



12th District Banking Profile

Federal Reserve Bank of San Francisco
Banking Supervision & Regulation

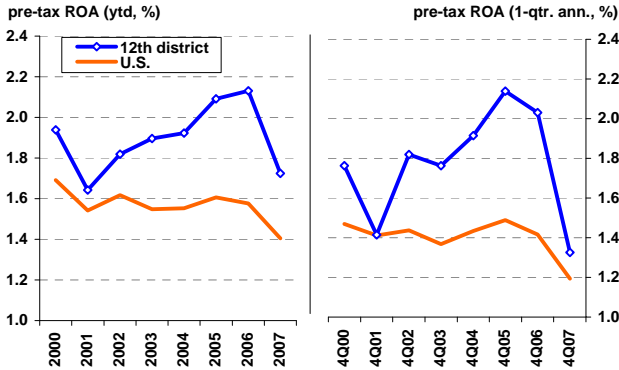
December 31, 2007

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

Highlights

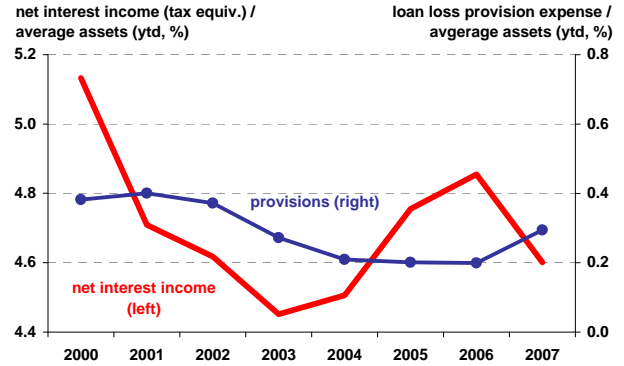
- Earnings deteriorated significantly
- Both margin compression and provision expense requirements weighed on profits
- Delinquencies continued to increase, especially among construction portfolios
- District construction loan problems were widespread, but especially high in California and Arizona
- Construction loans exceed home mortgages at most banks
- Investment portfolios are relatively small in the District, which may limit exposure to bond market woes

Bank profits sank, especially in the fourth quarter



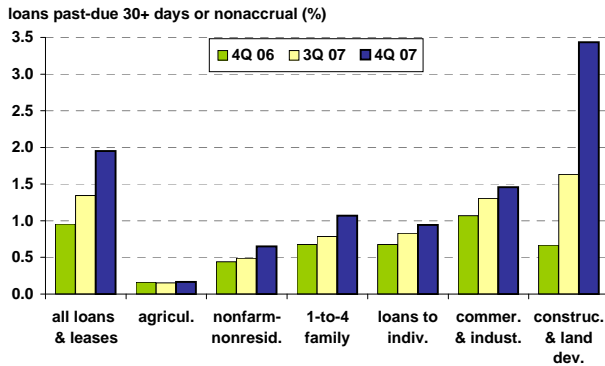
data are trimmed averages among banks > 3 years old; ytd is year-to-date

Margins and provisions were mainly to blame



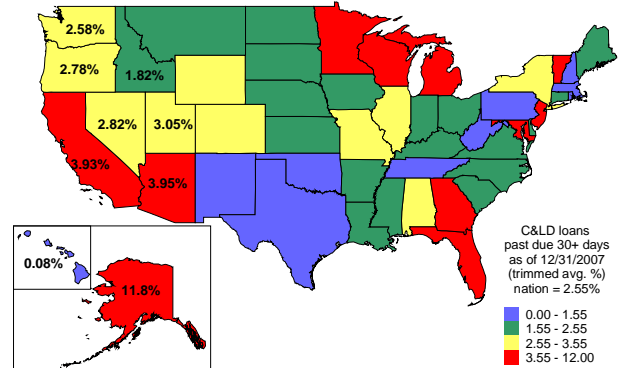
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Loan delinquencies intensified



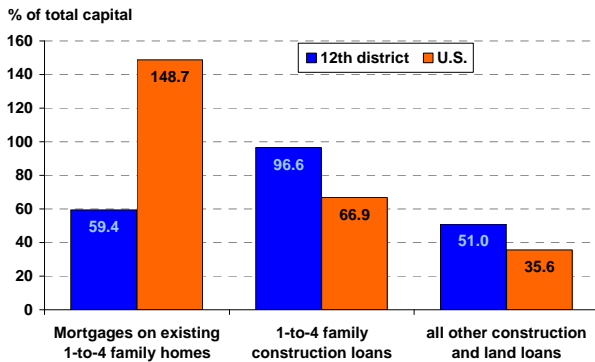
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C&LD past-dues were high in many District states



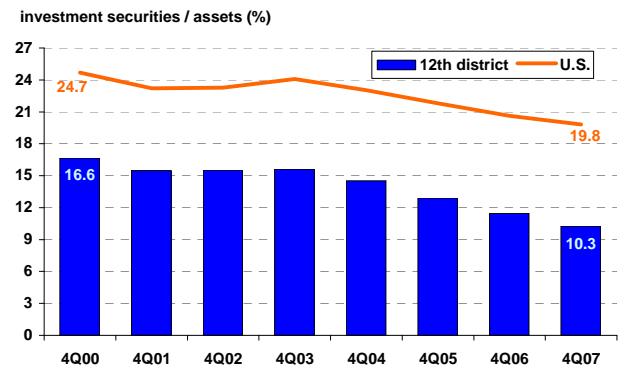
data are trimmed averages among banks > 3 years old; C&LD is construction and land development

District exposures to housing center in construction



data are trimmed averages among banks > 3 years old

District banks hold relatively small bond portfolios



data are trimmed averages among banks > 3 years old

I. Summary Items	12th District			United States		
	Dec-07	Sep-07	Dec-06	Dec-07	Sep-07	Dec-06
average bank asset size* (millions)	\$ 722	\$ 728	\$ 663	\$ 227	\$ 222	\$ 214
number of commercial banks	587	585	577	7,275	7,296	7,397
state member	44	44	45	875	874	899
national	107	111	113	1,630	1,657	1,713
nonmember	436	430	419	4,770	4,765	4,785
memo: portion < 3yrs old	21.5%	21.0%	19.4%	7.0%	6.8%	6.3%

II. Balance Sheet Highlights	Average 12th District Bank*			Average U.S. Bank*		
	Dec-07	Sep-07	Dec-06	Dec-07	Sep-07	Dec-06
selected loan concentrations (as % of total capital)	%	%	%	%	%	%
construction & land development	134.8	132.9	127.5	68.2	67.1	63.0
multifam., nonfarm-nonresid., & other CRE purp.	247.5	242.7	244.7	158.0	154.9	154.6
total commercial real estate (CRE)	402.9	396.3	393.3	236.6	232.4	227.9
1-4 family RE (includes home equity)	59.4	57.7	60.6	148.7	146.9	149.6
commercial & industrial	111.6	107.4	106.5	96.2	94.4	94.4
agricultural lines & farmland	10.5	10.7	11.3	70.4	71.2	69.0
consumer	17.0	16.3	17.6	40.2	40.4	42.2
liquidity and funding	%	%	%	%	%	%
net loan growth rate (year over year)	15.3	15.7	18.1	8.2	7.7	9.0
net loans / assets	75.5	74.3	72.7	66.1	66.4	65.3
core deposits / assets	60.4	61.5	61.3	66.5	66.5	67.3
net noncore funds dependence	26.1	23.3	21.9	17.5	17.3	15.7
pledged securities / securities	44.7	44.5	42.2	48.6	47.9	47.3
tier 1 leverage ratio	11.1	11.2	10.9	10.1	10.2	10.1
total risk-based capital ratio	14.3	14.5	14.4	15.3	15.5	15.6

III. Performance Measures	Dec-07	Sep-07	Dec-06	Dec-07	Sep-07	Dec-06
	earnings (year-to-date annualized)	%	%	%	%	%
return on average assets	1.16	1.28	1.43	1.05	1.12	1.16
net interest income (tax equiv.) / avg assets	4.60	4.66	4.86	3.87	3.88	4.00
noninterest revenues / avg assets	0.74	0.78	0.79	0.72	0.72	0.73
overhead expenses / avg assets	3.46	3.46	3.49	3.05	3.01	3.05
loan loss provisions / avg assets	0.29	0.21	0.20	0.17	0.13	0.14
efficiency ratio (overhead / revenue)	62.6	61.5	59.6	65.7	64.6	63.8
asset quality	%	%	%	%	%	%
noncurrent loans / total loans	0.93	0.59	0.39	1.01	0.91	0.71
loans past due 30-89 days / total loans	0.89	0.65	0.51	1.35	1.18	1.11
loans past due 30+ days + noncurrent / total loans	1.95	1.34	0.95	2.46	2.19	1.92
allowance for losses / loans & leases not held for sale	1.33	1.28	1.28	1.27	1.27	1.29
net charge-offs / avg loans (ytd annualized)	0.19	0.12	0.10	0.19	0.13	0.13

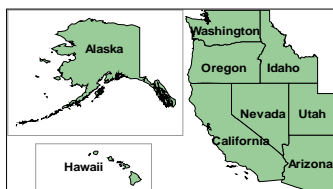
IV. Examination Data	% rated 3, 4, 5, "needs to improve" or worse**	12th District		United States	
		Dec-07	Dec-06	Dec-07	Dec-06
<p>Problem institution levels ticked up in 2007</p> <p>share of institutions rated 3, 4, or 5 or "needs to improve" or worse (%)</p> <p>includes 12th district commercial banks; data as of December 31st for each year</p>	overall safety & soundness	6.1	5.0	5.5	4.3
	capital	3.2	2.9	2.8	1.9
	asset quality	5.5	4.3	7.6	6.1
	management	9.7	9.3	7.8	6.9
	earnings	29.0	25.9	17.6	14.9
	liquidity	5.5	5.4	2.6	2.6
	sensitivity to market risk	4.5	3.5	3.3	3.0
	community reinvestment	1.1	-	0.6	0.4
	consumer compliance	5.2	6.1	3.5	3.8

* averages are trimmed means (upper and lower 5% 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 ("outstanding", "satisfactory", "needs to improve", or "substantial noncompliance")

Sources: Federal Reserve financial & exam databases. This report and other Banking Supervision & Regulation publications are available at www.frbsf.org/publications/banking/index.html. For additional banking data, visit www.frbsf.org/banking/data/regional.

Federal Reserve District 12



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