Net Noncore Funding Dependence

The degree to which banks fund longer-term assets with noncore funding

Definition:

Noncore funding (e.g., brokered deposits, large CDs, borrowed money) minus short-term investments (e.g., fed funds sold, securities with one year or less remaining maturity, interest bearing bank balances)

Divided by: Longer-term assets (net loans and securities with remaining maturities over one year and non-investment other real estate owned)

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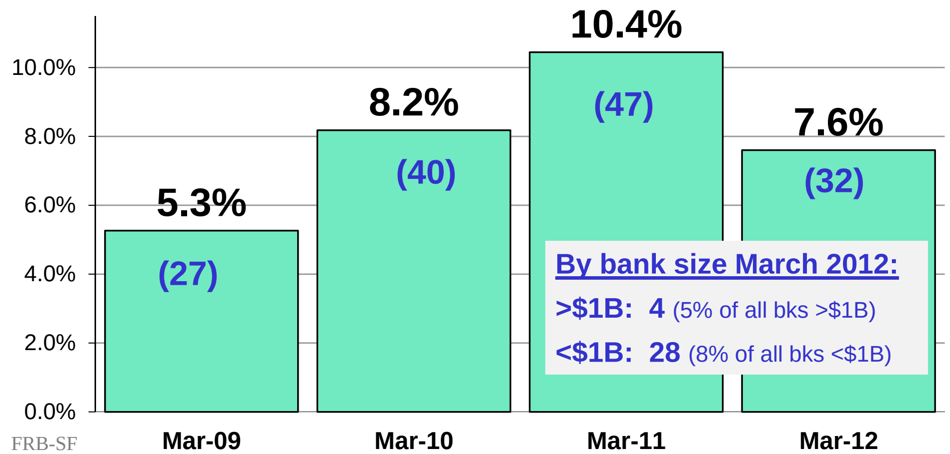
preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means

Capital Adequacy: Common Equity Raises / Injections from Parent Companies Slowed But Still Healthy

Pct. (and number) of District Commercial Banks Obtaining Significant Volumes of Capital in Preceding 12 Months (>3% of Bank's Average Assets)



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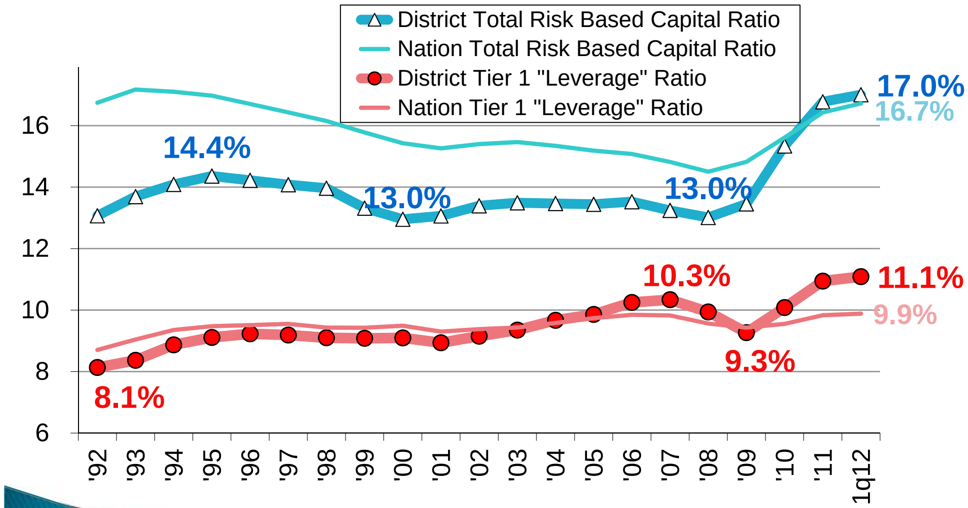
Source: Regulatory Call & Income Reports; capital raises at District commercial banks that occurred in 12-months ending 3/31 of each year, excludes preferred stock increases; preliminary 3/12 data

District Bank Capital Ratios Rose Further

Loan Reductions & New Capital Provided Capital Ratio Boosts

12th District bank average capital ratios (%)



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Preliminary 03/12 data for commercial banks, excluding De Novos; trimmed means

Capital Ratios Establish Minimum Thresholds, but Examiners Consider Other Factors

Percentage of District Commercial Banks "Well Capitalized" under PCA framework*			
3/09	3/10	3/11	3/12
95%	**88%**	**92%**	**94%**

Well Capitalized: Main ratio criteria is the Total Risk Based Capital Ratio >= 10%

- The "Well Capitalized" PCA designation* does not imply "strong" capital
- Capital must be sufficient to absorb unanticipated losses and declines in asset values; examiners consider factors** such as:
  - the level and severity of problem assets
  - interest rate exposure; liquidity, funding and market risks
  - the quality and level of earnings
  - concentrations of credit
  - risks from nontraditional activities
  - effectiveness of loan and investment policies, and management's ability to monitor and control financial and operating risks
- The evaluation of capital's adequacy has increasingly been a forward-looking exercise, often making use of stress/scenario models

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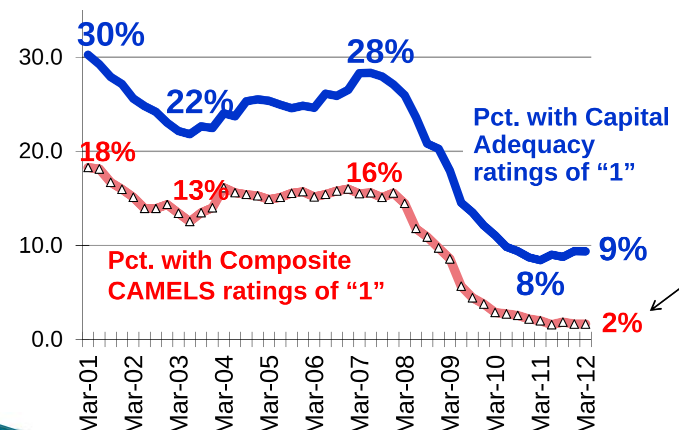
* Capital categories based on Prompt Corrective Action framework, using Call report data. ** From Commercial Bank Examination Manual, Section 3020.1, Federal Reserve System

Current Percentage of District Banks with "Strong" Capital at Just 9% (per Regulators)*

(Note: regulatory examinations can be up to 18 months old, so improving conditions translate into improved ratings on a lagged basis)

Percentage of District Banks Rated CAMELS "1" (Strong) by Regulators: Capital vs Overall Composite Ratings



- With only 2% of banks rated "strong" overall, significant financial weakness and risks remain, offsetting the high capital ratios

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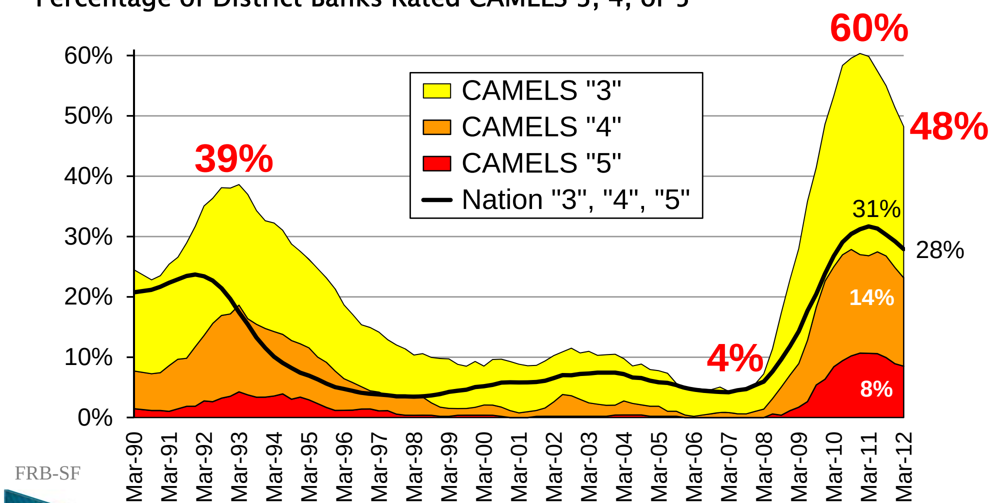
Based on all District commercial banks
* CAMELS ratings: scale of 1 to 5 (1=strong)

Regulatory Ratings: Percentage of 12th District Banks Rated CAMELS 3, 4 or 5 Has Dropped for Six Quarters

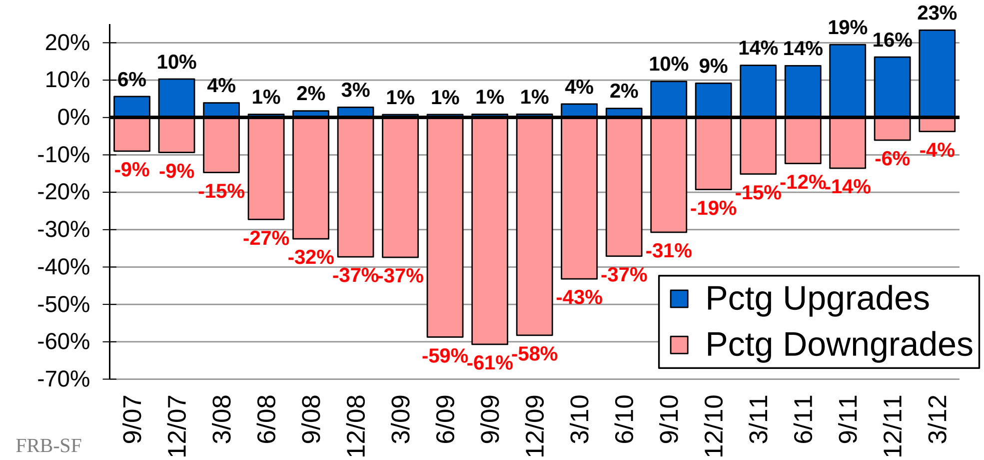
Percentage of District Banks Rated CAMELS 3, 4, or 5



Trends for all commercial banks based on examination completion dates (mail dates); preliminary 03/12 figures; updated 05/09/12

CAMELS Upgrades Continued to Outpace Downgrades

Pct. of 12th District Exams Each Quarter that Resulted in CAMELS Composite Rating Upgrade or Downgrade (downgrades are shown as negative percentages)

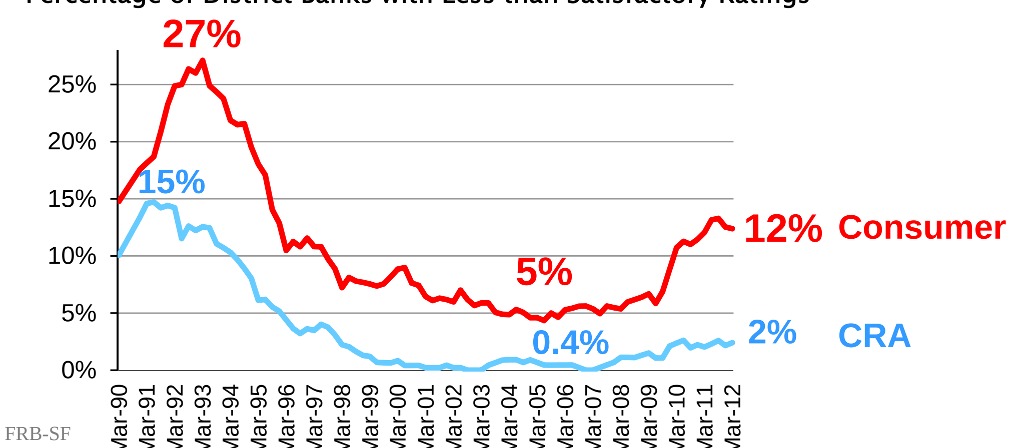


Includes any change in composite CAMELS rating for commercial banks; quarterly trends based on examination completion dates (mail dates); preliminary 03/12 figures; updated 05/09/12

Percentage of Banks with Less-than-Satisfactory Consumer or CRA Ratings Remained Relatively High

Priority to Address Financial Health May Have Lessened Focus on Important Consumer Compliance or CRA issues

Percentage of District Banks with Less than Satisfactory Ratings

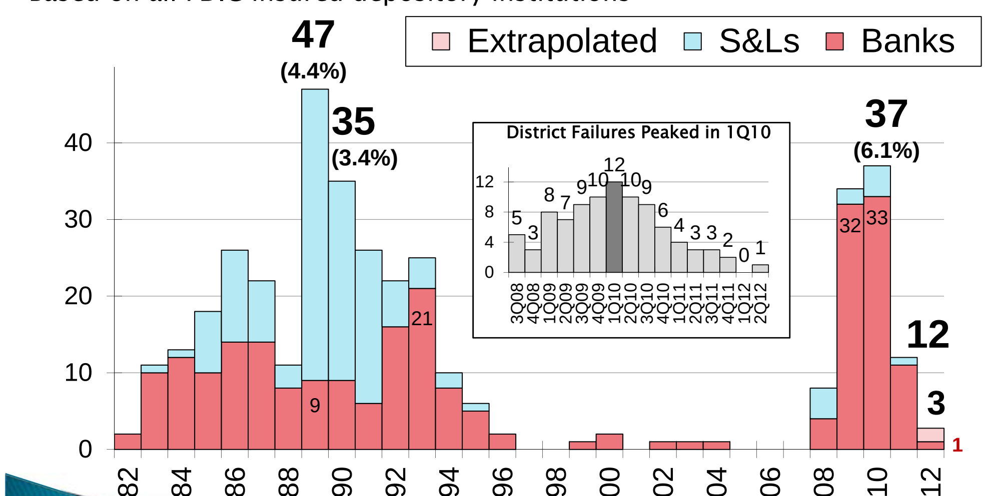


Trends for all commercial banks based on examination completion dates (mail dates); CRA = Community Reinvestment Act; updated 05/09/12

Only 1 Failure So Far in 2012 – On Pace for Lowest Total Since Zero in 2007

Number of 12th District Failures

Based on all FDIC insured depository institutions



Sources FDIC; FRBSF; updated 05/11/2012

Section 2 – Savings Institution and Industrial Bank Performance

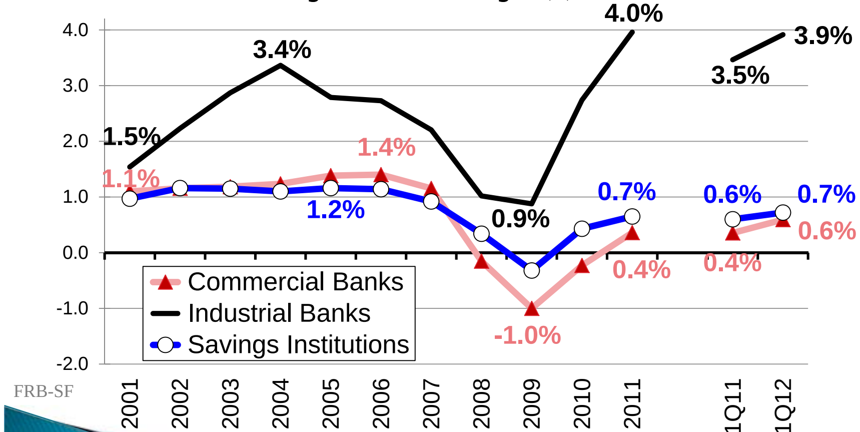
Slides in this section focus on trends among the 49 savings institutions and 32 industrial banks headquartered within the 12th Federal Reserve District.

The savings institutions represent a combined population of District savings & loan associations plus savings banks – regardless of whether they filed the thrift Call report or the bank Call report. Starting 3/31/2012, all savings institutions file the bank Call report.

Profits at Banks & Savings Institutions Weak but Improving; Industrials Remain Highly Profitable

Industrial Banks Typically Conduct Nationwide Consumer or C&I Lending from one Office, Enabling High Loan Yields and Low Overhead Ratios

District Return on Average Assets –Averages (%)



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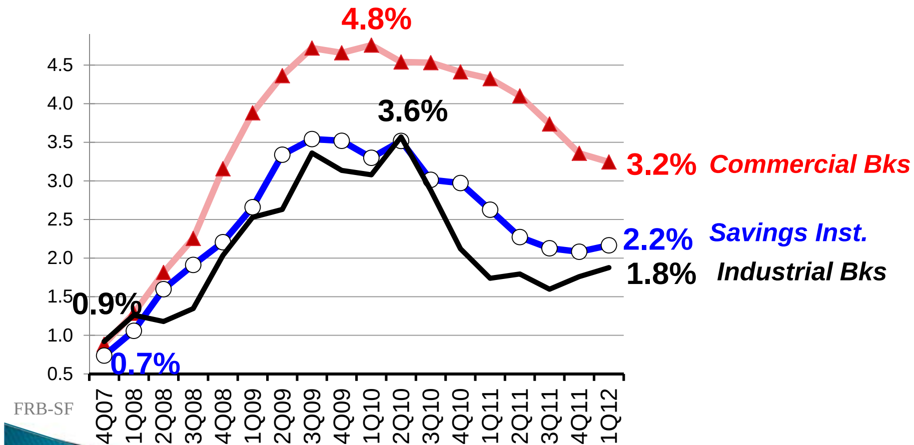
Based on District commercial banks, savings institution and industrial banks; excluding De Novos; trimmed means; 1Q ratios are annualized

Loan Quality: District Industrial & Savings Institution Noncurrent Ratios Well Below Commercial Bks' on Avg.

Average 12th District Noncurrent loans – quarterly (%)



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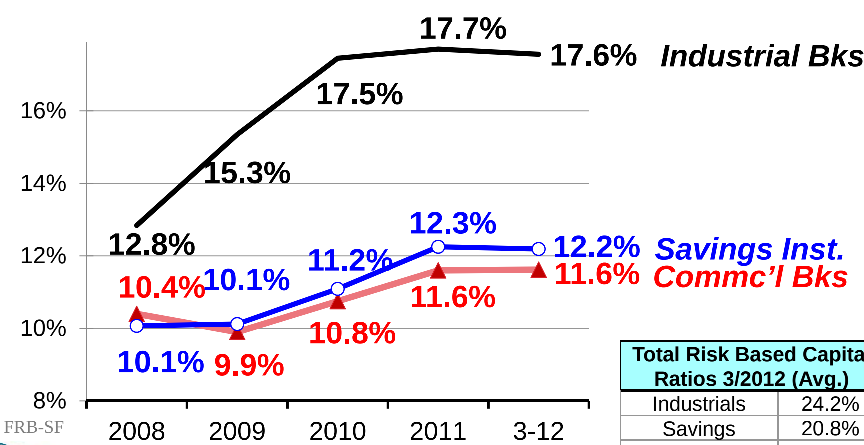
Based on District commercial banks, savings institutions and industrial banks; excluding De Novos; trimmed means

Equity/Assets Ratio Trends Positive for All Institution Types – Highest for Industrial Banks

Average 12th District Institution Equity/Assets Ratios



Total Risk Based Capital Ratios 3/2012 (Avg.)	
Industrials	24.2%
Savings	20.8%
Commercial	17.0%

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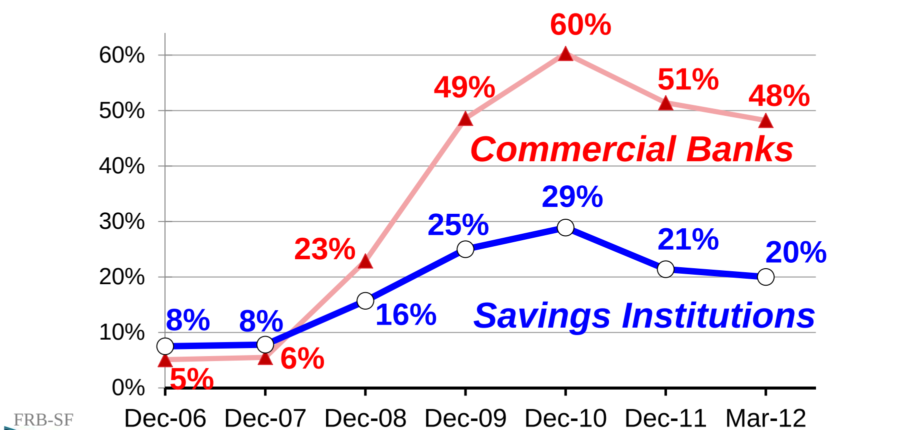
Based on District banks and savings institutions; excluding De Novos; trimmed means

Percentage Rated CAMELS 3, 4 or 5 Significantly Lower for Savings Institutions than Commercial Banks

Percentage of District Institutions Rated CAMELS 3, 4, or 5



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Note: there are too few industrial banks to show rating trends; recent 3, 4, and 5 percentages are lower than those for banks or savings institutions

Section 3 – Supervisory Hot Topics

Supervisory hot topics are a sampling of issues on bank supervisors' radar screens that tend to be a focus of attention during on-site examinations or off-site reviews

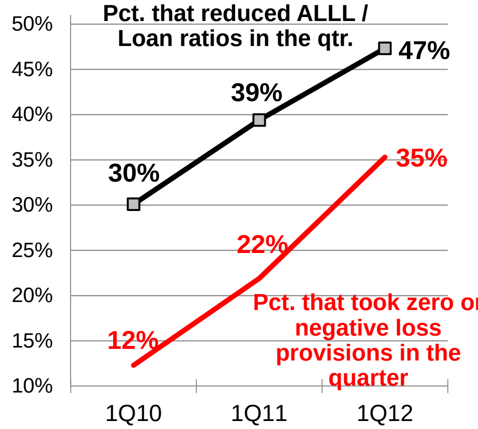
Bank Supervisors' Hot Topic: Banks Reducing ALLL
35% of Banks Reported Zero or Negative Loss Provisions

- ✓ Rising portion of banks did not add to their ALLL (35% in 1Q12; provisions negative for 11 bks, zero for 43)
- ✓ Nearly half reduced their ALLL/Loan coverage ratios
- ✓ A positive sign of improving credit quality

However:

- ✓ *ALLL should be lowered only when it is appropriate*
- ✓ *Examiners expect well-documented justification for such decisions*
- ✓ *ALLL levels should be directionally consistent with asset quality trends; also considered: risk appetite and loan growth*

Percentage of District Commercial Banks



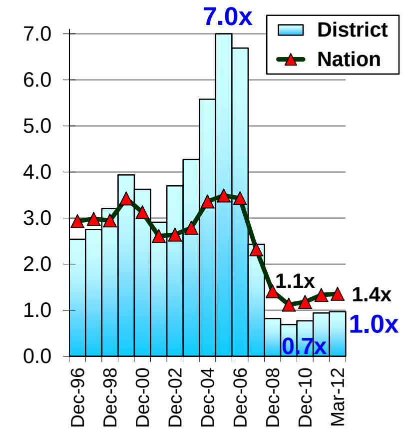
ALLL = Allowance for Loan and Lease Losses
Based on all District commercial banks excluding De Novos. Prelim 1Q12 data

Bank Supervisors' Hot Topic: ALLL
Coverage of Noncurrent Loans Relatively Low (but Improving)

- ✓ The District avg. ALLL / Loan ratio remained high at 2.5%, but coverage of noncurrent loans remained relatively low by historical standards (0.97x)

(If nonaccrual loans are supported by collateral values that are based on current, reliable appraisals, a relatively lower ALLL coverage of nonaccrual loans may be appropriate.)

Allowance for Loan and Lease Loss (ALLL) coverage of noncurrent loans (x)



ALLL/Noncurrent Loans: State Avg. Mar-12	
ID	0.7x
NV	0.7x
AZ	0.9x
WA	0.9x
UT	0.9x
OR	1.0x
CA	1.0x
HI	2.0x
AK	2.5x

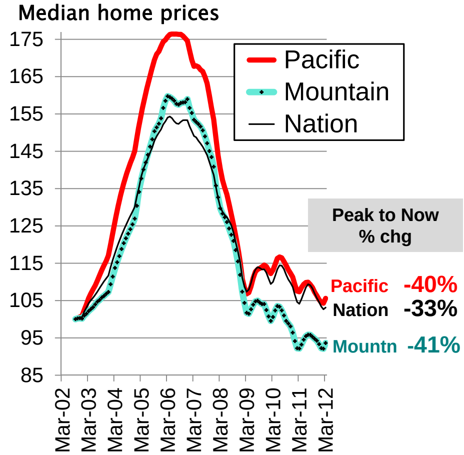
Lowest state is NC: 0.5x; highest is NE: 3.6x

Based on all commercial banks excluding De Novos; trimmed means, preliminary 03/12 data

Bank Supervisors' Hot Topic
Weak Housing Market and Impact

- ✓ Home prices inched up in the last quarter as the share of foreclosed sales fell
- ✓ Consensus outlook*: no home price increase until 2013
- ✓ Main concerns for western banks:
  - District states have some of the highest percentages of negative equity mortgages
  - Additional litigation risk beyond recent mortgage settlements and fines
  - Consumer confidence may remain weak until home prices rise

Median home prices

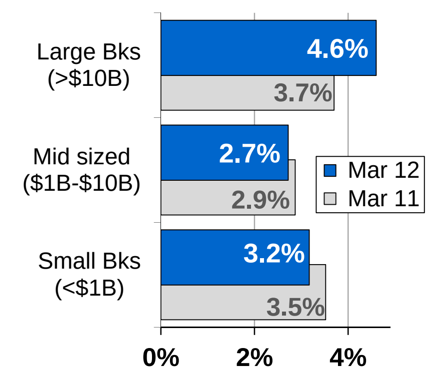


Source: CoreLogic Home Price Index, indexed to 100 at 9/02; Mountain: AZ, ID, MT, NM, NV, UT, WY; Pacific: AK, CA, HI, OR, WA.
* Zillow Home Price Expectations Survey – Mar. '11

Bank Supervisors' Hot Topic
HELOCs and Other Junior Lien Mortgages

- ✓ Many borrowers with defaulted first lien mortgages have junior lien mortgages
- ✓ Banks should ensure that their nonaccrual and charge-off policies on junior liens comply with recent regulatory guidance
- ✓ Sufficient information should be gathered to adequately assess the probable loss incurred within junior lien portfolios (e.g.: obtain credit reports or data from third-party services to help match junior liens with the associated senior liens; consider possible payment shock due to rising rates or HELOC conversion to amortizing loans)
- ✓ HELOC/Jr. Lien loans account for more than 5% of loans at nearly half of all District banks

Total Past Due or Nonaccrual HELOC + other Jr. Lien 1-4 Family Mortgages – District Bank Aggregates by Bank Size

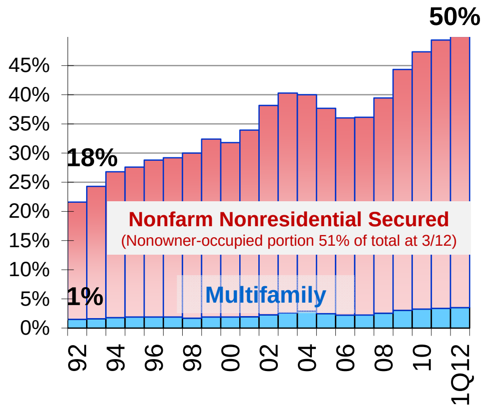


Based on aggregate data for District commercial banks; preliminary March 2012 data

Bank Supervisors' Hot Topic
CRE Income Property Loan Quality & Vulnerability

- ✓ Bank vulnerability to CRE income property loans is high – CRE accounts for half of total loans on average
- ✓ Loan delinquency & loss rates have remained at modest levels
- ✓ However, property values are down 40% on average, based on broad indices, and many borrowers are left with little or no equity
- ✓ A large volume of loans are scheduled to mature soon, and cash flows on many properties have weakened from high vacancies and reduced rents
- ✓ More loan extensions and TDRs are likely
- ✓ Risk of another surge in net charge-off rates; compounded if interest rates rise

Average 12th District Bank CRE Income Property Loans (% of Total Loans)



Based on all 12th District commercial banks; trimmed means, preliminary 03/12 data; NFNR = Nonfarm Nonresidential secured loans

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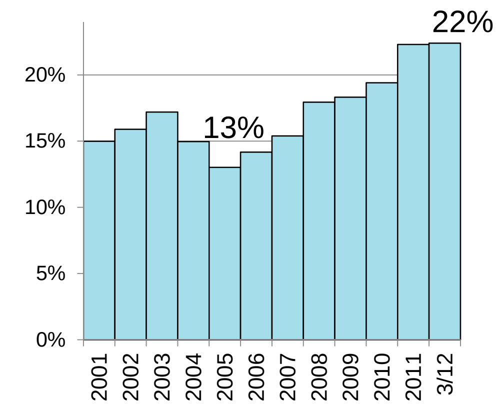
Bank Supervisors' Hot Topic
Lengthening Asset Maturities Seeking Yield – Potential Interest Rate Risk

- ✓ District banks extended the maturities on assets as short-term interest rates declined
- ✓ With an extended low-rate environment and low loan demand, it is difficult to find assets with good yields
- ✓ Many banks have large cash balances
- ✓ Temptation to reach out on the yield curve to get yield pickup, potentially creating vulnerability to rising interest rates
- ✓ Rising rates also would have a credit quality impact on many borrowers

Loans and Securities Maturing or Repricing in five Years or More / Assets – District banks under $1B



Based on aggregate data for 12th District banks with assets < $1 billion; includes commercial and industrial banks; 3/12 data is preliminary

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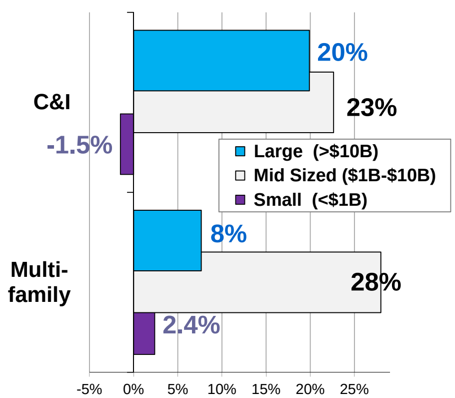
Bank Supervisors' Hot Topic
Expansion into New or Unfamiliar Lending Areas

- ✓ More banks are targeting growth to C&I and other areas like multifamily
- ✓ Reports of stiff competition in these areas to extend credit to well-qualified businesses, causing downward pressure on loan rates and fees; potential for relaxation of credit standards
- ✓ One-third of District banks increased C&I loans by at least 10% in the past year, and over one-tenth of banks grew C&I by more than 40%
- ✓ Banks should review lending policies, ALLL methodologies, staff expertise, and monitor underwriting exceptions to ensure quality loan growth and appropriate risk mitigation, especially in new areas

12th District Bank Aggregate Loan Growth Rates – 12 months ending 3/12



Based on a panel of District commercial banks; excludes banks with significant mergers, loan sales or loan purchases over the period

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Bank Supervisors' Hot Topic
Capital Planning / Stress Testing Expectations

- ✓ Greater attention is being given by bank supervisors and financial markets to scenario analysis/stress testing at large banks, particularly in connection with capital planning

Recently Issued Guidance

- ✓ SR 12-7 - "Supervisory Guidance on Stress Testing for Banking Organizations with More Than $10 Billion in Total Consolidated Assets", 5/14/2012
  http://www.frbsf.org/banking/letters/2012/0516-Agencies-Finalize-Large-Bank-Stress-Testing-Guidance.cfm
  - Builds upon previous guidance; highlights importance of stress testing to support the forward-looking assessment of risks; better equips a banking organization to address a range of adverse outcomes.
- ✓ Joint Press Release - "Agencies Clarify Supervisory Expectations for Stress Testing by Community Banks", 5/14/2012
  http://www.frbsf.org/banking/letters/2012/0516-Agencies-Clarify-Supervisory-Expectations-for-Stress-Testing-by-Community-Banks.cfm(05/14/2012)
  - Clarifies that community banks are not required or expected to conduct the types of stress testing required of larger organizations. However, release notes that all banking organizations should have the capacity to analyze the potential impact of adverse outcomes on their financial condition, and that existing guidance (e.g. covering interest rate risk management, CRE concentrations, funding and liquidity management) continues to apply.

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Bank Supervisors' Hot Topic
Economy / Europe Risks

- ✓ The sluggish pace of job growth, high energy prices, and international uncertainty has increased the dangers of more economic malaise in 2012. However, 12th District job growth trends have been positive and should continue to build slowly going forward.

Average Monthly Job Gains / Losses
Within the Nine 12th District States

	2008	2009	2010	2011	1Q12
Private Sector	-82K	-105K	20K	29K	41K
Government	3K	-8K	-2K	-4K	-2K
Total Nonfarm Jobs / Month	-79K	-113K	18K	25K	39K

- ✓ The European sovereign debt and financial sector crisis poses a prominent risk to U.S. economy (although less on the western U.S.). There remains a potential for "contagion" for U.S. banks via direct exposures, as well as indirectly via declines in global equity prices, reduced availability of funding and increased credit costs.

Based on seasonally adjusted data for 9 western states; sources: Bureau of Labor Statistics, Haver Analytics.

Appendix 1
12th District Bank Aggregate Net Charge-Off Rates

NCO rates declined year-over-year but remained at high levels

Aggregate District Commercial Bank Net Charge-Off Rates (% annualized)

	All Banks		Small Bks (<$1 Billion)	
	1Q 2011	1Q 2012	1Q 2012	1Q 2012
Construction & Land Development	2.21	1.37	2.65	1.57
Residential Construction	2.04	0.76	1.99	2.22
Other C&LD	2.25	1.50	2.85	1.38
CRE - Nonfarm Nonresidential Loans	0.67	0.31	0.68	0.60
Owner-Occupied	0.75	0.32	0.43	0.51
Nonowner-Occupied	0.60	0.30	0.90	0.68
Residential Closed-End Loans	1.34	0.98	1.16	0.70
Home Equity Loans	2.69	2.29	1.45	0.64
Multifamily Loans	0.44	0.10	0.88	0.26
Commercial & Industrial Loans	0.84	0.53	1.26	0.80
Agricultural Loans	1.00	0.65	0.70	(0.03)
Credit Card Loans	6.98	4.52	3.31	1.84
Installment Loans	1.23	0.88	2.44	0.44
Total Loans	1.34	0.90	1.12	0.72

All District banks; Red: >= 2%; Yellow: 0.75% to 2%
This data soon will be available at http://www.frbsf.org/banking/data/index.html - see Charge-Off Rates: 12th District (FRB SF)

Appendix 2 – Banks Covered in this Report

Geography	Commercial Banks (De Novos)	Industrial Banks (De Novos)	Savings Institutions (De Novos)
Alaska	4 (0)	-	2 (0)
Arizona	30 (7)	-	1 (0)
California	225 (24)	8 (1)	19 (4)
Guam	2 (0)		1 (0)
Hawaii	6 (0)	1 (0)	2 (0)
Idaho	17 (2)	-	1 (0)
Nevada	18 (4)	4 (0)	2 (0)
Oregon	31 (2)	-	3 (1)
Utah	32 (2)	19 (0)	4 (0)
Washington	57 (2)	-	14 (0)
District 12	422 (43)	32 (1)	49 (5)
Nation	6,205 (226)	34 (1)	1,061 (21)

Based on preliminary 1Q12 data

Appendix 3 – Technical Information

This report focuses on the financial trends and performance of commercial banks headquartered within the 12th Federal Reserve District ("12L"). 12L includes 9 western states: AK, AZ, CA, HI, ID, NV, OR, UT, and WA, as well as Guam.

De Novos: Many of the charts exclude "De Novo" banks, or banks less than five years old.

Trimmed Mean (also referred to as "adjusted average" or "average"): Many of the charts present trends in ratio averages, adjusted for outliers. The method used is to eliminate or "trim" out the highest 10% and the lowest 10% of ratio values, and average the remaining values.

Aggregate: In some cases, the trimmed mean method is not appropriate (e.g., when many banks have zero values for a particular ratio, or, for example, for some growth rates where there may be many highly positive and highly negative values). In these cases, District aggregates sometimes are computed (i.e., summing numerator values across all District banks and dividing by the sum of all denominator values; as opposed to averaging individual bank ratios). When an aggregate is used, it is indicated on the chart.

Industrial banks and savings institutions: The main focus of this report is on commercial banks. Industrial banks and savings institutions have different operating characteristics so are highlighted separately in Section 2. There, the saving institution data include institutions that file the bank Call report plus those that up until recently, filed the thrift Call report.